

ECONOMIC AND POLITICAL

WEEKLY

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A PEOPLE'S BILL**

■ **HOUSING SCHEME FOR
BOMBAY'S SLUM-DWELLERS**

■ **FIGHTING INFORMAL CENSORSHIP**

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WEEKLY

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Managing Natural Resources

In place of the present incredibly fragmented bureaucratic system, it is necessary to institute two basic regimes of environmental management: a supply regime for fulfilling the natural resource demands of the local people as well as the larger economy and a safety regime focusing on provision of ecosystem services and conservation of biological diversity. It is also necessary to create a system of positive incentives to ensure maintenance of high levels of biodiversity in the supply regime, especially through protection of smaller safety zones and provision for basic needs of people in the larger safety sites. An alternative programme of action formulated as a People's Natural Resource Management Bill. 2501

Castles in the Air

The Maharashtra government has formulated a scheme for housing slum-dwellers in Bombay under which 'pucca' buildings are to be built for them by builders anxious to make profits out of the free-sale component that is offered as an incentive. A careful examination of the scheme makes it clear, however, that implementing it is not a matter of serious concern for the government. A few free lunches there may well be, but nowhere near 40 lakhs. 2473

The Afzalpurkar report on housing Bombay's 40 lakh slum-dwellers fails to take its implications to their logical conclusion. With procedures of transit accommodation not clearly worked out and no commitment on the part of the state towards infrastructural development, the scheme has generated a lukewarm response among builders and may face opposition from the slum-dwellers themselves. 2477

UN and Globalisation

The new framework of global 'integration' poses a threat not only to the integrity of nations and cultures, but also to the state system as it has evolved over the centuries and seeks to displace the United Nations as a basis for providing unity and order. Along with the nation-state, the UN too is losing its autonomy and its role in world affairs, both in the maintenance of peace and security and in the broader areas of development, culture, human rights and the defence of basic values. 2513

Resource Poverty and the Poor

The debate over where scarce R and D resources should be allocated — to the more poorly or better endowed regions — is often clouded by largely unsubstantiated views about where the bulk of the poor are located. The widely-held view that a disproportionate number of the poor are to be found in the more marginal environments is not supported by evidence. 2494

Informal Censorship

In the smaller towns and areas outside the metropolises, books, journals and pamphlets are being subjected to informal censorship by the authorities. 2472

Centre-State Fiscal Transfers

In contrast to its dynamic interaction with the states in the field of tax reform in the area of inter-governmental fiscal transfers the centre has been diffident and pessimistic. Against this background the recommendations of the Tenth Finance Commission in its Alternative Scheme of devolution are appropriate and timely. 2518

Cuba: The Renewal

While Cuba repudiates *laissez-faire* as the way to national reconstruction, in what is now officially celebrated as 'the special period' there is a radical break from the inflexibility of an earlier brand of socialism by vastly extending the scope of the market that functions within the framework of a comprehensive national plan. And the sweeping internal changes which are transforming Cuba are taking place at a time when, US machinations notwithstanding, the country's long isolation is clearly coming to an end. 2487

Politics as Property

The social urge represented by the toppling of N T Rama Rao in Andhra Pradesh demands economic and industrial modernisation and, for that, efficient and quick-acting governance of the type that has made men like Pratap Singh Kairon and Sharad Pawar famous. It is here that NTR is perceived by a substantial segment of the state's elite as having failed. 2482

LETTERS TO EDITOR

Crop Growth in West Bengal

APROPOS of the debate on agricultural growth in West Bengal (March 26, 1994 and subsequent issues of July 16, July 30, October 22 and November 19 of the last year), Madhura Swaminathan, one of the authors of that scholarly study, has since revealed (*Frontline*, March 24, 1995) some new facts which may be of interest to *EPW* readers. These are, in her words:

The data series from the BAES is not available to independent researchers (and the government of West Bengal has noted that the BAES estimates of production are lower than those of DOA). It is also of note that the government of West Bengal has decided to return the task of preparing the sample frame to the BAES from the Land Revenue Departments. [DOA stands for Department of Agriculture]

The above clearly vindicates two of my points relating to the quality of crop-data of West Bengal. Swaminathan did not however mention the source of her above pieces of information. One may however reasonably guess that the source was a sheet of unsigned paper (may we term it, borrowing from diplomatic lexicon, a non-paper?) informally circulated by a GOWB spokesman during a seminar on 'Agricultural Growth and Agrarian Structure in Contemporary West Bengal and Bangladesh' held in January this year at Calcutta. Though I was not a participant, James K Boyce kindly showed me a copy of that non-paper at a meeting with him arranged by A Saha (co-author of the *EPW* article of March 26, 1994). At that meeting Swaminathan was also present. In that non-paper GOWB admitted that the total production of foodgrains would be less than the official figure during the years 1979-80 to 1985-86 (excepting 1981-82) if the estimates of yield figures furnished by BAES were accepted by DOA. Secondly, while announcing that BAES was now entrusted, in partial modification of the procedure laying down the sole involvement of amins of the Land Revenue Department as practised since 1986-87, with the task of preparation of sampling frames of crop cutting experiments, GOWB reported through the same non-paper that the proportion of experiments performed by BAES for aus crop (early Kharif rice) in the originally intended sample plots increased from an inadequate 59 per cent in 1993-94 to 80 per cent in 1994-95. It was also expected by GOWB that during the aman season of 1994-95 this percentage would rise to about 90. GOWB was however totally silent about DOA's percentages. *EPW* readers may now themselves form a fair idea of the depth of the iceberg hidden under-water. In the pre-1986-87 era it was all open, which state of affairs helped Boyce build up his revised series of crop data for the 1960s and 1970s.

Regarding the post-1985-86 period, even if the BAES production series are available, I would like to record this note of caution for researchers: that the figures are unlikely to reflect reality because of the sample of crop cutting experiments being affected by large-scale substitution as admitted by the government.

Now a few words from my side. The first is the related point of upwardly biased estimation of yield from crop cutting samples stained by large-scale substitution. Here the crop wheat is discussed. In the report of the Agriculture Census 1985-86 of West Bengal (which was published in 1993 and came to my notice much later) it is given that 25.55 per cent of WB's wheat crop area in the year was unirrigated. DOA however reported in WB's *Economic Review* that 100 per cent wheat area came under HYV. If both the figures reflect realities, it would imply that HYV wheat could be sown on unirrigated plots as well. It may reasonably be presumed that such crops would be harvested earlier and their yield would be less than that of irrigated HYV. In such a situation there was every likelihood of unirrigated low-yielding wheat crop being missed during crop cutting experiments and substituted by the late ripening irrigated crop giving higher yields. In that case, wheat yield as estimated from samples composed of a substantial number of substitute experiments on late crops would be upwardly biased. I regret I did not envisage such a situation for wheat earlier.

As an example of 'agency-bias' (engineered by departmental motivation) in my last note (*EPW*, November 19, 1994) the official figure of 6.5 lakh tonnes of meat production for 1987-88 was shown to far exceed the credibility limit. For the interested readers I would like to state that it has

now been scaled down to 4 lakh tonnes for 1993-94 in the WB's *Economic Review*, 1994-95. Who should be (dis)credited for such a sharp decline in the state's meat production (statistics)? Anyway, it is good that the bloated belly has burst in six years' time. Incidentally, would someone in GOWB tell us about the basis of such grotesque (food) figures of West Bengal?

S DATTA RAY

Calcutta

Peace in Punjab

HERE today, gone tomorrow.
All his minions have wept in sorrow.
Beant Singh, got the fatal sting-
Despite that strong security ring.
Oh! Death, you can be justly proud,
Of victims, Punjab gives you a crowd.
Punjabis love war all the time,
At all places, in every clime
Our hearts were big, now, our Egos are taller,
Here, none is equal, everybody else is smaller.
Lalas are the butt of jokes among Martial Races:
At poor Harijans, Agriculturist Tribes make faces.
Young men dance to our martial tradition,
And forces chop them off for the Nation.
Akalis quarrel for a Sikh Nest,
Congress fights only to look the best.
BJP squirms as here it does not count,
Commies send sermons from their Red Mount.
Green Revolution has blood flowing-
Coffers are full, yet, misery is growing.
Injury incites anger, our preachers say,
In such a land, can Peace ever stay?

BHUPENDRA YADAV

Chandigarh

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The Rogue Sector

DIVERSIFICATION of the financial system has received a tremendous impetus in the post-liberalisation period. The growth of non-banking financial companies (NBFCs) and of the deposit-accepting activities of non-financial (essentially manufacturing, trading and processing) companies has been especially spectacular. After the report of the Joint Parliamentary Committee (JPC) on irregularities in securities and banking transactions, the authorities have also taken brisk action to regulate the activities of NBFCs. So the situation is one of a tug-of-war between the regulatory authorities, the Reserve Bank of India specifically, and the NBFCs. The JPC was very categorical that the NBFCs had "played a dubious role in the scam". It drew attention to how over a period of years an entirely new sector of financial activity was allowed to grow and flourish without any thought being given to the deleterious consequences of such activity and without recognising the limitations of the RBI Act in dealing with these consequences. Subsidiaries of public sector banks showed considerable ingenuity in these dubious games.

The series of measures taken by the RBI, particularly after the submission of the A C Shah working group report on financial companies which was itself a sequel to the JPC report, have nevertheless been quite substantial. Earlier, only the deposit-acceptance activities of NBFCs were being regulated under Chapter III B of the Reserve Bank of India Act, specially introduced in 1984. As for informal credit agencies, in 1982 a legislation to regulate conventional chits, namely, the Chit Funds Act, 1982, was passed, which the various states have adopted. Earlier, an act of parliament had banned the conduct of prize chits, savings schemes and money circulation schemes; these benefited primarily their promoters and did not serve any social purpose and hence they were banned on the recommendation of the James Raj committee (1974). The banking laws amendment of 1984 also introduced a new Chapter III C in the RBI Act titled as 'Prohibition of Acceptance of Deposits by Unincorporated Enterprises'. In terms of its provisions, the number of depositors from whom deposits could be accepted was placed at 25 in respect of individuals and at 25 depositors per partner, subject to a ceiling of 250 depositors per firm/association. The restriction was on the number of depositors and not on the amount of deposits so as to protect small and unwary depositors. Both the regulations on chit funds and on deposit acceptance by unincorporated enterprises were challenged before the Supreme Court but the court upheld them as reasonable and constitutionally valid. The enforcement of these two laws is supervised by the state governments and

there have been reports of slackness on the part of the latter with demands that some of the powers be vested with the RBI.

The RBI governor and government spokespersons have spoken recently of amendment of the RBI Act towards this end. More significantly, additional powers need to be conferred on the RBI so that not only deposit-acceptance but also the assets side of the NBFCs' balance sheets are brought under the RBI's overall regulation and supervision.

Even before the enactment of new legislation, the RBI has introduced a series of regulations to ensure a degree of financial discipline among NBFCs. Apart from the stipulations regarding the duration of deposits, maximum rates of interest (14 per cent at present) and maintenance of minimum liquid assets (restored to 15 per cent of deposits), the RBI has issued detailed guidelines prescribing prudential norms, similar to those for commercial banks, for NBFCs and residuary non-banking financial companies covering income recognition, accounting standards, capital adequacy (8 per cent risk-weighted) and concentration of credit and investments (generally not more than 15 per cent of net owned funds to a single party or 25 per cent to a group). A major recommendation of the A C Shah committee, which has been accepted, relates to the requirement for all financial companies including residuary companies, with net owned funds (NOFs) of Rs 50 lakh and over to register themselves with the Reserve Bank. The working group also suggested that such companies should get themselves rated for their fixed deposits by one of the three recognised credit rating agencies. In return and as a liberalisation measure, NBFCs registered with the RBI would be allowed higher limits on acceptance of deposits equal to 100 per cent of their NOFs against the then existing limit of 25 per cent and 15 per cent of NOFs from the public and from shareholders, respectively. Companies not registered with the RBI or failing to get the minimum credit rating would have to bring down their deposits (including inter-corporate deposits and borrowings) to the 25 per cent and 15 per cent levels.

More noteworthy is the restriction placed on lending by commercial banks and financial institutions to NBFCs. In September 1994 the limit for bank borrowings for equipment leasing and hire-purchase companies not having 75 per cent or more of their assets or 75 per cent or more of gross income from these two activities was reduced from four times their NOF to three times; the other major equipment leasing and higher-purchases companies continued to enjoy the four times limit. For investment and loan companies, the limit was reduced from three to two times the NOF. In April this year all these limits were further reduced by one multiple each of

the NOF. In September 1994 commercial banks/financial institutions were prohibited from granting bridge loans or interim finance to NBFCs against capital/debenture issues. In April this year the ban was extended to all companies (including finance companies). The restrictions on banks' and other institutional lending to finance companies is a circuitous way of regulating the latter's lending activities. At present there are no legal provisions for regulating the assets side of their balance sheets. Hence the case for enactment of the draft bill prepared by the RBI on the recommendations of the A C Shah working group.

The monetary authorities' anxiety over the rapid growth of NBFCs is understandable. The aggregate deposits (including bank borrowings) of just 12,350 non-banking (financial and non-financial) companies shot up from Rs 1,50,227 crore at the end of March 1993 to Rs 2,10,979 crore at end-March 1994, a rise of Rs 60,752 crore or 40.4 per cent. In that year non-food bank credit had expanded by only Rs 37,797 crore. Aggregate deposits of just the financial companies rose from Rs 43,447 crore to Rs 58,702 crore, a rise of Rs 15,255 crore or 35 per cent. At a recent meeting with the Confederation of Indian Industries (CII), the RBI governor revealed that, despite the various restraints, credit limits sanctioned by banks to leasing and hire-purchase companies had gone up by Rs 915 crore during April 1 to September 2, 1995 against a rise of Rs 391 crore in the corresponding period of last year.

Some of the major aspects of the growth of the NBFCs have been brought out by a recent study by the ICICI on the financial performance of 150 non-banking financial companies in the private sector. Total assets of these companies went up from Rs 18,301 crore at the end of 1991-92 to Rs 28,808 crore at the end of 1993-94, a compound growth of 25.5 per cent per annum. Apart from investments made in fixed assets, the NBFCs' clout in the financial market is evident from the increase in their cash and bank balances from Rs 752 crore to Rs 1,551 crore (106 per cent), in their investments from Rs 1,142 crore to Rs 2,175 crore (90 per cent) and in trade bills purchased from Rs 608 crore to Rs 1,992 crore (216 per cent). By comparison, their loans and advances have risen by only 36 per cent from Rs 5,684 crore to Rs 7,675 crore in two years. On the liabilities side, the largest increase has occurred under the head 'unsecured loans and deposits' from Rs 4,999 crore to Rs 8,640 crore, a rise of 72.8 per cent in two years. Borrowings from banks for working capital rose by 43 per cent, from Rs 808 crore to Rs 1,156 crore; in addition, long-term borrowings from banks and financial institutions rose by 38 per cent from Rs 2,329 crore to Rs 3,210 crore. The profitability of the sample finance

companies studied by the ICICI also stands out. Gross profits galloped from Rs 997 crore in 1991-92 to Rs 2,077 crore in 1993-94 (by 108 per cent), profits before tax from Rs 520 crore to Rs 1,223 crore (135 per cent) and profits after tax from Rs 412 crore to Rs 1,061 crore (157 per cent). Significantly, tax provision as percentage of profits before tax declined from 20.2 per cent in 1991-92 to 15.2 per cent in 1992-93 and to 13.3 per cent in 1993-94. The present tax laws permit what the ICICI study calls 'good tax planning' by claiming high depreciation on leased assets. If a minimum taxation of even 25 per cent were imposed on these companies, the exchequer would have earned Rs 306 crore against the Rs 162.50 crore actually provided by the 150 finance companies. Unless the deployment of funds by the finance companies is regulated, their clout over the economic system, particularly through playing the equity and bonds markets and the real estate market, may assume dangerous proportions. For this the inadequacy of the powers vested with the RBI and of the monitoring arrangements will be to blame.

POLITICS

Cracks in BJP

THE cracks in the BJP in Gujarat, Uttar Pradesh, Madhya Pradesh and Delhi are a slap in the face of the party's arrogant claim of offering stable governments to its voters and an image of a disciplined party capable of delivering the goods. The Gujarat developments in particular reveal that its leaders and legislators are as bad as other politicians when it comes to matters like squabbling over the spoils of office. Notwithstanding the strenuous efforts by the RSS brains trust to bind together the different affiliates of the 'Sangh parivar' into a monolithic family around a spurious ideology called 'Hindutva', at the ground level the lure of the more attractive booty available from the present political system appears to prevail over whatever ideological commitments the BJP legislators might have.

The BJP leaders are trapped on the one hand by their pretentious self-projection as the rulers of India from next year onwards, and on the other by their attempts to be over-smart in using militant 'Hindutva' to gain popularity. Given the credentials of the BJP legislators in many states – a large number of them found to be a part of the underworld, just like their counterparts in the other political parties – it is becoming difficult for the BJP national leadership to live up to the image of a clean party that it had been trying to build up all these years. While the open revolt by Shankersinh Waghela in Gujarat and the acrimonious exchanges in public between the two factions of the party there are the extreme

manifestation of the rot that has set in in the organisation, rumblings within the BJP ranks and state leaders in Uttar Pradesh, Madhya Pradesh and Delhi are premonitions of a Gujarat-type humiliation that is in store for the Advanis and Murli Manohar Joshis who had been patting each other on the back in a self-indulgent fantasy of ruling India.

In their ambition to capture power, the BJP leaders were bound to open their doors to all sorts of characters – political careerists, criminals, mercenaries, brokers who could ensure them votes, either through muscle-power or economic manipulation. Even their own trusted leaders in the states, those trained in the rigorous RSS norms, have apparently fallen for the lure of the lucre, as evident from the charges of corruption against BJP ministers and MLAs. Like many other political parties which started from a firm commitment to moral principles and were later dragged down into the mire of corruption and criminality by the compulsions embedded in the Indian political system, the BJP also is going through the same process. We are thus entertained with the amusing spectacle of its leaders defending their decision to lend support to the BSP in a bid to overthrow Mulayam Singh Yadav's government in UP, and getting peeved when the Congress Party adopts the same tactics in Gujarat to oust the BJP government there by supporting the BJP rebels.

In order to propagate militant 'Hindutva', the BJP depended on muscle power and outfits like the Bajrang Dal attracted goons from all over the country. These elements which were used against Muslims and secular forces soon after the demolition of the Babri masjid are now being employed by one faction against another within the BJP. In Delhi some time ago organisational elections in the party's Mehrauli district unit had to be put off because of pitched battles between followers of two rival candidates. In Maharashtra, the BJP is realising to its chagrin that when it comes to muscle power, the Shiv Sena can go one better. Fears of reprisal restrain the BJP leaders and workers from publicly protesting against the humiliation that they suffer at the hands of the Sena. But such abject surrender is creating rumblings of muffled protest against the leadership among the ranks, as in UP again where stalwarts like Kalyan Singh are being snubbed almost every day by Mayawati and Kanshi Ram, while the national leaders remain silent spectators to the duo's campaign of ridicule against Ram – the darling of BJP's ideology of 'Hindutva'. The simmering discontent among the ranks in UP exploded recently during elections to the city and district units of the party in the state when, as in Delhi, violent clashes broke out between supporters of rival factions.

One can, however, discover a silver lining in the crisis of the BJP. If nothing else, at

least the great leveller in the Indian political system – the trinity of corruption, criminalisation and internecine feuds – has finally caught up with the BJP. That is the only hope for the decimation of what threatens to be a malignant tumour in Indian society.

MAHARASHTRA

Divide and Rule

THE BJP-Shiv Sena government has announced that it would withdraw the 1,100 cases, filed under the Prevention of Atrocities Act, in connection with the agitation for renaming the Marathawada University. By shrewdly segregating the issue of renaming from others on which cases have been filed under the anti-atrocities act in the state the government has targeted the neo-Buddhist segment amongst the dalits. With the elections round the corner, this move aims to keep Marathawada polarised.

The neo-Buddhists, who were in the forefront of the movement for renaming the Marathawada University as Dr Babasaheb Ambedkar University, were selectively hunted, their hutments burnt, and rendered homeless in the violence the dominant castes unleashed in Marathawada in 1978. The issue remained unresolved for several years. With the enactment of the anti-atrocities act in 1989 there was a sudden increase in the number of cases filed by the dalits. But it is wrong to presume that this increase is solely because the dalits, especially the neo-Buddhists, decided to take revenge on the 'savarnas', an impression which the BJP-SS government is avidly circulating.

In fact, throughout the 1980s, Marathawada witnessed several agitations demanding the regularisation of encroached lands in the names of dalits. The land ownership pattern in Marathawada is highly skewed with a sizeable number of landlords owning land between 50-1,000 acres and an ever increasing number of dalits joining the ranks of landless labourers. When the dalits encroached on government fallow pasture lands on the outskirts of the villages and started to till them, there was severe shortage of agricultural labourers for the landed castes, and as a consequence, agricultural wages shot up. Many clashes occurred between the dominant castes and the dalits. The dalits were boycotted, denied groceries and agricultural implements, cattle were let loose on their standing crops and the crops destroyed. Many gram panchayats, dominated by landed castes, passed resolutions transferring the pasture lands to social forestry departments. In 1978 the Maharashtra government, then under the chief ministership of Sharad Pawar and the Progressive Democratic Front, passed a resolution regularising encroached lands till March 31, 1978. But the follow-up suffered neglect – encroached lands were

not clearly delimited nor were appropriate maps issued. The dalits, bereft of vital documents, especially caste certificate, were unable to claim their rights. Hence, even though a similar resolution was passed by the Sudhakarrao Naik government in 1991, the birth centenary year of Babasaheb Ambedkar, matters seemed to have hardly improved. In 1994, the 4,132 cases filed under the anti-atrocities act, most were of rape, murder, arson, etc. due to the animosity over the land issue, remained pending in the courts of Maharashtra. As did the 1,753 cases filed under the Protection of Civil Rights Act, 1955, remained pending. Maharashtra is one of the many states which has not instituted special courts under the anti-atrocities act to expedite cases. Till now, out of 3,606 cases filed in Marathawada under the anti-atrocities act, only in 17 per cent has the accused been convicted. Between 1976 and 1993 the accused have been released in 603 out of 907 cases in the Aurangabad division, giving the lie to the BJP-SS government's claim that the cases were filed with the intention to spite the upper castes.

Besides withdrawing the 1,100 cases, the BJP-SS government has also recommended the central government to dilute the severity of the penalties prescribed in the act. But what is the ground reality in Marathawada? A survey conducted by Nirmala Niketan in 95 villages of four districts of Marathawada, namely, Latur, Nanded, Osmanabad and Beed, shows that dalits are subject to harsh treatment even after 48 years of independence. Even today the dalits are barred from 80 per cent of temples and 85 per cent of upper caste houses. In many villages dalits are served tea in separate cups by hoteliers and there are separate dinner sittings for dalits at the marriage ceremonies of the upper castes. In every village surveyed there were separate burial grounds for dalits and the upper castes and in more than half the villages dalits still hold 'polluting' occupations such as scavenging and removing carcasses. In such a feudal set up, it is but natural that the dalits, especially the neo-Buddhists, should become targets of the upper caste ire when they started to openly defy and challenge the village level authority. In the riots that rocked Marathawada in 1978, those neo-Buddhist families which had contested the elections or had got members elected to the post of sarpanch, had participated in the attempts to draw water from public wells, had taken out processions on 'Ambedkar jayanti', had given up the demeaning traditional occupations, or earned enough wealth to purchase land, were assaulted and had to migrate to the cities. In the anti-renaming riots of 1978, Pochiram Kamble was lynched to death in Temburni and his avenging brother, Chandar Kamble, was also eliminated. In 1991 Ambadas Savane, a kotwal, was stoned to

death for seeking shelter in a temple during rains in Deshmukh Pimpri in Parbhani district. In the same year, Satava Kamble and his two sons were hacked to death in Gothala in Latur district in connection with an inter-family feud. Under such oppressive conditions, the dalits found the anti-atrocities act an effective tool in stemming upper caste tyranny. The upper castes were put on the defensive with many seeking out of court settlements. Hence, the recommendation of the state government to modify provisions in the act is discriminatory. Instead of further arming the weak, this step intends to subject them to worse travails.

The recent assembly elections saw Shiv Sena, which has fomented hatred for the dalits among the caste Hindus, articulating the anger of the landed, aristocratic Marathas of Marathawada at the renaming of the university in 1994. It was the elected group of rebel Congress leaders from Marathawada who extended support to the minority government of the BJP-SS. The threat of Divakar Raote to go on hunger strike if the assurances given to the Marathas of Marathawada were not implemented was staged to give the impression that the issue had popular support. In fact the threat was aimed to rally together other supporting rebel Congress MLAs from Marathawada and isolate the disgruntled Ashok Patil Dongaonkar. But it is shameful that the major opposition party in the state, the Congress, has not come out strongly against the government's decision. Embroiled in internal rivalry and partly out of an intention not to alienate the caste Hindu votes of Marathawada, the state Congress leadership has shown cowardice and opportunism. Only the republican leaders have voiced their protests, the dalits being their constituency. But the overall message of the BJP-SS government is clear: As with Muslims, it does not give a damn for the neo-Buddhists, neither of whom form the electoral base of the ruling coalition.

WASTE PACT

Local vs Global

THE Third Conference of Parties of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (COP III) has unanimously adopted what has been termed the Basel Ban proposal sponsored by the Nordic countries which prohibits transboundary trade in all wastes including those meant for recycling. India was forced to reverse its earlier decision to vote for the alternative draft proposed by the OECD which made a distinction between disposable wastes and recyclable wastes. However, the amendment as passed is a considerably watered down version of the original draft.

India's capitulation followed the decision of the European countries, forced to accommodate green political opinion, to support the Nordic draft. The diluted amendment offers several loopholes which India could exploit in order to ensure the continued import of 'recyclable' wastes.

The amendment is a follow-up to the decision taken at COP II in March 1994 – Decision II/12 – which was a response to the request made by G-77 countries for greater controls on the movement of hazardous wastes especially to third world countries. This was based on growing evidence that Asian and African countries were being used as dumping grounds for hazardous wastes on the pretext that these were for recycling. Decision II/12 had two major components: the movement of disposable wastes from OECD countries to non-OECD countries be banned with immediate effect; while the movement of recyclable wastes be prohibited from January 1, 1998.

India's argument has been, and is, that the recycling industry which depends on the import of wastes employs a large workforce and is a significant part of the industrial sector, and a ban on waste imports would put this sector in jeopardy. And yet, there is available no real estimate of either the workforce or the spread of such industry. India imports metal wastes, zinc ash, lead dross, mineral tailings, etc. The original Basel Convention's criteria for allowing the import of such wastes was based on a tacit acceptance of the needs of such industries in third world countries. While in industrial countries the process of recovery would be too high to be viable, in poorer countries, with the availability of cheap labour, these wastes could be fully utilised, provided there were adequate pollution controls. What has been ignored, however, is the fact that most third world countries have very poor and ineffective mechanisms for controlling and monitoring pollution. In India for instance, although there exists codified rules for the handling of hazardous wastes, most recycling industries, a majority of which are in the organised sector, do not conform to these rules. And nor are there mechanisms which can track down and punish offenders.

On the eve of COP III, a group of environmentalists led by Greenpeace released a report about the lack of controls for waste disposal and handling in a state-sector 'secondary' zinc producer, Bharat Zinc. Whether these allegations are true or not, the point is that the department concerned has little control over these matters, even in the organised sector, leave alone the thousands of small producers. This, in fact, is the problem with regard to global environmental protection mechanisms. While third world countries sign conventions and become parties to agreements, the only way they can keep the promises they

make is in fact, to kill the unorganised sectors of industry. And yet, with the acceptance of structural adjustment programmes, production will be increasingly shifted to the unorganised sector. What will happen in effect is that those requirements of international agreements which will affect transnational movements will be better monitored, while those that have an impact at the local level – local consumers or workers or the environment – will be neglected. A case in point is the azo dyes issue (*EPW*, July 15). Another issue is the environment ministry's decision to prohibit the setting up of industries which would manufacture ozone depleting substances, while doing nothing about large multinational companies manufacturing hazardous substances. Moreover, when the technology changeover takes place, India would become an importing country, since it does not manufacture adequate quantities of alternative chemicals. Thus, unless there is a concomitant commitment on the part of third world governments to protect their local environments and ensure the security and livelihoods of their people, the global environment movement may ironically enough jeopardise lives and livelihoods in the developing world.

NUCLEAR TESTS

Multi-hued Protest

CHIRAC's ambition of gaining popular support by pursuing what is now seen, especially in Europe, to be a wholly irrelevant goal of securing French sovereignty by creating and maintaining a nuclear defence capability is getting him into deep trouble, both at home and abroad. Sheer pig-headedness has now resulted in a second more powerful detonation in the Muroroa atoll in the South Pacific. Quite apart from the widespread protest in Europe, Australia, New Zealand and of course the South Pacific islands, an opinion poll has shown that over 78 per cent of the French are against the development of a new generation of nuclear weapons for which the tests are deemed necessary. Interestingly, more than 1,200 French scientists and 1,000 others from Europe have jointly issued a letter in which they have pointed out that there are alternative ways of testing even if such new systems were thought to be necessary.

It is entirely possible that Chirac in deciding to resume testing after a gap of eight years quite misinterpreted the lull in the peace movements which had been so vocal during the cold war years in Europe and elsewhere. The fact that there is hardly an environment movement in France and that the country has been going ahead with the largest nuclear energy programme in the world with little protest probably contributed to the lack of appreciation of the new

concepts which have emerged in the wake of the new international order. With the legitimisation of environmental concerns in the form of international conferences, conventions and agreements, France could certainly not have tested its devices within Europe. However, whereas in another time and age, the testing of nuclear devices in a colony far removed from Europe would have been acceptable, today it is not. And not the least of the reasons is the protest from the big nations neighbouring the Muroroa atoll, Australia and New Zealand. A significant factor for the continued and growing protest has been the emergence of what is being termed the concept of environmental sovereignty which places global concerns over national. Thus the fact that the atoll sinks an inch with every explosion and that the radiation released by the tests are trapped, safely for now, within the geological formations with no future guarantees against their release, are sufficient reasons for protests not just in the South Pacific areas but in Europe and the US as well. While, undoubtedly, narrower concerns prevail among a section of the protestors and the governments demanding that the French tests be abandoned, a broad enough consensus has clearly emerged which is largely green, not necessarily red, but definitely anti-nuclear.

Another development has also contributed to the protests: the independence movement in French Tahiti has linked the stopping of the tests to the granting of independence to French colonies in the region. The argument, which made a forceful impact last month, is that unless France grants freedom to these colonies, there will be no way of controlling the destruction of the region through its use as a testing ground. The recent US decision to participate in the creation of a South Pacific Nuclear Free Zone which will ensure that the signatory nations will refrain from transporting, testing and even using the threat of nuclear weapons against countries in the region will laterally strengthen the movement. Interestingly, Australia and New Zealand have, when accused by France of supporting the independence movement and wanting French interests out of the region, rather promptly denied the charge. While both have taken strong action against France, and it is likely that the 50th session of the UN General Assembly may see the passage of a resolution protesting against the French tests, they have more limited objectives – to prevent the destruction of the South Pacific area, which is bound to affect them. Ironically, and rather short-sightedly, India has refrained from supporting the protest. At the IAEA meet just concluded, it did not sign a resolution protesting against the French resumption of the tests, confining its statement to a global concern for nuclear proliferation.

MAHINDRA & MAHINDRA

New Ventures

THE company closed the financial year ended March 1995 with a sales turnover of Rs 1,707 crore, up by 20 per cent from Rs 1,419 crore achieved in the previous year. Other income rose to Rs 96 crore from Rs 64 crore, an important component being dividend income which stood at Rs 18 crore against Rs 3 crore in the previous year. Interest costs came down from Rs 56 crore to Rs 45 crore, a fall of 20 per cent. Non-operating profit was Rs 5 crore against a loss of Rs 13 crore in the previous year. The company achieved a gross profit of Rs 222 crore, up from Rs 118 crore in the previous year, a rise of 88 per cent. The effect of a fall in the provision for depreciation by 4 per cent was nullified by a rise in provision for tax which rose from Rs 15 crore to Rs 62 crore. Nevertheless the company ended up comfortably with a net profit of Rs 117 crore up from Rs 68 crore, a rise of 72 per cent.

During the year under review, the company produced 47,638 vehicles compared to 47,110 vehicles in the previous year. Sales stood at 49,108 vehicles against 46,251 in the previous year, registering a growth of 6.18 per cent in volume terms over the previous year. Sales of spare parts registered an increase of 25.06 per cent from Rs 47.64 crore to Rs 59.58 crore. The company hopes to introduce a wider range of vehicles, some of which are to be introduced in the current year.

An increase of 15 per cent in production from 8,877 MT to 10,216 MT and an increase of 15.6 per cent in sales marked the performance of the metal pressing unit. With plans to focus more on the core business of manufacturing cars, the company has decided to transfer the metal pressing unit at Kanhe to a new entity, Mahindra Stampings, in which M&M will hold about Rs 25 crore equity.

Easy availability of bank finance, support from NABARD, good monsoons and better prices saw improved performance by the tractor division. Industry sales increased by 19 per cent, as 1,64,272 tractors were sold against 1,38,060 in the previous year. The company's tractor sales increased from 32,875 tractors to 41,006, an increase of 24.7 per cent. The company's market share rose from 23.8 per cent to 25 per cent, enabling the company to retain its position as market leader for the 12th consecutive year. The sale of spare parts, kits, attachments and implements was Rs 43.47 crore against Rs 37.27 crore, a rise of 16.6 per cent.

The year saw the company capture several export markets, including in African countries like Kenya, Namibia, Botswana,

Mozambique, Zaire and Uganda. Exports to Nepal and Sri Lanka also went up. Tractor exports stood at 857 units against 141 units last year. Exports to the US increased to 536 units against 52 in the previous year. During the year a new company, Mahindra USA, was established in Texas, with the objective of increasing tractor sales in the US. Moving ahead with its export drive, the company is setting up two assembly units, one in Africa and the other in Slovakia. The company, which entered the African market with Mahindra utility vehicles and tractors in early 1994, has exported 1,300 units till date and its decision to set up a plant in Africa reflects this encouraging response. The assembly unit is to be in place in four months and will assemble 250 vehicles per month from components sourced from M&M in India.

The company has entered into a joint venture to manufacture and distribute a range of passenger cars in the country. To begin with it proposes to undertake the manufacture of two ranges of passenger cars, the Ford Escort and the Ford Fiesta, with an initial capacity of 100,000 cars per annum. Later on manufacturing will be expanded to include the entire range of Ford vehicles. Manufacturing operations are expected to begin in May next year. The cost of the project is estimated to be Rs 2,000 crore. The first phase envisages operations being carried out at the company's existing capacity at Nashik using imported completely knocked down (CKD) packs, starting with 20 per cent indigenously procured components. Later production of other Ford vehicles will be undertaken at a different site which will be developed into a fully integrated automotive plant at an estimated cost of Rs 1,500 to Rs 2,100 crore. M&M and Ford will subscribe equally to the initial capital. To support this plan, the plant at Nashik is to acquire a new paint facility, new tooling, assembly lines and power distribution systems. The Indian-built Ford vehicles will be sold by Mahindra Ford India under the Ford brand. The company is planning to enter the area of infrastructure development, trade and financial services, telecom and software. In the field of telecommunications, the company has tied up with British Telecommunication (BT) of UK, to form Mahindra British Telecommunications. Besides automobiles, the company is focusing on property development, hotels and ancillary manufacture. The company has promoted a subsidiary, Mahindra Realty and Infrastructure Developers (MRIDL), which will carry out all activities and ongoing projects of the property development division. In December 1994, Mahindra Nissan Allwyn was merged with Mahindra & Mahindra, the parent company.

GODREJ SOAPS

Rise in Sales

The story of Godrej Soaps begins in 1930, with the simple idea of production of quality soaps from vegetable oils. Today it is known as India's leading consumer product company. The company operates from two plants, one at Vikhroli in Bombay set up in 1964 and the other at Malanpur in Madhya Pradesh set up in 1991. The varied products range includes cosmetics like talcum powder, hair dyes, shaving creams, diagnostic products and edible and non-edible oils.

The company closed the year ended March 1995 with net sales of Rs 527 crore, up by 42 per cent, against Rs 372 crore last year. Other income fell from Rs 27 crore to Rs 11 crore, primarily due to a fall in interest income from Rs 15 crore to Rs 8 crore. Total income rose by 41 per cent from Rs 399 crore to Rs 561 crore. An increase in the provision for depreciation was offset by a decline in provision for tax, leaving the company with a net profit of Rs 27 crore as against Rs 25 crore in the previous year. A dividend of 16 per cent has been recommended by the directors.

Exports for the year under review stood at Rs 23 crore, up from Rs 11 crore in the previous year. Imports moved up from Rs 23 crore in the previous year to Rs 85 crore. In deviating from the usual practice of merging a loss-making unit with a profit-making one, the Godrej group went in for a reverse merger and merged the profit-making Godrej Soaps with the loss-making Gujarat-Godrej Innovative Chemicals in April 1994. The name of the new company is Godrej Soaps. The reason was that in the case of a normal merger GGICL's losses of Rs 96 crore would remain where they are and, combined with GSL's profit of Rs 27 crore, the net effect would be only mounting losses for the company. On the other hand, a reversal of the merger allows a write down of the loss-making company's capital to the extent of losses accumulated. Thus GGICL's Rs 96 crore of piled up losses would be deducted from Rs 104 crore of its share capital, leaving a balance of Rs 8 crore as the reduced share capital, which could be added to GSL's existing share capital.

During the year under review, the company acquired a majority share holding in Transelektra Domestic Products, the largest manufacturer of mosquito mats in the world. TDPL has a market share of more than 50 per cent in the household insecticides market in India. TDPL has manufacturing facilities at Madras, Pondicherry and Vasai, apart from branches all over India. The company has acquired another mosquito mat

Financial Indicators	Mahindra & Mahindra		Godrej Soaps		Indo Gulf Fertilisers	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	170709	141894	52706	37153	43507	40844
2 Value of production	173687	143352	53240	37117	45202	40483
3 Other income	9571	6436	1124	2264	6505	4768
4 Total income	183258	149788	54364	39781	51707	45251
5 Raw materials/Stores and spares consumed	116135	90289	26434	18863	13962	11973
6 Other manufacturing expenses	3161	8336	9753	8498	9376	7220
7 Remuneration to employees	23259	20720	4015	3147	1296	1023
8 Other expenses	14537	11731	6562	3192	4378	5455
9 Operating profit	26166	18712	7600	6081	22695	19580
10 Interest	4473	5624	3944	2664	3118	4280
11 Gross profit	22156	11776	4308	3836	21304	15468
12 Depreciation	3361	3505	1468	731	3304	3006
13 Profit before tax	17921	8271	2840	3105	18000	12462
14 Tax provision	6225	1475	105	575	1145	0
15 Profit after tax	11696	6796	2735	2530	16855	12462
16 Dividends	3415	1835	1275	865	3182	2534
17 Retained profit	8281	4961	1460	1665	13673	9928
Liabilities/assets						
18 Paid-up capital	5628	5033	3981	3296	18715	18714
19 Reserves and surplus	69136	47883	25196	22906	61422	47749
20 Long term loans	28859	32055	22548	2111	19969	27932
21 Short term loans	10101	11757	15290	9889	3616	2931
22 Of which bank borrowings	1251	5893	5500	3565	2107	2917
23 Gross fixed assets	40853	32242	33979	19860	75719	72242
24 Accumulated depreciation	3508	2510	7706	4958	32691	29407
25 Inventories	39353	31924	12201	5263	5864	4098
26 Total assets/liabilities	153934	128106	75980	44188	111755	103947
Miscellaneous items						
27 Excise duty	30595	23063	5983	4632	0	0
28 Gross value added	45964	35733	12318	8514	23260	18450
29 Total foreign exchange income	4960	5386	2341	1137	0	0
30 Total foreign exchange outgo	10076	6430	9604	6320	1247	1413
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	110.9	110.8	69.4	84.1	38.9	39.3
32 Sales to total net assets (%)	150.1	146.7	78.6	97.3	41.9	42.0
33 Gross value added to gross fixed assets (%)	112.5	110.8	36.3	42.9	30.7	25.5
34 Return on investment (gross profit to total assets) (%)	14.4	9.2	5.7	8.7	19.1	14.9
35 Gross profit to sales (gross margin) (%)	13.0	8.3	8.2	10.3	49.0	37.4
36 Operating profit to sales (%)	15.3	13.2	14.4	16.4	52.2	47.9
37 Profit before tax to sales (%)	10.5	5.8	5.4	8.4	41.4	30.5
38 Tax provision to profit before tax (%)	34.7	17.8	3.7	18.5	6.4	0.0
39 Profit after tax to net worth (return on equity) (%)	15.6	12.8	9.4	9.7	21.0	18.8
40 Dividend (%)	65.00	45.00	16.00	30.00	17.00	15.00
41 Earning per share (Rs)	20.78	13.50	6.87	7.68	9.01	6.66
42 Book value per share (Rs)	132.8	105.1	73.3	79.5	42.8	35.5
43 P/E ratio (based on latest and corresponding last year's price)	17.9	29.1	15.9	19.9	6.7	15.4
44 Debt-equity ratio (adjusted for revaluation) (%)	38.6	60.6	77.3	8.1	24.9	42.0
45 Short term bank borrowings to inventories (%)	3.2	18.5	45.1	67.7	35.9	71.2
46 Sundry creditors to sundry debtors (%)	187.9	149.2	81.2	67.9	1.6	889.1
47 Total remuneration to employees to gross value added (%)	50.6	58.0	32.6	37.0	5.6	5.5
48 Total remuneration to employees to value of production (%)	13.4	14.5	7.5	8.5	2.9	2.5
49 Gross fixed assets formation (%)	26.7	-	71.1	-	4.8	-
50 Growth in inventories (%)	23.27	-	131.83	-	43.09	-

manufacturer, Jet Homecare Products, effective last month at an investment of Rs 30 crore. The year under review saw the strengthening of the company's marketing alliance with Procter and Gamble. The joint venture set up in March 1993 called Procter and Gamble Godrej (PGG) is owned by P&G and Godrej with the former having a 51 per cent share and the latter holding the rest. Under the agreement, Godrej Soaps sold its business of marketing, distribution and sale of toilet soaps, detergents, trademarks, technology and goodwill to Procter & Gamble Godrej for Rs 400 million.

In April this year the company entered into a joint venture and technical assistance agreements with Siat SA, a Belgian company, for the oil palm plantations business of the company in Andhra Pradesh. Through Godrej Oil Palm Konkani the company is to set up palm oil mills and processing factories for downstream projects. The Belgian company is to have a 20 per cent stake with 80 per cent being held by Godrej Soaps and group companies. In the initial phase the plant is to have a crushing capacity of 10 tonnes per hour of fresh fruit. The first phase would take around 16 months to complete, with the plant likely to be commissioned in March 1997. In the second phase, likely to start in March 1999, the company will invest a further Rs 5 crore to increase the capacity to 20 tph. The company is setting up a third plant in Andhra Pradesh to manufacture soaps, increasing its capacity from 60,000 tonnes to 80,000 tonnes by 1997.

INDO GULF FERTILISERS

Copper Smelter Project

Despite government control over the fertiliser industry and a temporary shut down due to a combination of overflowing stocks and shortage of raw materials such as coal and rock phosphate, brought about by a severe scarcity of transportation rakes, Indo Gulf Fertilisers and Chemicals Corporation, an Aditya Birla group company, has put up a satisfactory performance. The company notched up sales of Rs 435 crore, up from Rs 409 crore. While total income rose by a modest 14 per cent, operating profit increased by 22 per cent. The company successfully reduced its interest costs from Rs 43 crore to Rs 31 crore. Provision for depreciation rose by 10 per cent. The company ended up with a net profit of Rs 169 crore against Rs 125 crore. A dividend of 15 per cent has been recommended by the directors.

The company spent Rs 54 crore on power and fuel as against Rs 39 crore last year. Tight supply of natural gas led the company to use naphtha, a costlier alternative. Consumption of nitrogenous fertilisers has grown by 7 per cent in the last 10 years. Despite a few large urea plants having started production in the last few years, demand far

outstrips supply and estimated urea imports in 1993-94 and 1994-95 have been around 2.84 million tonnes and 3 million tonnes respectively. With the international price of urea remaining firm on account of high demand and short supply, the cost of imported urea works out to Rs 8,500 per tonne against Rs 5,500 per tonne for urea produced domestically. The company's production of urea increased by 14 per cent to 7.84 lakh tonnes in 1994-95 compared to 6.85 lakh tonnes in the previous year. The installed capacity of ammonia and urea is 1,350 metric tonnes per day and 2,200 metric tonnes per day, respectively.

The company has chosen Haldor Topsoe, the original technology suppliers, as consultants. Revitalising operations and improving energy consumption will be the thrust of the upgradation plans. The company has decided not to expand its urea capacity in the face of difficulties in the availability of natural gas and hence has diversified into the core sectors of paper and copper. The company is planning to invest around Rs 2,900 crore in these two projects over the next three years.

Expecting a significant rise in copper consumption in the country, the company is setting up a 1 lakh tpa copper smelter plant at Dahej in Gujarat at a cost of Rs 1,550 crore, with a built-in provision to expand capacity to 1.5 lakh tpa. Every tonne of copper produced generates 3 tonnes of sulphuric acid which is mainly consumed for phosphatic fertilisers. The project will be set up on the flash smelting technology of Outokumpu, Finland, and is expected to go on stream in the last quarter of 1997.

The present per capita consumption of paper in India is 3.2 kg against a global average of 45 kg. It is expected that the demand for paper and newsprint will increase to around 4.9 million tpa by 2000 AD as against a production then of only 3.5 million tpa, even after taking expansions and new capacities into account. The company is setting up a plant at Bijoor in Uttar Pradesh at an estimated cost of Rs 1,350 crore and PT Indo Bharat Rayon of Indonesia is participating in the equity capital to the tune of Rs 120 crore. The sugar mill will have a capacity of 5,000 tonnes crushed per day (tcd) and will provide a substantial part of the bagasse required for the paper plant. The company is planning to enter the power sector and to this effect is planning to invest Rs 35 crore in the equity of two projects, one at Rosa in Uttar Pradesh with a capacity of 750 MW and another at Bina in Madhya Pradesh with a capacity of 1,000 MW. The power projects of the company will be pursued through two of its recently formed associate companies, Rosa Power and Bina Power. The company is also entering the telecommunication business by co-promoting Birla Telecom and Birla Communications to provide cellular mobile telephone services.

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CURRENT STATISTICS

EPW Research Foundation

In the first two months of 1995-96, industrial output rose by 14.2 per cent as against 7.4 per cent last year. Acceleration in the growth of foreign trade is continuing with import growth (37.4 per cent) outstripping export growth (28.3 per cent) and thus widening the trade deficit further to about \$2 billion during April-August 1995. While deposit growth remains sluggish with over-the-month rise of Rs 2,045 crore, non-food advances have risen by Rs 4,048 crore in the same period. Liquidity pressure has begun to be felt in the money market and external sector pressures on the rupee's exchange rate. Apart from high call money rates, yields on 91-day and 364-day T-bills have edged up in their primary floatations. The hawala rate (Dubai) shot up to a new high of Rs 36.15 to a US dollar in the last week of September, following the sharp depreciation of the rupee in the domestic forex market.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Sept 16, 1995	Variation (Per Cent) Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far 1995-96 1994-95	1994-95	1993-94	1992-93	1991-92	
				Latest	Previous						
All Commodities	100.0	296.8	0.7	8.6	8.9	4.1	5.8	10.4	10.8	7.0	13.6
Primary Articles	32.3	307.6	1.2	9.3	10.0	5.3	8.6	12.7	11.5	3.0	15.3
Food Articles	17.4	339.8	1.1	7.9	7.3	8.3	12.3	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	325.4	1.3	11.9	17.1	0.6	3.8	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	6.2	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	293.0	0.5	9.6	8.8	4.1	5.2	10.7	9.9	7.9	12.6
Food Products	10.1	281.2	0.0	2.3	6.6	3.2	9.0	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	318.3	0.8	6.1	7.1	6.6	11.2	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Sept 16, 1995)	100.0	292.7	-	9.8	10.1	9.0	11.2	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point-to-Point					
		Over Month	Over 12 Months		Fiscal Year So Far 1995-96	1994-95	1993-94
			Latest	Previous			
Industrial Workers (1982=100)	313.7	2.3	11.4	11.1	6.8	5.2	9.7
Urban Non-Man Emp (1984-85=100)*	244.1	0.4	9.9	8.3	9.9	8.3	9.9
Agri Lab (July 60 to June 61=100)	1387.7	3.7	14.5	13.4	6.7	3.1	10.6
* for 1994-95							

Money and Banking (Rs crore)	Sept 01, 1995	Over Month	Variation			
			Fiscal Year So Far		1994-95	1993-94
			1995-96	1994-95		
Money Supply (M ₁)	542791	566 (0.1)	11989 (2.3)	14309 (3.2)	78617 (17.4)	73307 (19.3)
Currency with Public	106254	-1682 (-1.6)	5465 (5.4)	4798 (5.9)	18806 (22.9)	14170 (20.9)
Deposits with Banks	429177	2187 (0.5)	2544 (0.6)	8272 (2.2)	58956 (16.0)	57925 (18.7)
Net Bank Credit to Govt	239189	3894 (-1.6)	16773 (7.5)	7656 (3.7)	16325 (7.9)	28315 (15.9)
Bank Credit to Comm Sector	291716	452 (-0.2)	2061 (0.7)	-2934 (-1.2)	44991 (18.4)	17147 (7.5)
Net Foreign Exchange Assets	72990	589 (-0.8)	-2944 (-3.9)	11538 (21.9)	23298 (44.3)	27674 (110.9)
Reserve Money (September 08, 1995)	182337	-23 (0.0)	13058 (7.7)	11633 (8.4)	30607 (22.1)	27893 (25.2)
Net RBI Credit to Centre	113525	-3982 (-3.4)	14612 (14.8)	-4616 (-4.8)	2130 (2.2)	260 (0.3)
Scheduled Commercial Banks (September 15, 1995)						
Deposits	387178	2045 (0.5)	319 (0.1)	7793 (2.3)	53630 (16.1)	52144 (18.6)
Advances	214857	2917 (1.4)	3297 (1.6)	-898 (-0.5)	40638 (23.8)	11566 (7.3)
Non-Food Advances	201712	4048 (2.0)	2427 (1.2)	-2309 (-1.4)	37797 (23.4)	8875 (5.8)
Investments	156203	1504 (1.0)	6950 (4.7)	13960 (10.3)	13965 (10.3)	28641 (26.9)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	May 1995	Average for Fiscal Year So Far		Variation (Per Cent) Fiscal Year Averages					
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
General Index	100.0	256.3	255.8 (14.2)	224.0 (7.4)	250.6 (8.4)	231.1 (5.6)	218.9 (2.3)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)
Mining and Quarrying	11.5	251.3	241.7 (14.4)	211.2 (2.4)	245.8 (6.3)	231.2 (3.4)	223.7 (0.6)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)
Manufacturing	77.1	243.6	245.5 (14.7)	214.1 (8.3)	241.8 (8.8)	222.3 (5.5)	210.7 (2.2)	206.2 (-0.8)	207.8 (8.9)	190.7 (8.6)
Electricity	11.4	347.3	339.1 (11.5)	304.0 (7.0)	314.6 (8.5)	290.0 (7.4)	269.9 (5.0)	257.0 (8.5)	236.8 (7.8)	219.7 (10.9)

Capital Market	Sept 22, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3444 (-22.6)	3370	4452 (61.3)	3015	3557	3233	4604	3261 (-13.7)	3779 (65.7)	2281 (-46.8)
National Index (1987-84=100)	1573 (-25.6)	1551	2115 (61.4)	1482	1671	1572	2176	1606 (-12.2)	1830 (79.2)	1021 (-48.1)
BSE-200	349 (-30.8)	349	505 (53.0)	336	385	360	497	368 (-18.2)	450 (92.3)	234 (-60.0)
NSE	76 (-23.2)*	76	99*	72	83	-	-	79	-	-

* For November 23, 1994

Foreign Trade	August 1995	Cumulative for Fiscal Year So Far				Full Fiscal Year Variations			
		1995-96	1994-95	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	8025	38676 (28.3)	30157 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)	
US \$ mn	2542	12302 (28.0)	9613 (10.6)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)	
Imports Rs crore	9231	44888 (37.4)	32662 (16.4)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)	
US \$ mn	2924	14278 (37.1)	10412 (16.4)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)	
Non-POL US \$ mn	2495	11625 (42.7)	8149 (22.0)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)	
Balance of Trade Rs crore	-1206	-6213	-2505	-6375	-3259	-9687	-3809	-10640	
US \$ mn	-382	-1976	-799	-2018	-1039	-3345	-1545	-5930	

Foreign Exchange Reserves (excluding gold)	Sept 22, 1995	Sept 23, 1994	Mar 31, 1995	Variation Over					
				Month Ago	Year Ago	Fiscal Year So Far 1995-96	1994-95	1993-94	1992-93
Rs crore	60700	57732	66028	-785	2968	-5328	10106	18402	27430
US \$ mn	19151	18556	20816	111	595	-1665	3380	5640	8724

Money Market Rates of Interest

(per cent per annum)

Weekended Fridays	September 1995						August 1995				July 1995			
Instruments	29(RF)	22	15(RF)	8	1(RF)	25	18(RF)	11	4(RF)	28	21(RF)	14	7(RF)	
Call money rate (weekly weighted average: RBI)	na	na	10.75	10.95	10.29	10.82	10.47	11.04	7.64	10.88	9.70	11.96	12.39	
Call money rate (Range: weekly)	0.25- 22.00	12.50- 18.50	1.00- 11.25	10.50- 11.50	0.50- 11.25	10.50- 11.50	0.25- 11.25	10.25- 12.00	0.25- 9.75	8.50- 11.00	0.25- 12.00	10.50- 14.00	1.00- 17.00	
Treasury Bills														
91-Day (On tap or <i>ad hoc</i>)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	
91-Day (RBI Auction):														
Primary	12.68	12.67	12.54	12.54	12.54	12.58	12.63	12.67	12.67	12.71	12.97	12.97	12.71	
Secondary DFHI (mid-point of bid and offer)	12.60	12.38	12.08	12.05	12.10	12.10	12.10	12.10	12.10	12.55	12.95	13.15	13.18	
All SGL trading (Weighted YTM)	13.02	13.05	12.45	12.35	12.37	12.49	12.46	12.32	11.78	14.46			14.71	
364-Day (RBI Auction)														
Primary	12.91	*	12.87	*	12.87	*	12.87	*	13.16	*	13.16	*	12.71	
Secondary DFHI (mid-point)	11.38	11.38	11.35	11.40	11.45	11.45	11.45	11.45	11.40	11.55	11.73	11.85	11.90	
All SGL trading (Weighted YTM)	13.38	13.76	11.87	12.87	13.03	11.14	11.26	11.74	10.97	12.24	13.03	13.68	13.91	
State Govt loans (Coupon rates)														
All SGL trading (Weighted YTM)	13.11	13.96	13.71	13.55	13.78	13.90	13.74	13.86	13.85	13.32	13.97	13.08	...	
GOI Securities														
Primary Auctions	13.73 (4-year)	*	14.00 (10-year)	*	13.50 (2-year)	*	13.65 (3-year)	*	*	13.85 (5-year)	*	13.25 (2-year)	*	
Secondary All SGL trading (Weighted YTM)	1.23	6.29	3.55	7.97	7.71	11.89	10.21	10.98	11.96	12.46	12.51	12.72	12.96	
PSU Bonds yield -														
Tax free NSE														
(traded, weighted)	11.97	11.43	12.13	11.04	11.41	10.58	11.55	11.52	11.71	11.65	11.61	11.69	11.99	
NSE (Range: weekly)	11.22- 12.13	10.99- 11.46	11.17- 12.55	10.71- 11.15	10.86- 11.45	10.65- 11.62	10.72- 11.62	9.98- 12.52	10.68- 11.99	10.89- 11.75	10.49- 11.76	10.66- 11.71	10.75- 12.21	
Taxable NSE (traded, weighted)	15.93	15.43	15.85	15.91	15.41	16.04	16.27	16.01	16.84	16.48	16.84	15.35	16.81	
NSE (Range: weekly)	15.78- 16.17	15.19- 15.61	15.61- 15.92	15.91- 15.82	15.06- 16.25	15.62- 16.75	15.88- 16.75	15.16- 16.47	16.04- 17.59	16.05- 16.63	14.34- 17.50	13.87- 16.55	15.04- 18.31	
Commercial Bills														
DFHI (Rediscount rate)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	15.00	15.00	15.00	15.00	
CP: Primary market (90 days)	13.50- 14.25	13.50- 14.25	13.50- 14.00	13.50- 14.00	13.50- 14.25	13.75- 14.25	13.75- 14.25	13.75- 14.25	13.75- 14.25	15.00- 16.50	15.00- 16.50	15.00- 16.50	15.00- 16.50	
Secondary: DFHI														
(Discount rate)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	16.00	16.00	16.00	16.00	
Secondary market/NSE	15.50- 16.50	14.27- 13.80	13.75- 13.80	13.34- 13.75	13.50- 13.60	13.50- 13.60	13.84- 13.75	na	14.50	13.75	na	na	14.50	
CDs: Primary market (one year)	13.50- 15.75	13.50- 15.75	13.50- 15.25	13.50- 15.75	13.50- 15.00	13.5- 15.00	13.5- 15.00	13.5- 15.00	13.5- 14.25	14.5- 15.25	14.5- 15.25	14.5- 15.00	14.5- 15.00	
Secondary: DFHI (Discount rate)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	15.00	15.00	15.00	15.00	
Inter-corporate deposits (30/90/180 days)	17.00- 28.00	17.00- 28.00	17.00- 23.00	17.00- 23.00	17.00- 23.00	16.00- 24.00	16.00- 24.00	16.00- 26.00	17.00- 28.00	17.00- 24.00	16.00- 21.00	16.00- 21.00	16.00- 21.00	
UTI-1964 Units (Week-end secondary market price in rupees)	15.55	15.55	15.55	15.55	15.55	na	na	na	na	15.05	15.05	15.02	15.13	
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	
Memorandum Items:														
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)@														
Spot/Cash	10.53	9.19	0.68	-8.81	-3.49	4.23	-0.18	-1.09	0.58	1.96	2.11	4.37	1.85	
One-month	5.43	5.25	1.04	-0.03	1.31	2.60	1.73	1.62	1.80	3.62	4.77	5.56	4.70	
Three-month	6.12	5.37	2.45	1.70	2.82	3.62	3.09	2.99	3.48	4.50	5.22	5.73	5.32	
Six-month	6.54	5.98	4.03	3.64	4.43	4.83	4.53	4.42	4.81	5.54	5.84	6.13	5.82	
(ii) Hawala Rate (Rs/US\$) (Dubai)	36.15	34.95	35.00	34.95	34.95	34.80	34.80	34.70	34.70	34.80	34.90	35.15	35.15	

... no trading * no auction na not available (-) no floatation YTM = yield to maturity.

RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.

@ Based on daily quotations supplied by Mecklaj Financial and Commercial Services Ltd., Bombay.

Informal Censorship

A G Noorani

Books, journals and pamphlets are being subjected to an informal censorship by various authorities in the smaller towns and areas outside the metros.

IF the fundamental right to freedom of speech and expression embodied in article 19(1) (a) of the Constitution is to have any meaning it must be respected by all authorities of the state, as defined in article 12; right up from "all (local or other) authorities" to parliament and the government of India. They cannot violate this or for that matter other rights with the confidence that not many can move high courts by writs.

Likewise, if civil liberties bodies are to perform their roles properly then concern must not be limited to issues of high publicity value to their leaders. They must promptly register their protests no sooner they read or hear of the violation of civil liberties. *The Hindu* is published all over in the south and in Gurgaon ensuring its distribution in New Delhi. Why, then, the silence on the report in its issue of August 23 by its correspondent K Raghunathan on officialdom's strange behaviour towards a countryside weekly in the Nilgiris, *Downtown Chronicle*. According to the report a former chairman of the Atomic Energy Commission, M R Srinivasan, contributed a couple of articles on birds to the weekly and "the administration is out to cage him". The magazine deals with issues of local relevance only.

Among them is the Tamil Nadu government's proposal to spend Rs 30 crore on the beautification of the lake in Ooty. The journal suggested that the residents should be involved in the project. Likewise on a new approach road which would affect the ecology of the region. The report says:

Dr Srinivasan is among 20 persons including the editor of the magazine who have been hauled over the coals by the administration for write-ups which in its opinion were distorted. They had been issued with show cause notices and summons to appear before the subdivisional magistrate who, Dr Srinivasan said, had adjourned the hearing so far thrice and had also rejected their vakalats filed through lawyers "We travelled down to Coonoor only to see the magistrate's office closed." They were informed of the postponement of the case by the clerk on duty

What is worse, the authorities had threatened to cancel the registration of the magazine. This is a sure case of harassment of responsible citizens on completely untenable grounds. I understand that the district administration had in the past also indulged in intimidating people through the mechanism of frequent appearances before the sub-divisional magistrate and adjournment without hearing. Charging the administration with acting in an extremely highhanded and arbitrary manner, he said the rules and regulations enacted in the colonial era were being used to muzzle the freedom of the press. Even according to the repressive act, only the printer and the editor were liable for action and not contributors of articles and the staff of the newspaper or the journal. Dr Srinivasan said that the editor of the magazine would be moving the High Court to seek legal redressal. The kind of harassment the *Downtown Chronicle* had been subjected to would not have happened in any of the big cities because the media was already sufficiently strong and well established.

On this he has been proved wrong as Hasan Suroor's report in *The Hindu* of September 9 proves. He reports that as well as holding up consignments of books, customs authorities even venture to exercise control over 'goods' cleared; that is books on the shelves of bookshops. Book-sellers have received notices from customs authorities directing them not to sell Salman Rushdie's new novel *The Moor's Last Sigh*. The book has already been widely received and sold.

According to Hasan Suroor book sellers in "the comparatively smaller places Vijayawada, Bhopal, Indore among others" have been targeted, leaving the 'metros' free. Publishing circles call it an 'informal ban'. Bhopal is a state capital, however. For over a year there has been an informal ban on Alastair Lamb's book *Birth of a Tragedy: Kashmir 1947*. It is based on archival material and demolishes many a myth. Paula Newberg's slim pamphlet on Kashmir was released. It could do no harm to our myths on Kashmir. But not Lamb's book. Not one civil liberties' organisation or one of our civil libertarians who love the public limelight has voiced any protest. It would presumably be unpatriotic to do so. The book has been subjected to an 'informal' but highly effective ban. Book sellers I spoke to in New Delhi had the same story to tell - they were businessmen, not agitators, so are the importers. But what business are our civil libertarians engaged in?

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Slum Rehabilitation: 40 Lakh Free Lunches?

Shirish B Patel

The Maharashtra government has accepted that slum-dwellers are an essential part of the city and that they deserve to enter the formal housing sector. The land on which they happen to be is to be transferred to them, as something they own, and 'pucca' buildings are to be built for them by builders anxious to make profits out of the free-sale component that is offered as an incentive. A careful examination of the scheme makes it clear however, that implementing it is not a matter of really serious concern for the government. A few free lunches there may be, but nowhere near 40 lakhs.

IN about August 1990 Shiv Sena chief Bal Thackeray presented a proposal to Maharashtra's chief minister Sharad Pawar suggesting that reconstruction of slums in Bombay as pucca multi-storeyed buildings be permitted on the understanding that on the same plot, not counting the built-up area of these buildings, the full available FSI¹ (1.33 in the island city, 1.0 in the suburbs) would be permitted as additional construction for sale in the market. Profits from the open-market sales would finance the multi-storeyed slum reconstruction.

That proposal became part of the BJP-Shiv Sena's election manifesto. Now that they are in power, this statement of policy has been translated into what government considers an implementable action plan. This was published in July 1995 as the 'Programme for the Rehabilitation of Slum and Hutment Dwellers in Brihan Mumbai', prepared by a Study Group under the chairmanship of Dinesh K. Alzalpurkar.

In outline, the scheme is as follows. All slum pockets in the city, and all households living in them, will first be identified. Electoral rolls will be used to separate genuine from bogus claimants. Each household, regardless of size, will be entitled to a flat of 225 sq ft carpet area in a multi-storeyed building built on the same plot, with or without lifts as determined by the site dimensions and building regulations. In proportion to the built-up area of rehabilitation, determined by the number of families and the prescribed area per flat, an additional construction for 'free-sale' will be permitted. This free-sale area will be 75 per cent of the rehabilitation area in the island city, 100 per cent in the suburbs, and 133 per cent in Dharavi. The limit of construction on the slum pocket will be 2.5 times the land area, and the free-sale area must first be consumed on the same slum pocket, except in Dharavi where this requirement does not apply. Any residual free-sale area available thereafter can be used as a TDR² in any permitted 'receiving

area'. Many plots in the suburbs, where the FSI has been 1.0 for many years, are potential 'receiving areas', since they are permitted an additional 0.4 FSI for TDRs deriving from lands surrendered elsewhere for public amenities, and a further 0.4 FSI for TDRs deriving from the present slum programme (and, incidentally, another 0.2 FSI for land surrendered for a road or other amenity cutting into the plot receiving the TDR).

To give an example, suppose the count of families on a one hectare (10,000 sq m) plot is 600. A carpet area of 20.9 sq m (225 sq ft), which excludes wall thicknesses and common areas, with excellent and economical design might translate into 28 sq m of built-up area per flat, 600 families each with 28 sq m built up area yields a total built-up area of $600 \times 28 = 16,800$ sq m, or 1.68 times the plot area. In the suburbs, the free-sale area allowed will then be another 1.68 times the plot area (another 16,800 sq m), or a built-up total of 3.36 of the plot area, or 33,600 sq m. Of this, a factor of 2.5 or 25,000 sq m in this case must be built on the same plot, and since 16,000 sq m is the area used for slum rehabilitation, this leaves a free-sale area on the plot of 9,000 sq m. The balance $33,600 - 25,000 = 8,600$ sq m left over can be constructed and sold elsewhere in the suburbs.

There is, incidentally, no upper limit on the reconstruction area on a plot. If the number of families living on a one hectare plot is 900, and this is by no means inconceivable, the rehabilitation component on a plot could well be 2.5 times the plot area. The free-sale area would then be a further 2.5 times the plot area, all of it to be consumed somewhere else, since on no plot can the built-up area exceed the factor of 2.5.

A new Slum Development Authority (SDA) will be set up to manage this programme. The actual construction will be by the city's developers and builders, who, it is presumed, will be sufficiently excited by the prospect of the free-sale component

to want to undertake the construction of the rehabilitation blocks. The SDA's main tasks will be to determine how many and which are the qualifying households in each slum pocket; whether certain obviously high-profit pockets need to be 'linked' with other very low-profit ones so that both are taken up by the same developer or not at all; since the ownership of land, or at least a long lease on it, is to be transferred to a slum-dwellers' co-operative, negotiating a price with the existing land-owners, using the threat of acquisition to oblige them to be reasonable; convincing the central government that its lands which are encroached upon should be handed over to the slum-dwellers; ensuring that flats given to slum-dwellers under this scheme are not transferred to anyone else for 10 years, that transferees thereafter pay a transfer fee that is so high that purchasing a rehab flat is prohibitively costly; and that there are no new slum encroachments in Bombay. These are onerous responsibilities, so the SDA will be headed by an officer of the rank of principal secretary.

The extracts that follow have been taken from the report. Comments follow each set of extracts.

*

The slums and hutment-dwellers of unauthorised structures form an integral part of this vibrant metropolis. All of them undoubtedly have a share in the growth, status and prosperity of this great city.³

Slum-dwellers have not willingly chosen their shanty structures and unhygienic environment but have been driven to this option sheerly [sic] due to compelling circumstances as they were thrown out of the formal housing sector, the latter being unaffordable and much beyond their income levels. It is imperative to enhance their standard of living and for which an authorised dwelling unit is a first step in the right direction.⁴

What a remarkable turn-around in official attitudes. Until now slum-dwellers were considered to be unauthorised, illegal occupants of others' property. Their 'encroachments' were regarded as a blight on the city, to be cleared by bulldozer at the earliest opportunity. In their toilet-free areas, their morning predilections for open-air performances were regarded as a degradation and a shame to all, as if they had any real choice.

From all this, to being acknowledged as contributors to the city's prosperity! A position won, let us be clear, by the weight of their voting numbers. But still, to now have an acknowledged right to housing in the city, with water supply and sanitation! Even if the programme is a failure in every other way, as long as this right survives, and future policies are based on it, much will have been achieved. And there is more.

Even though it is agreed that there is no free lunch and that of goods free of cost to the public is frowned upon, it should also be considered that the economic principles start operating only after the bare essentials such

as food, clothes and shelter are provided. Hence, the joint manifesto of the present government of Maharashtra has incorporated the provision of free delivery of houses for 40 lakh slum-dwellers in Brihan Mumbai.

This is not as dreadful as it sounds. That the laws of economics can be temporarily suspended in a worthy cause, by government fiat, is not what is intended. What is meant, and this becomes clear from the rest of the report, is that the 'free lunch' of slum-dwellers is to be paid for by the better-heeled residents of the city.

The report does not say so in so many words, but this is fair enough, since it is the whole city in general, and the better off in particular, who ultimately benefit from the low-cost services provided by slum-dwellers. All these past decades, employers have been free to create jobs in the city, whether in manufacturing or services, recreation, tourism, restauranting, or offices of any kind. Indeed, they have been encouraged to create more jobs, to move here rather than elsewhere in India. None of these employers has to bother in the least about where his new staff are lodged. Government also has made no effort either to provide low-income housing, or to provide serviced land on which poor people could build their own tenements. Such land, if made available, needs to be scattered all over the city, so that poor people are reasonably close to where they work. As the report says elsewhere:

About 65 per cent of the household income in hutments is spent on food and it is only the remaining 35 per cent which, on an average, is available for other necessities like housing, health, education, etc. This is grossly inadequate to meet these necessities. Therefore, slum and hutment dwellers select locations which are close to their places of work in save on transport or secure employment opportunities or places of work at close distance.

It is the creation of jobs, menial and not so menial, that attracts people to the city. If neither the employer nor government is concerned with housing the job-holders, where do they live? They squat illegally, they encroach, they manage somehow. If government now proposes that the high prices the middle and higher income groups are paying for their flats should become a source of funding to resettle slum-dwellers, this seems perfectly reasonable and sound in principle.

So we have several admirable departures from past practice: first, the acknowledgement that the poor have a right to be accommodated in the city, instead of being under the constant threat, as they were until now, of summary deportation. Second, the recognition, albeit dimly perceived, that the right to build on a plot is a remarkable commodity, and can be a significant source of funding. And third, we have a rare attempt to tinker with it through government agencies like MHADA and CIDCO: an attempt to harness the construction capacity, finance and enterprise of a host of builders.

This said, we must recognise that the

scheme has too many flaws, and is quite unlikely to succeed in anything other than a marginal way.

*

1990... the number of families who live in hutments and slums of kachha structures with unhygienic conditions was estimated to be around 8.05 lakhs. number of persons: around 40 lakhs.

there are 2,335 pockets having 9,02,015 structures. The square footage of construction involved will be 265 lakhs (excluding the construction of the free sale component). This on a reasonable basis will involve an outlay of 15,900 crores of rupees excluding the cost of construction of the square meterage required for free sale component.

The present level of the combined effort in the field of construction of houses in Mumbai by all the agencies involved in this work, like Maharashtra Housing Authority, developers, builders, individuals and other house building institutions, does not go beyond 35,000-40,000 tenements per year. Construction of 9.02 + 10 per cent lakh dwelling units for slum and hutment-dwellers and about 1 to 1.5 lakh transit tenements totalling 11 lakh units in a phased manner would amount to 2 to 2.5 lakh tenements per year (duration of programme 5 to 6 years).

The five to six years for programme duration is one of those airy figures, seen in much of our approach to planning, that has nothing to do with reality. Is it based on the time a civil servant expects to spend in charge of this project, before being transferred elsewhere? Or is it based on the interval between elections? Or is it that we cannot think beyond five-year plans? Or is it the administrator's nose sniffing out what his political master wants to hear?

Whatever it is, there seems to be no recognition that construction is an industry. As in any other industry, there is a time lag between a decision to enlarge capacity and the achieving of that capacity. Capacity enlargement has to be managed, it does not happen of itself.

There is no way an industry producing 35,000 to 40,000 tenements a year can expand several-fold to deliver 2 to 2.5 lakh tenements a year, starting next year. Construction material supplies, the number of construction workers, and the number of construction managers all have to grow many times above their present levels. The hardest numbers to grow are the workers and managers. Since the report does not address this issue in any serious way, are we to take it the programme is not really serious about its implementation? Is this all a pre-election stunt? A bewitching dream that will evaporate within minutes of our waking up?

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the massive housing effort that is required to be undertaken will call for adoption of modern construction technology, use of prefabricated material.

Adoption of Prefab Technology... all that needs to be done is to identify and earmark the areas for setting up prefabrication units. At present such earmarking has not been done and therefore appropriate reservations in the Development Plan need to be made.

How extraordinary to believe that earmarking reservations is all this is needed to bring about a revolution in the construction industry. All of us exaggerate the importance of our own professions to the world, and bureaucracy is entitled to be no exception. But to believe that an industry can be transformed by making reservations!

The fact is that prefabricated construction has been a non-competitive option in this country for many decades for two reasons: first, prefabricated products are subject to excise, whereas exactly the same components cast *in situ* are not; and second, a prefab factory is likely to have a union to contend with, and consequently higher wages, whereas a construction site escapes these constraints. It is true that prefabricated construction would bring about improved quality. Reduced costs is more doubtful. What you gain by prefabricating you often lose on transportation, and the cost of cranes needed for handling. The major gain, apart from quality, would be in construction capacity. This could be significantly enhanced, without a corresponding rise in numbers of construction workers and managers. It is an option worth pursuing, but removing the obstacles of excise and unions would be no mean achievement for any civil servant.

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The Group, therefore, recommends as follows:

(1) All the persons living in a dwelling unit of whatever size, will be allotted, for all the persons irrespective of how large the household is a dwelling unit of 225 sq ft of carpet area free of cost.

(2) Commercial area like shops, restaurants, clinics, professional offices, official premises, etc. will be given built up floor space equal to the existing area or an area measuring 225 sq ft of carpet area, whichever is less, free of cost.

(3) If the existing commercial area exceeds 225 sq ft of carpet area, then the floor space above 225 sq ft, subject to the maximum being equal to the existing area, be allotted by charging at prevalent market rates.

Pavement-Dwellers: occupation of footpaths is an encroachment not different in character from those occupying other lands on which public amenities exist or are planned.

Giving everyone (including pavement-dwellers) a dwelling unit of 225 sq ft carpet area regardless of household size is a neat-looking simplification, but one wonders whether it will not raise insurmountable resentments, and resistance, on that account, to the scheme from among the beneficiaries themselves. Hutments vary a great deal in size, the smallest being probably around 50 sq ft, more or less a tent one crawls into. The larger ones can be like permanent constructions. Some huts are recent, others have been where they are for decades. Under this programme's dispensation, all are equal. The only unequal ones are those who move to the city after January 1, 1995.

There is an innate sense of justice in people, including the poorest among them, which will cause them to resist an unjust scheme. Perhaps the idea is to win them over by

offering them 225 sq ft carpet area, which is much beyond what any one of them presently has. But a sense of being unfairly done by is built into the scheme, and who knows what complications this can cause in future. In any case, can you really equate a pavement-dweller who does not have a roof over his head with someone who lives in a more or less pucca hut? Or someone who lives in 50 sq ft with a plastic sheet over his head with someone whose tin shed is five times that area? Or a newly arrived pavement-dweller with someone who has had a more or less permanent hut for decades? This sounds so bizarre that one must conclude either that the scheme has not been properly thought through, or, once again, that implementation is not really intended.

When will we get away from our patronising approach to development? Where a ruling group decides what's best for the people, instead of letting them decide this for themselves? The 225 sq ft of carpet area is a 'minimum' dating from Nehru's days, when for a family to live in anything smaller was considered 'inhuman'. This led to programmes of constructing only permanent structures for low-income housing. Given the funds available, these were able to meet only a tiny fraction of the demand. Meanwhile, slums continued to grow and were denied water supply and sanitation because they were 'illegal' (since there was no possibility of their being anything else), and to do anything for them other than a pucca building with 225 sq ft flats would be 'inhuman'. This approach has gradually changed over the years, mainly because of pressure from the World Bank, and several slum improvement schemes are now complete or in progress. But while the approach may have changed, attitudes obviously have not. Our rulers find it just as hard as ever to really help the poor. Set aside for a moment the avowed intentions of the present programme, and look at what the report has to say:

Previous experience whenever slum upgradation or resettlement of slums was undertaken slum-dwellers prefer the slum improvement programme...since the government is now considering the full resettlement of slum-dwellers on a comprehensive basis, the necessity and need for continuing the slum improvement programme does not survive should be tapered off.¹⁴

In other words, a programme that the slum-dwellers want more of is to be discontinued and replaced by another which a superior group has decided is better for them. Why not give slum-dwellers the choice of deciding which they prefer? If the new programme is so much better, surely they will opt for it themselves?

*

...demand for water and for augmentation of sewage disposal facilities would go up substantially from their present levels.¹⁵

From standing in line for hours for a few handas of water, we are being offered a

situation within five or six years where every one of 8 lakh families has a tap and a toilet inside their own-home. The report says:

Existing network of water lines, sewage disposal system, storm water drains and treatment of sewage disposal will have to be strengthened. This will call for augmentation in the availability of drinking water as well as stepping up the present levels of sewage treatment and disposal system. Municipal Corporation will be the executing agency.¹⁶

How this might be funded has been suggested in the report. But how is this to be achieved within the envisaged time span? Are we being at all serious?

*

Measures to Prevent Further Encroachment on Lands. This is by far the most crucial issue equal in importance to the entire slum redevelopment programme. Past experience... preventing further encroachments was not given its due importance... unauthorised encroachment has gone on unabated. Firm effective steps... need to be taken to prevent unauthorised encroachments... Mere draconian measures may not help but if such strong effective measures are supplemented by... making available affordable shelter then the firm and effective measures will be justified and legally defensible. The positive measures would be to make affordable housing stock specially rental housing stock available... restrictions of Rent Control Act have been a major factor in completely drying up of the rental housing stock in the market... rights of those who are already tenants is sensitive and therefore that aspect can be left out. But we could take a pragmatic view of future tenancies... standard rent need not be applied to future constructions.¹⁷

So now that the existing 40 lakh slum-dwellers have been settled in permanent homes, the plan is that the newly arrived will move into newly built rented accommodation where the Rent Act does not apply. Who will build this accommodation? Where? On land available at what price? With land prices as they are in Bombay, how could commercial rentals possibly be affordable by the poor? This problem, like many others, has simply been glossed over in the report.

*

About 60 per cent of the slums are on private lands and 40 per cent are on government and publicly owned lands.¹⁸

Transfer of ownership of the land on which the slum-dwellers will be rehabilitated is an important aspect of the programme. This will ensure their legal title to the land and consequently passing of that title by inheritance. The Group therefore recommends:

(1) The legal title and ownership of the land on which redevelopment has taken place be transferred by way of lease to the co-operative housing societies or organisations of the slum-dwellers.

(2) ... in practice private lands will be purchased... by the developing agency... land be transferred to the Co-operative Housing Society on freehold basis.

(3) Lands occupied by slums and hutment colonies owned by organisations under the control of central or state government be given

on lease. A letter of intent to lease the relevant and required portion of land be issued to the Co-operative Housing Society of slum-dwellers immediately for its registration. This will give considerable authority to the Co-operative Society to choose the developing agency, appoint an architect or appoint a contractor. (4) The lease should be for thirty years and with a renewal clause. The renewal should be automatic except then there is a breach in the use of the land.¹⁹

All this is admirable. That the ownership of the land on which a slum stands should be transferred to a slum-dwellers' co-operative is beyond the wildest dreams of all the social service organisations that have been working for years within slums - all they have been asking for is security of tenure, with an assurance that the occupants will not be bulldozed off the land at the whim of one agency or another. But there is a catch. This is that the transfer will take place only on completion of the scheme of slum multi-storeyed reconstruction. You cannot continue to live in ground-floor dwellings, however much you improve them, and expect to own the land.

Whyever not? Experience all over the world has made it amply clear that with ownership comes responsibility, a desire to improve one's dwelling and the surroundings, a desire for cleaner, healthier surroundings and a willingness to find the money to do this by one means or another. So why hold back until reconstruction is finished? Why not transfer ownership to the co-operatives at once, and let the development follow, at whatever pace market demand permits? Meanwhile, the improvement in water supply and sewerage facilities could take place at whatever speed the municipal corporation is able to achieve.

The middle classes are well known for wanting to keep those below them firmly in their place. If transferring ownership of land to slum-dwellers is a genuine intention it could be quickly done, starting with state government lands. As an election winner it would surely be more effective than promised reconstruction. So why not do it? Unless of course you intend to stop at promises.

*

The Group therefore recommends

(1) Making a legal provision for non-transferability.

(2) Granting permission in genuine cases by the Slum Rehabilitation Authority after a period of 10 years, and

(3) Evolving a scheme of having a strong economic disincentive based on collection of a large percentage of unearned income. The portion of unearned income to be collected would be on the lower side in genuine cases.²⁰

Non-transferability is considered a central feature of the programme. This arises from the fear that a slum-dweller will sell his newly reconstructed flat and move into another slum. But to whom will he sell it? Another slum-dweller surely, or a middle-income person who has no better accommodation on offer. If it is to another

slum-dweller, then what difference does it make which slum-dweller lives in the multi-storied building and which one in the slum? And if it is to a middle-income person, and you are rehousing all 40 lakh slum-dwellers, there is clearly something wrong with your scheme because you've ignored the middle-income man's problems.

*

...estimate of the monthly outgoings. Tenement holder without a lift will on an average basis have to spend Rs 465 per month of which Rs 350 will go as municipal taxes. From the present level which is not more than Rs 20 per month... service charges levied by the municipal corporation for providing the civic amenities. With a view to giving relief, municipal taxes could be levied in a telescopic manner... 50 per cent of the municipal taxes are levied in the first 10 years, next 10 years, 70 per cent.¹¹

The slum-dweller in his 225 sq ft flat somewhere in the far suburbs will be paying as much municipal tax as someone in a vast and elegant old-rent apartment in south Bombay. There is an urgent need to reform the basis for municipal taxation. Because it is based on 'rateable value', rather than the current market value of a property, it is unfairly biased against new construction. Older buildings, no matter how expensive the locality in which they are, pay very low taxes. Here also, as in so many other instances, this report, instead of addressing the root of the problem, seeks out facile solutions that are unsatisfactory to all.

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...dwelling units for hutment-dwellers meaning thereby 2.16 cr sq metres of construction. In addition, the saleable component will involve construction of 2.0 cr sq metres of floor space.¹² The corner-stone of the programme would be raising of finances from the market through the availability of additional/surplus FSI.¹³

Now here is the nub of the matter. Government has accepted that slum-dwellers are an essential part of the city, and that they deserve to enter the formal housing sector. The land on which they happen to be will be transferred to them, as something they own, and whose inheritance they can pass on. And pucca buildings will be built for them by builders anxious to make profits out of the free-sale component that is offered as an incentive.

Two questions arise. First, would a builder be really attracted by this proposition? And second, is there a market for all the new construction?

Let us be clear that the prime source of the money builders have made in recent years in Bombay has been not ownership of land, but scarcity. Demand has overwhelmingly exceeded supply. That previous political leaders have connived at inducing this scarcity can hardly be doubted. The Urban Land Ceiling Act has been a most handy tool. Are builders not well aware that it is scarcity that sustains their profits? Government officers have announced recently that the implementation of this

programme will bring down accommodation prices. Most of us would welcome that. But do the builders want it? After all, they are the key players in this programme, the source of all funding. And if they are unenthusiastic, what happens to the programme?

We should also ask ourselves what 4.16 crore sq metres of new residential construction means for the city. Let us set aside for a moment the horrendous problems of infrastructure that this would impose on the city. Reliable numbers seem to be impossible to come by, but at a rough guess an additional 4.16 crore sq metres would double the built-up residential floor space in the city and suburbs. Half of this would be slum rehabilitation. The other half would be the free-sale component, and this free-sale component would amount to about half of the existing built-up residential floor area in the city and suburbs. Is there really a market for so much new floor space? It is a serious lacuna in the report that it makes no projection of demand for high- and middle-income housing to show that the free-sale component could indeed be sold at prices high enough to support the cost of constructing the rehab buildings.

Consider the numbers that are available. Bombay's population grew from 82 lakhs in 1981 to 99 lakhs in 1991, an annual increase of about 17 lakhs people, or about 34,000 households. The legal supply of housing during this time has been 22,000-25,000 dwelling units per year. Compare this with the plan to build 8 lakh units for slum rehabilitation in the next 5 years. For every 100 sq m of built-up slum reconstruction, there will be another 100 sq m of middle- or high-income housing. We might say that 5 slum-dweller units result in 2 middle-income units. In that case, 8 lakh slum-dweller units would produce a corresponding 3 lakh middle-income units, or about 60,000 additional such units a year,

over and above the 22,000-25,000 units already being added annually. Would there be a demand for so much construction? What happens to prices, and the differential that is supposed to finance the slum reconstruction?

Once again, one is left with the impression that implementing the programme is not a matter of really serious concern. Some schemes will undoubtedly begin, in high-profit slum pockets, some smart builders will make their money, and who can grudge them that, and some slum-dwellers will undoubtedly find themselves in pucca multi-storied buildings instead of their earlier huts. And that will be that. A few free lunches there may be, but nowhere near 40 lakhs.

Notes

- 1 FSI or Floor Space Index, is the ratio of built-up area to plot area
- 2 TDR is Transferable Development Rights, essentially permission to build the area under the TDR on another plot elsewhere in the suburbs.
- 3 Foreword, p iii
- 4 Foreword, p iv.
- 5 Chapter 15, p 38.
- 6 Chapter 7, p 12.
- 7 Chapter 1, p 1
- 8 Chapter 10, p 20
- 9 Chapter 11, p 22.
- 10 Chapter 18, p 53.
- 11 Chapter 19, p 55
- 12 Chapter 4, p 9
- 13 Chapter 20, p 57.
- 14 Chapter 29, p 79
- 15 Chapter 9, p 18
- 16 Summary, Chapter 9, p 86
- 17 Chapter 21, pp 60-61
- 18 Chapter 6, p 11.
- 19 Chapter 24, p 66.
- 20 Chapter 24, p 68.
- 21 Chapter 27, pp 71-72.
- 22 Chapter 19, p 54.
- 23 Chapter 14, p 36.

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Building Castles in Air

Housing Scheme for Bombay's Slum-Dwellers

Gurbir Singh
P K Das

The Afzalpurkar report on housing of Bombay's 40 lakh slum-dwellers fails to take its implications to their logical conclusions. With procedures of transit accommodation not clearly worked out and no commitment on the part of the state towards infrastructural development, the scheme has generated a lukewarm response among the builders and may face opposition from the slum-dwellers themselves.

WILD promises and populist, unimplementable schemes have become a hallmark of electoral politics over the years. But the con of free houses being promised to the 40 lakh slum-dwellers of Bombay by the Shiv Sena-BJP government takes the cake. At first, it came as another of those Bal Thackeray pre-election rantings. Nobody took it seriously. But after assuming power, the SS-BJP government appointed a study group headed by D K Afzalpurkar, senior IAS officer and chairman of the Bombay Port Trust, to propose a scheme for providing free houses to slum-dwellers. In little over two months, on July 21, the study group produced its recommendations. And, the state government, without much ado, has announced that it has accepted what has come to be known as the Afzalpurkar report. In keeping with the culture of using auspicious occasions to launch schemes, Bal Thackeray has declared the Slum Rehousing Scheme (SRS) open on Dussera - October 3. (Memory is short, but let us recall that Sharad Pawar's now derailed earthquake reconstruction scheme also started on Dussera day, 1993).

Slum groups and voluntary organisations, who have organised debates on the Afzalpurkar report, have been sceptical about its implementation. But the repeated announcements by the state government affirming the government's intention of implementing the scheme, has sent the expectations of Bombay's nearly 60 lakh slum population skyrocketing. Notwithstanding the scepticism among housing rights organisations and the media, a large section of slum-dwellers genuinely feel that within a short time they will be proud owners of apartments in multi-storey buildings. Woe betide Bal Thackeray if these aspirations are dashed!

HISTORY OF FAILED SCHEMES

This is not the first scheme to rid Bombay of its slums. And it is unlikely that it will be the last. The 'philosophy' of 'cross-subsidy' - that the builders can be made to

subsidise slum development if they are given additional FSI on slum plots as an incentive in order to increase the margin of profits - is at the root of the new SRS. This was also the basis of Sharad Pawar's Slum Redevelopment Scheme (SRD scheme) which was launched with much fanfare in 1991. In fact, the Afzalpurkar recommendations are nothing but a souped up version of the earlier Sharad Pawar's SRD scheme.

Bombay's population over the decades has leapt from a mere 8.13 lakhs in 1901 to nearly 130 lakhs currently. Slums were virtually unknown in 1961, constituting only 10 per cent of the population then. Today, Bombay is a virtual slum city with 55 per cent of its population living in shanty tenements as 'encroachers' on government and private lands. This does not include another 25 per cent of the city's population living in squalid and dilapidated buildings, where conditions are often worse than slums.

In the first two decades after independence, the official approach towards slums was to clear the hutments and rehouse slum-dwellers in permanent structures. An amendment, Section 354 A was introduced in the Bombay Municipal Corporation (BMC) Act to make this legally possible. The cost of constructing a permanent tenement was fixed at Rs 8,000 in 1954, with the union government and the BMC sharing the costs equally. By the end of the 1960s, with the union government refusing to enhance its Rs 4,000 per hut subsidy, and slum structures growing in leaps and bounds, slum clearance as a policy met its demise. The government realised that as conditions in rural areas became more wretched and industrial expansion in the cities attracted people in search of livelihood, migration into the city would spawn slums at a rate beyond the capacity of the slum clearance programme. Thus, slums would have to be tolerated, and the official policy veered around to 'improving' slums rather than 'clearing' them.

The BMC launched its Slum Improvement Programme (SIP) in 1970. The programme envisaged providing basic civic amenities

such as water supply, toilets, roads, drainage and street lights for slum-dwellers. The union government allocated the meagre sum of Rs 2 crore in 1972 for the purpose. A separate machinery, the Maharashtra Slum Improvement Board, was set by the state government in 1974 to co-ordinate this work. When the Maharashtra Housing and Area Development Authority (MHADA) was set up in 1977, the slum board was merged with MHADA.

A BMC report, written a few years ago by the deputy municipal commissioner (slums), K G Pai, estimated the housing stock necessary for clearing slums in Bombay at 10 lakh tenements. Taking a construction cost of Rs 350 per sq ft, and providing for 150 sq ft carpet area per tenement, the report projected the rehousing cost for Bombay's slum-dwellers at Rs 7,000 crore. In this light, the meagre total of Rs 70 crore spent over two decades on the Slum Improvement Programme shows the casual attitude on the part of the planners to improve the lot of slum-dwellers. The BMC report points out that even basic slum improvement measures would require a minimum of Rs 150 crore a year, and goes on to admit that a whopping 30 lakh slum-dwellers have not been touched by the so-called slum improvement programme.

So far the state government's method of tackling the problem of burgeoning slums has been by wearing the blinkers of 'cut-off' dates. At first, the government defined a 'legitimate slum' - one that was recognised under the Maharashtra Slums Improvement Act, and thus qualified for basic civic amenities and protected against demolitions - as one whose residents were enumerated in 1976, and were provided photopasses. The cut-off date was thereafter extended to 1980, and later, after widespread agitation in 1987, to those figuring in the voters list of 1985. As things stand today, slums which have come up after 1985 do not exist for the state government and the BMC. By this method, 50 per cent of the reality has been wished away.

After the failure of the SIP the state government in 1985 launched the Slum Upgradation Programme (SUP), in collaboration with the World Bank and the BMC. This programme sought to transfer the bulk of the burden of development on the slum-dwellers themselves. While providing some civic amenities, the programme envisaged slum housing co-operatives undertaking slum development in exchange for transfer of land tenure and housing loans to the slum co-operatives. A modest target of one lakh tenements - one-tenth of the total slums in the city - was projected for coverage under the scheme. However, till 1993, only 22,000 households have been covered, and the programme has been virtually given up as a failure.

SHARAD PAWAR'S SRD SCHEME

The government's answer to this string of failures was not greater involvement in the field of housing for the poor, but to withdraw and give the field to the builders and private developers. Significantly, Sharad Pawar's builder-propelled SRD Scheme came in March 1991 in consonance with the unfolding of the New Economic Policy by the newly-installed Narasimha Rao government. Privatisation and withdrawal of government subsidies, the watchwords of the NEP, was sought to be applied with a vengeance to the housing sector too. By that time, Sharad Pawar, as the chief minister of Maharashtra, had also unveiled his plans to convert the city into another Singapore -- of slowly shifting out or shutting manufacturing activity starting with the city's 60 textile mills, converting factory lands into lucrative real estate, and making Bombay primarily a commercial and financial centre of the country. Slums, therefore, did not fit into these grandiose plans. Significantly, the first slums targeted for eviction, bearing the approval of the union transport minister, Gulam Nabi Azad, were those surrounding the Sahar airport.

Under the new development control regulations, introduced for the city in March 1991, private developers were invited to rehouse slums in small flats of a minimum of 180 sq ft carpet area. In return, the developer would be granted an FSI of 2.5 on slum plots instead of the 1.0 FSI prevailing in the suburbs, and 1.33 in the island city. (Floor-space index (FSI) determines how high a building can be built, and is directly proportional to the size of the plot. For example, an FSI of 1.0 on a 1,000 sq metre plot means that the total floor space constructed in the building should not exceed 1,000 sq m.) After constructing the slum rehabilitation units on a given plot, the developer was free to construct flats and shops for commercial sale, and the government envisaged that part of the profit would go to 'cross-subsidise' the slum houses. Slum-dwellers were also required to pay the builder a minimum of Rs 15,000 of the projected Rs 75,000 cost of a 180 sq ft tenement. This scheme signalled the virtual withdrawal of the government from its social responsibility in the sphere of housing.

The scheme was a non-starter from the beginning. Builders were sceptical, especially the big houses, of getting into wrangles with the slum-dwellers, and preferred to work on unencroached plots with clear titles even though the land costs were astronomical. Those builders who had plans passed under the scheme found they could not start work in the absence of transit accommodation for the slum-dwellers. And the slum-dwellers were rightly reluctant to give possession of their plots in the absence of the builder

providing alternative accommodation. As a result, in a majority of the schemes approved, even till today, not a single brick has been laid. Statistics released by the state government are a glaring revelation. Only 160 schemes were submitted to the government for approval in the nearly four years of existence of the SRD scheme. Of these, the government accorded approval to 89 schemes involving a total of 17,600 dwelling units. However, only four of these 89 projects have taken off and are anywhere near implementation.

THE AFZALPURKAR SCHEME

The Afzalpurkar recommendations have recognised some of the lacunae in Sharad Pawar's SRD scheme, and, while adopting the same approach of 'cross-subsidy', has tried to make a few improvements. In a major departure from the previous SRD scheme, it has made eligibility to the scheme open to all slum-dwellers who figure in the electoral rolls of January 1995. The previous scheme had adopted the 1985 voters list as the cut-off date, thus, effectively leaving out half of the city's slum population. It has also extended the status of 'slums' to the nearly eight lakh pavement-dwellers of Bombay, thus also making them eligible for housing under the scheme (Chapter 20).

The new scheme also seeks to give a better deal to the slum-dwellers by increasing the minimum carpet area to be provided for rehabilitation from 180 sq ft to 225 sq ft, and does away with the requirement of Rs 15,000 to be paid by slum-dwellers to the developing agency. Houses under the new scheme are to be totally free.

Furthermore, it has strongly advocated rehousing slums on site *in situ* and if the residents have to be shifted in case the plot is reserved for an essential public project, or in the case of pavement-dwellers who have to be moved to 'virgin lands', the new location should be within 10 km of the old site. Making these recommendations in Chapter 7, the Afzalpurkar committee envisages that about 80 per cent of the slums can be developed *in situ*. Besides essential reservations in the developmental plan, the committee seems to have overlooked that a large number of slums are situated right on the sea coast, on hillslopes, in the landing and take-off tracks of airplanes and below high tension wires, etc, where building permission cannot be granted under development control rules. Together with pavement-dwellers, the number of slums which will require to be shifted to 'virgin lands' would be as high as 40 per cent. The report is silent as to where and how these 'virgin lands' are going to be made available.

Private developers and builders will be the engine of development for this housing scheme. There will be no financial

contribution or any other assets by the government, which is required to play only a monitoring role. For a scheme that is tailor made for builders, it is ironic that the word 'builder' does not figure anywhere in the report. Instead, the euphemism -- 'developing agency' -- is preferred.

The scheme, which seeks to attract builders to develop slum housing, in return for incentives, has broadly kept to the same formula as the Sharad Pawar's SRD scheme. However, while keeping to the 2.5 FSI principle on slum lands, the Afzalpurkar scheme offers a varied incentive of free-sale component depending on the location of the slum concerned. For the island city, for every 10 sq ft of rehabilitation component constructed by the builder, he is offered a free-sale component of 7.5 sq ft. For the suburbs, the ratio of rehab and free-sale component is equal, while for heavily congested Dharavi, for every 10 sq ft of rehab component, the builder is offered a free sale component of 13.3 sq ft (see table below).

The recommendations have proposed the setting up of a central monitoring and clearing agency, called the Slum Development Authority, which will consider and accord permission to applicants, grant concessions if necessary to the developers, monitor the construction and allotment, and co-ordinate between different government departments. Amendments to the Bombay Municipal Corporation Act and other legislation has been proposed to give this authority sufficient teeth.

To circumvent the problem of transit accommodation faced by the old SRD scheme, the Afzalpurkar recommendations has a special chapter (Chapter 8) to provide incentives for creating transit accommodation. It foresees the need to set up about 1.50 lakh units for transit dwellings, and proposes that vacant government land be made available for it. It offers the same 2.5 FSI as incentive for construction of transit accommodation, as well as possession and exploitation of the accommodation by the 'developing agency' after its use as 'transit

TABLE: RATIO OF REHAB AND FREE SALE COMPONENT FOR DIVISIONS OF BOMBAY

Zone/Area	Construction of the Rehab* Component	Construction of Free Sale Component as Incentive
Island City of Mumbai		
A to G wards	10 sq feet	7.5 sq feet
Suburbs and extended suburbs	10 sq feet	10 sq feet
Difficult area... only Dharavi	10 sq feet	13.3 sq feet

* The incentive for rehabilitating pavement-dwellers has a slightly different formula.

accommodation' is over. However, in keeping with the 'philosophy' of the scheme, the state government will not have any direct hand in providing for transit accommodation, and it will be ultimately the builder's headache.

In a nutshell, the Afzalpurkar scheme has identified 2,335 slum pockets having 9,02,015 huts as the beneficiaries of the scheme. It aims to construct 11 to 11.5 lakh dwelling units (excluding the free-sale houses), amounting to about 265 lakh square metres of construction, at a rough outlay of Rs 15,900 crore, and to be completed in five to six years. A tall order indeed.

LACK OF BUILDERS' INTEREST

The mathematics of the scheme makes little sense. If 10 to 12 lakh rehabilitation units for slum-dwellers are to be constructed, then another at least six lakh free-sale units will be required to cross-subsidise the rehab units. This means a gargantuan task of constructing 18 lakh dwelling units. Which means rebuilding the city all over again! The report is blissfully silent on the impact this kind of construction will have on the city's real estate prices. If nearly six lakh dwelling units for sale are released in the market, even in a phased manner, the result will be a crash in prices. This will axe the very basis of the whole scheme – the high profits to cross-subsidise slum housing.

The time frame for the project is five years. Today, the city has a construction rate of 15,000 to 20,000 units a year. Even if this doubled to 40,000 a year, it will take 45 years to complete the project!

The initial builder response has been lukewarm. Some big builders like L.C. Gandhi or Lok Group, Niranjan Hiranandani and Madhav Jog, have been ecstatic about the scheme, and have even floated corporations and public issues to finance their plans. But this group of builders is seen to be close to the Shiv Sena, and were significantly, members of the Afzalpurkar committee. But the rush of the builders for the scheme is visibly absent. This is because a large section of builders see entry into slum plots as full of avoidable imponderables. A slum plot is not a 'clear' one; it comes with its residents aligned with different political groups and shifting interests. Slum residents have been known to oppose a scheme after initially approving it. Or they may demand new terms and conditions. All this may lead to inordinate delays. Big builders are scared of fluid situations and their investments tied up. They want to build quickly, realise their profits, and move on to the next site.

Ranjit Naik, a small builder specialising in slum housing, admitted in an interview (*Asian Age*, July 11, 1995) that though about 60 of his schemes under the SRD project had been cleared, hardly any had been

implemented due to procedural bottlenecks and resistance by the slum-dwellers.

Moreover, the problem of transit accommodation – which builders cite as the previous SRD scheme's Waterloo – has hardly been overcome by the Afzalpurkar scheme. Besides offering some incentives for building transit accommodation, the problem of providing actual space and finance to build these structures has not been addressed. Without proper and accessible transit accommodation, slum-dwellers can hardly be expected to hand over their land to the builders.

For a project involving the construction of 18 lakh dwelling units, the Afzalpurkar scheme has little space dedicated for infrastructure development. Houses cannot be built in the air. They have to come with roads, lighting, drainage, transport systems *et al.* But the report is silent on who will be entrusted with this responsibility – the builders, the BMC or the Slum Development Authority?

The chapter on 'Infrastructure Development' envisages a collection of Rs 75 per sq ft of the rehabilitation component, to be divided on a 1:2 ratio between the Slum Development Authority and the BMC, respectively. Through this method, a total collection of Rs 2,050 crore is projected to finance infrastructure projects. But this kind of budgeting raises more questions than it answers. For instance, why is there no tax on the 'free sale' component for financing infrastructure projects? Second, who will ultimately be responsible for developing infrastructure under the scheme? And where will the money come from? Finally, can the development of infrastructure be left to the collections from the scheme itself? The result of this confusion, which allows the government to abdicate its responsibility in developing infrastructure, could be sheer chaos. For a housing investment of about Rs 33,000 crore (including both the rehab as well as the 'free-sale' component), the necessary infrastructure facilities, taking a low of 50 per cent of the housing investment, will cost at least Rs 16,000 crore. The maximum collection envisaged under the scheme is just about one-tenth of the figure!

Furthermore, the scheme will double the population concentrations on slum plots, which are today already hopelessly overcrowded. This, together with little provision for infrastructure development, will spell virtual environmental disaster for the city if the scheme ever comes up. The report has not even bothered to make provision for the mass migration of construction workers that the scheme will create into the city. At full swing, the projects under the scheme will more than double the existing strength of construction workers, to about three lakhs. Who will cater to their housing and other needs?

RESISTANCE FROM SLUM-DWELLERS

There is likely to be resistance from some sections of slum-dwellers too. While the 'new' slums, which have come up recently, see themselves gaining from the scheme, the 'old' slums, settled before 1980, see it as a losing proposition. Many of the 'old' residents have invested considerable money in their houses, which today are closer to 'chawls' rather than slums. Over the years they have expanded both horizontally and vertically, with most having an upper mezzanine floor. A large section of these 'old' slum-dwellings thus are larger than 250 sq ft, often with a verandah or gallery. For families occupying such dwellings, a boxed-in 225 sq ft tenement in a building would be a step back.

What has not been further realised is that a majority of the 'old' slums in the city are humming industrial estates too. While one part of a slum-dwelling is used as residential accommodation, often one floor is used to conduct some form of industrial or commercial activity. Tailoring and garment units, zari manufacture and a host of other small-scale units abound in the city's slums. This may not be possible, especially where machinery is involved, in small multi-storey apartments.

How quickly this is realised was illustrated by the example of Squatters Colony – a big slum of about 1,200 families situated at Chincholi Phata, in Bombay's suburban Malad area. The local Congress-I corporator, M I Patel, joined hands with a developer called Ambica Builders, and tried to push through a building proposal under the old SRD scheme for the nine-acre plot on which the slum was situated. Initially, a large section of the slum joined in. But then better counsel prevailed and a majority backed out. Leading the war-cry against the Congress corporator in this predominantly Muslim basti were the 300-odd families engaged in 'waraq' production in the slum. ('Waraq' is the silver foil put on sweet-meats and manufactured by extensively flattening silver by placing it between leather plates and beating it with iron lasts.) Somewhere down the line these waraq producers realised that such heavy, noise-making activity would be impossible in multi-storey buildings, and decided to oppose the scheme. They were backed by other families using their dwellings for making trinkets, buckles and cardboard boxes, all of which involve some form of machinery.

Another deterrent seen by the slum-dwellers is the high maintenance costs involved in multi-storey units. Today, a slum-dweller pays between Rs 35-50 as municipal charges. In return, the municipality provides essentials like water and garbage clearance facilities. In the horizontal structures, maintenance is an

easy affair, usually carried out cheaply by the resident family itself.

The Afzalpurkar report tries to mitigate the burden of municipal taxes by reducing the levy to 50 per cent for the first 10 years, and by 30 per cent from the 11th year onwards (Chapter 27). However, the report admits that the minimum outgo per dwelling would be Rs 565 per month for buildings without lift, and Rs 615 per unit for buildings with lift. These charges would not include major repairs required from time to time. With this kind of a maintenance and upkeep budget, which could be half the monthly salary for a large section of slum-dwellers, it is likely that many would prefer to continue to live in easy-to-repair slum-dwellings; and for those who opt for apartments, a mass distress sale and movement back to the pavements could also be a possible scenario.

The Afzalpurkar scheme has found opposition from an unusual quarter. Nilkant Khadilkar, editor of *Navakal* and an inveterate eclectic, who so far has been backing the Shiv Sena's Hindutva campaign, has turned around and is busy delivering broadsides against the state

government's rehousing scheme. His argument is that the Marathi inhabitants, comprising 25 per cent of the city's population, live in run-down, dilapidated chawls in south and central Bombay, for whom Bal Thackeray is offering no schemes. Most of the slum-dwellers are not the Marathi-backers of the Hindutva government but are migrants from other states. So you have a pro-Marathi pro-Hindutva government appeasing outsiders and Muslims (who it had promised to throw out), in preference to the local Marathi populace, mocks the sly Khadilkar

AUTHORITARIAN PROVISIONS

Chapter 22 of the recommendations provides that the consent of 70 per cent of the slum-dwellers on a particular plot for joining the scheme, as provided in the earlier SRD scheme, would stay. It, however, specifies that (unlike the earlier SRD scheme) the 30 per cent or less who oppose the scheme, would only have the choice of either compulsorily joining the majority, or facing eviction and transfer to some other undefined plot. The forcible

application of this scheme to a dissenting minority is bad enough. Worse still is the possibility of the use of muscle power to obtain the 70 per cent 'consent' that is statutorily required. This is likely to open the doors to the burgeoning real estate mafia in the city, which has not had much stake in the slum sector so far. Those who have taken note of the more-than-a-dozen killings of builders by rivals or unpaid financiers, would realise what is in store for the city's poor if the builder warlords are let in.

For instance, residents of Ganesh Moorthy Nagar, a slum in Cuffe Parade, south Bombay, who opposed a development scheme by a builder, found themselves 'kidnapped' and paraded before Raj Thackeray, nephew of the Sena supremo. They were told in ominous tones to withdraw their dissent. Currently, these slum-dwellers are busy with a civil suit, where they are seeking cancellation of their 'consent letters' as they were allegedly obtained by force and fraud. These kind of situations are going to multiply in the future.

Under the scheme, the police has been called upon to give 'pro-active support' to

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the projects under the scheme, and play a direct role in suppressing dissenters (Chapter 17). Deputy Commissioners of Police will be designated as 'nodal agencies' for their zone to ensure there is no resistance to the projects. This will mean greater scope for harassment and intimidation by builders using the police machinery. Interestingly, at the stage of formulation of the scheme, the top brass of the city police opposed any statutory involvement pleading that law and order should not be mixed up with supervising civil projects. The chief minister, it is understood, overruled these objections.

A trailer of what is in store was seen recently in Shivaji Nagar and Harnagar, two adjacent slums situated in Bombay's communally sensitive Jogeshwari (east) area. Akruiti Nirman Builders had been granted permission by the BMC to develop these two slums composed of about 800 huts in 1994. There were, however, allegations that the builder did not have the requisite 70 per cent 'consent', and many had been forced or misled into giving their signatures. The BMC's slum department *prima facie* saw merit in these allegations, and ordered a review of the permission granted as well as a fresh survey of the residents' opinion. As all this was going on, the builder's men, with help of a private demolition squad, demolished several tenements to make way for fresh construction. The demolition was made possible by the protection provided by the Meghwadi police station to the demolition gang, under orders of the deputy commissioner of police. Bipin Bihari and with the blessings of the local Shiv Sena MLA, Sitaram Dalvi. The BMC has denied it had any hand in the demolition. Nor was there any BMC or Collectorate official present on site at the time of demolition. Had it not been for the strong protests of the local residents, and the intervention of the police commissioner, Satish Sahney, to whose notice these illegal police acts were brought by Nivara Hakk Samiti and other groups, the private demolitions would have continued.

To make resistance more difficult, the scheme proposes extensive amendments to the Maharashtra Regional and Town Planning Act, 1966, the BMC Act as well as the Maharashtra Slums Areas Act, 1971 *vide* Chapter 13. These amendments seek to restrict the scope of slum-dwellers or their organisations appealing to the courts of law, or seeking injunctions against the implementation of projects under the scheme.

More worrisome than the legal sabre-rattling is the near-fascist language that has accompanied the Afzalpurkar report. Though not stated directly in the report there are provisions which hint at controlling entry of migrants into the city. D K Afzalpurkar, chairman of the

committee, at a Nivara Hakk seminar, actually spoke of compelling new migrants to report to camping grounds outside the city limits before according entry rights. This could lead to monitoring of the Muslim minority, and evictions could take place in the name of removing Bangladeshis, as has been threatened by Bal Thackeray. Soon after being installed, the SS-BJP government in fact made an abortive attempt to introduce the permit system in the city.

At the inauguration of the scheme on October 3, Bal Thackeray was vituperative. He threatened demolitions of new slums, he promised jail sentences to those members of the city's poor who dared to build fresh huts, and he railed against officials who allowed new migrants into the city.

HIDDEN INCENTIVES FOR BUILDERS

In posing to support co-operative development by slum-dwellers, the Afzalpurkar report has a chapter (Chapter 16) on incentives for co-operatives. If the developer is a co-operative society, one of the incentives offered is sanction for sale of 25 per cent of the 'free-sale' commercial component before the rehabilitation housing is constructed. Knowing how builders masquerade as co-operative housing societies, it may not be difficult for builders to obtain this concession, sell off the commercial units, grab the proceeds, and make off leaving the slum-dwellers high and dry.

The report also recommends giving builders the benefit of transferring their right of commercial development accruing on slum pockets to some other site through the grant of Transferable Development Rights (TDR) certificates (Chapter 15). Creating this form of commercial paper will open up a lucrative trade in TDRs as well as allow builders to mint money in posh areas by using slum development as an excuse.

On the other hand, there are serious disincentives which would prevent slum-dwellers from opting for any other path of self-improvement save the builder-oriented one laid down in the report. Chapter 29 of the report provides that all other slum improvement programmes will be phased out thus limiting the options for slums to decide their development. Already sanction for 20,000 slum toilets, approved earlier by the BMC, has been held up by the state government on the specious plea that it is a waste of money since the new housing scheme will provide toilets and much more.

POSSIBLE ALTERNATIVE

It is obvious that the ultimate solution to overcrowding and expensive housing is to ensure that the socio-economic

compulsions that force mass migration towards cities are ended. However, within the parameters of the system, housing rights and environmental groups have been urging a more rational and people-oriented path of slum development.

The biggest hurdle to people improving their environment in slums is the lack of land tenure. Even photo-pass holders living in slums censused in 1976 pay a 'fine' and not a 'rent' for their 'illegal encroachment', and can, and have been, evicted to make way for supposedly essential public projects. This Damocles sword of demolition and eviction prevents slum-dwellers from investing in the development of their environment. Granted ownership or lease tenure of their land, slum-dwellers are bound to undertake a creative, and environment-friendly path of development. Such grandiose schemes, like the Afzalpurkar scheme, are an expression of faithfulness in the creative power of the poor to manage their own affairs.

Besides land tenure, the state government must also be compelled to make cheap finance available to slum co-operatives. Banks and lending institutions must apportion a sizeable part of their funds for co-operatives slum housing projects; and the only security that should be demanded is the mortgage of the slum houses under construction or renovation. Furthermore, sanctioned slum co-operative housing projects can be provided primary construction items like steel, cement and bricks at subsidised rates, like rations through a well-monitored public distribution system.

Architecturally, the cheapest and most environment-friendly model would be the Ground + one or Ground + two, if necessary. The 'horizontal approach' rather than multi-storey constructions would be most in keeping with the environment slum-dwellers are used to in close neighbourhood; and at the same time it would avoid the high construction and maintenance costs that high-rise buildings involve.

Moreover, the government cannot be allowed to side-step its social responsibility in crucial areas touching the people's livelihood. The Afzalpurkar report is nothing short of 'The Great Escape' for the government. Development of infrastructure facilities and services as well as site development must be undertaken by the government. A special authority needs to be set up responsible for developing the site and services required for slums, while giving the actual right of deciding development to the slum-dwellers themselves.

Finally, it must be granted that one big service the Afzalpurkar report has done to the slum-dwellers is the extension of eligibility of slums to January 1995. Slums facing demolition and eviction can now at least grab this proviso in their struggle for existence.

Politics as Property

K Balagopal

The social urge represented by the toppling of N T Rama Rao demands economic and industrial modernisation and development. And for that it demands efficient and quick-acting governance of the type that has made men like Pratap Singh Kairon and Sharad Pawar famous. It is here that NTR is perceived by a substantial segment of Andhra Pradesh's elite as having failed.

ALL political happenings are not significant events. Whether the toppling of N T Rama Rao in his ripe old age by a cotene directed by his own sons-in-law and abetted by his own sons is an event of any significance is a point that needs discussion. It can no doubt be said that it happened at a time when the man least deserved it – which is not saying much, for he has at every point of time abundantly deserved it – and for a reason that carries no great conviction with the people at large. His dear wife was said to have been an 'extra-constitutional centre of authority', which means little because all authority in the Indian polity is in any case extra-constitutional, even when it derives formal sanction from the Constitution. More to the point, the old man's son Hari Krishna, who was a catalyst in the turbulence and has now become minister for transport in the son-in-law's cabinet, is as much an extra-constitutional centre of authority as his much-maligned stepmother, inasmuch as he too has presumed to dictate the shape of political happenings in the state without ever having been elected to the assembly by or in the name of the people, an act of anointment that is evidently accepted by common consent as a good enough entitlement for toppling, subverting or hijacking governments.

A Hindu coparcenary being what it is, all property disputes among Hindu families carry an element of high drama. And castes such as the Kammas who are substantially propertied have a community culture in which this drama is an understood and well elaborated element. The early Telugu films, for instance, were in large measure nothing but the enactment of this familiar drama of peasant proprietor or landlord families on the screen, and NTR has acted in quite a few of them. In most such films the dramatic denouement begins with the aging of the patriarch, and is not uncommonly precipitated by his late infatuation with a young wife, a foster child or some such aberration that the heirs regard as senile delinquency. That by that time the patriarch, whatever his past acts of despotic authority, is usually a mellowed man, a silver haired specimen of contrition, or at least of a certain

desire to make up with all and sundry – including the naxalites, in NTR's case – before quitting this world, generates a certain sneaking sympathy for him in the onlookers. And the heirs look even more villainous than they need to.

It was this drama of painful generational change in the property holdings of a Hindu joint family that Andhra Pradesh witnessed in the last couple of months. But what made it weird was that the property that the family was fighting over was the state of Andhra Pradesh, its people, politics and wealth. This itself, perhaps, is its significance, for Andhra Pradesh is a state that prides itself on its radical history; it can justly boast of a significant political element that is radically critical of the existing and inherited order of things. That radical critique can also fairly claim that it has influenced people's perceptions and ways of looking at things in major measure. And yet the inadequacy of this history is such that a single family – no doubt a rather big and glamorous one – can fight over the state as its joint property, the way such families have fought over home and hearth for centuries in the feudal-patriarchal tradition. And the people at large, including the more politically sensitive among them, are not only not outraged but find it quite amusing; or else, what is even worse, dismiss it as an irrelevant interlude in the grand progress of history.

But it is possible, perhaps, to seek other points of significance as well. Indeed, one can even 'rationalise' the events to reveal a hidden meaning, a rational order disguised by maverick accidents, an analytical practice that radical – especially much of Marxist – thinking has always been prone to. For instance, one may see in the rise and the crisis of the Telugu Desam Party the birth-pangs of a self-conscious regional bourgeoisie, its strategies of consolidation and their crises. Such rationalisation is one of the most fascinating things about radical critiques, and contributes a lot to their enduring attraction notwithstanding repeated practical and predictive failures; but the fascination is in truth a distraction. Such a

mode of analysis is faulty because what filtered out in this process, and (to me metaphors) thrown out like the peeled skin of a fruit is thereby surreptitiously rendered irrelevant and insignificant. It is usually not a point that becomes unpleasantly evident when what is peeled off analytically to reveal the alleged rational core returns later – a real and not analytical time – to stick again to the fruit.

Let us try then to seek a significance of recent events in AP in as non-rationalising a way as possible. It is one thing to recognise order and causation where it exists, and to recognise human subjectivity in history; but quite another thing to seek the working out of a neat pattern of Reason acted out by social collectivities set up as historical subjects. All such thinking leads to overt or covert reification of history, which in turn leads to utopian prescriptions for putting an end to such history. And all utopias are anti-human, even the most humane of them. The human subject – both as an individual and as a collective – is too small to bear the heavy weight of utopias. It can only be crushed by them. A non-utopian radicalism requires a non-rationalising mode of analysis, a mode of seeking truth, for truth must necessarily be sought, that will accept reason but will reject Reason, and will be adequately cautious in identifying patterns of orderliness and causation in history, keeping always in mind that the history is *human* and therefore always carries with it a large quantity of contingency, in every sense of that term. finiteness, disharmony, incongruence, accident, whimsicality and so on.

The birth of the Telugu Desam Party 15 years ago was the political consequence of at least two phenomena. One is the dissatisfaction felt by a certain section of Andhra's regional elite with the Congress Party's strategies in dealing with their aspirations for political power in the state and regions. Those sections of the regional landed-financial-commercial elite that possessed the advantage of substantial property, and cohesive homogeneity as well as a standing of social leadership within the caste system – such as the rich among the Kammas of coastal Andhra Pradesh – felt that they deserved more political power than the Congress was prepared to give them. The unwillingness of the Congress was due to many factors, which may not be susceptible to an ordering in terms of historical significance or decisiveness. One was the negative factor that the Congress Party, with its unitary vision of India, did not like strong and self-assertive elites to develop in the states, which in its language would lead to 'fissiparous tendencies'. There were, however, less negative reasons too. There was a felt need to accommodate the aspirations of backward regions and socially weak

communities in the states by allowing their representatives, real or putative, to occupy positions of power. This meant that the most powerful regional elites would be to some extent sidelined, or at least forced to share power and glory with the less deserving. But this positive factor contained within it another negative factor, which has been emphasised by Ambedkarite analysts. This was that the Congress, especially at the level of national politics, was dominated by brahmins, whereas the upcoming regional rich were from sudra communities, which was one reason why the Congress expressed a preference for a unitary structure of the polity, and encouraged the less dynamic of the sudra communities, or those from backward and undeveloped regions within the states. This process was also congruent with the sociological fact that in the backward and undeveloped regions, the unity between the brahmin and sudra elites as the principal exploiting groups of pre-modern India has not been fully shattered, whereas in the developed regions, that unity had been breached even by 1947, for both economic and political-cultural reasons. In Andhra Pradesh Congress politics, for instance, the brahmin leadership has had a more or less cosy relation with the Reddy landlords of Rayalaseema and Telangana, whereas in coastal Andhra the Kamma community's rise, in social and political terms, took place in an anti-brahmin ambience, represented explicitly by non-brahmin self-respect type of movements, and implicitly by the rationalist, atheist and communist movements. It was this Kamma community that developed a very able and talented middle class and a powerful entrepreneurial elite taking advantage of the positive material conditions prevalent in the region watered by the Krishna and Godavari rivers, which conditions became even better after the green revolution. And yet, the rise to political power of this elite commensurate with its tremendous dynamism was blocked by Congress strategies.

While the resentment against this denial was one powerful mood behind the formation of the Telugu Desam Party, there was another whose contours have become clearer now than they were at that time. Whatever may have been true in 1947, by the 1980s, all the states of India, considered as ethnic-linguistic regions, had developed an elite quite capable of taking charge of the affairs of the region. Today, there is little doubt that they can fully take command of their regions and rule them as ably as Delhi is able to rule India. A person like Chandra Babu Naidu, the latest chief minister of AP, is equal to anybody in Delhi, whether in running an efficient administration, amassing unlawful wealth or cutting his opponents' throats. He and his class do not need to be overseen by Delhi in doing their job. They have nothing

left to learn – in administration, commerce or criminality – from Delhi. India is today certainly ripe for federalisation, for this if for no nobler reason. And if a morally desirable end is actually realised through not so noble pressures, then that would not be the first time it has happened in human history, nor is it going to be the last time.

This pressure of impatience felt by well grown regional elites has been expressed in political language in the idiom of decentralisation, autonomy, federalism, etc. If it is true that these expressions are not to be taken literally as the actual aspirations of all those who talk in terms of them, then it is also true that they are not to be understood as mere ideology, in the sense of either a distorted representation of reality or, worse still, a camouflage for hidden material interests. The notions are just what they are: the values in terms of which actual aspirations are conceived, thought of and explained, following the general principle that in human thought every particular idea or aspiration is conceived of and expressed in terms of universal values, in other words that the cognitive and the normative are inseparable in human thought, for human beings cannot make sense of their existence without making moral sense of it. Ideological camouflage is not ruled out here, but that is no more the essence of the matter than the naive equation of values with actual aspirations. What is involved here is a structural property of human thought, which naturally operates in a social context.

Once such a universal value comes into existence it is capable of being taken up and given fresh content in other aspirations; of being attached to or reinterpreted in other contexts so as to give rise to new aspirations, and energise hitherto dormant political practices; of becoming part of social culture that shapes human potential into actual behaviour patterns; and thence also of realising itself in social institutions, social relations and social practices beyond the intentions and aims of those in whose aspirations it originally found normative expression. The notion of ideology, even when we grant that 'it is capable of influencing material reality', is not sufficient to comprehend this important historical process. This is not to say that the notion is entirely useless, provided it is used within the limited space of its utility.

The emergence of self-sufficient elite with the slogan of federation is frequently interpreted in terms of the rise of sub-nationalism or regional nationalism. Whether the interpretation is valid in a given case depends upon the details of that case, and the underlying rationalisation that ethnic upsurge is some sort of a law of the contemporary third world, must be viewed with suspicion. As far as Andhra Pradesh is concerned, there has been no rise of

'nationalist' feeling parallel with the change that we have been describing, for there is in general no strong feeling of 'Telugu-ness' comparable with what one finds among the Tamils and the Bengalis (not to mention the Kashmiris).

But whether or not an emergent regional nationalism has coincided in all regions of the country with the rise of self-assertive elites, there is one other change which has taken place. This is an urge that goes beyond the ruling class of the region and well into the middle class, to create a fully-fledged modern community, a well rounded civil and political society in the regions, by structuring the necessary institutions, conventions and norms. One may call this a process of the nation in the making, if there were a nation in the making. It cannot be assumed to be there, merely because this urge is there. But even without the self-conscious notion of a 'nation' (with all the implied desires of a distinct destiny and identity), there can be an emergent desire for a coherently structured modern society with functioning institutions and respectable norms of public life, which is both desirable in itself (and actually desired by many in the developing community) and a precondition for the legitimacy of the governance of the region's elite. The unitary character of the Indian state, coupled with its gradual criminalisation has left much to be desired in this matter. A strong desire to set this right and to shape a full-fledged modern society in which every conscious member of the community may take pride, and over which the regional elite may legitimately rule, is a strongly felt idea that comes through very vocally in the regional press, academic writings and literature. In Andhra Pradesh, its strongest and most self-conscious representative has been the daily newspaper *Eenadu*, which silently prided itself on having brought N T Rama Rao to power in the first instance for this very end, and which is now no longer even very silent in claiming credit for having forced his replacement by his son-in-law, again to the same end.

Eenadu has not merely reported, but has taken a political stand while reporting all major public issues concerning Andhra Pradesh in recent years. Here are two instances where its purpose coincided with larger democratic aspirations. The paper, over the last two years, has made it impossible for any government ruling the state to continue the familiar Indian liquor policy of making people drink more and more so that the government may balance its budget. The paper has also done much to put the searchlight on warlord violence in the Rayalaseema districts, and create a reaction of disgust in the ordinary reader. The plaint of the warlord politicians of Rayalaseema that their region's profile has been

deliberately maligned by a coastal Andhra Pradesh testifies to its success in creating revulsion.

Both these campaigns no doubt hurt the Congress, and can easily be interpreted as part of that paper's anti-Congress politics, as they frequently are. But going beyond that, both these campaigns have contributed to a certain cleansing of public life in the state, which made them attractive to the public at large, and contributed to the regional elite's aspiration for a self-respecting civil and political society for it to rule over. NTR was not slow in picking up the cue. He was not very consistent in the matter of the political violence of Rayalaseema, for that violence has always been loyal only to power and not to any party, and NTR was not above the temptation of co-opting it instead of vanquishing it. In any case, for politicians of the present generation, the Cuddapah and Kurnool model of democracy through bombs and guns offers a tempting alternative to the tedious business of cajoling an increasingly cynical electorate. But on liquor, NTR did not hesitate beyond the first couple of weeks. He loudly set himself up as the saviour of the agitating women.

However, the social urge represented by *Eenadu's* politics goes beyond this. It demands economic and industrial modernisation and development. And for that it demands efficient and quick acting governance of the type that has made men like Pratap Singh Kairon and Sharad Pawar famous. It has heard of the Bombay-Ahmedabad industrial corridor and the throbbing entrepreneurial life of Punjab. The no-nonsense administrative efficiency that would appeal to local, national and multi-national capital, and encourage them to transform Andhra Pradesh in like image, is a much prized thing in this view, which has acquired greater force and self-confidence in the era of Manmohan Singh. This requires, among other things, a certain mood of purposeful governance, quick decision-making, and political balance. It is here that NTR is perceived, by *Eenadu* and the substantial segment of AP's elite that is like-minded with it, as having failed. This dissatisfaction of theirs has been evident from the beginning of his political career. Like all people driven by purposeful rationality, these men were upset by the whimsicality of NTR who is on a perpetual honeymoon with his own godliness. But they put up with him until he went and got himself a wife to whose ambition he was willing to sacrifice even the stability of the party and government. The TDP has over the years struck a balance between the unquestioned charisma of its undisputed leader, and the organisational grip of the elder of his two politically active sons-in-law. Within the terms set by this balance the

second rank leaders learnt to locate themselves, assess each other's standing and evaluate their respective chances of climbing up the ladder. This knowledge and the certainty that went with it made for whatever stability the TDP had, and it was this that was upset by Lakshmi Parvati, NTR's second wife. A woman as greedy, as intelligent, as able and as ambitious as Chandra Babu Naidu (and there was no third person in the party that could match either of them), she not only gave the son-in-law the jitters, but completely upset the structure of opportunities that everybody in the party understood and related themselves to, in her effort, as a late-coming aspirant for the successorship, to create a base for herself in the party. Naturally, the least valued men in the party gathered around her and entered the mansion of power 'through the kitchen' as Telugu papers contemptuously said. It is an interesting sidelight that she literally made the kitchen her headquarters. Indeed, the whole of Lakshmi Parvati's strategy has been built around symbols of wifeliness – the caring, cooking consort – which were meant to create acceptability for her politics by pretending to be what she was certainly not: a mere wife. But such is the unhappy lot of precocious individuals who wish, for good or for bad, to grow out of socially given roles without questioning the roles and the attendant expectations.

The expectations, reinforced by a particularly vicious press led by *Eenadu*, helped Chandra Babu Naidu and the jittery partymen who had gathered under his umbrella, frightened by the sudden shaking of the familiar earth beneath their feet. 1995 has been a year of elections in Andhra Pradesh. After the assembly elections, the entire electoral process for the three-tier panchayat raj, the municipalities and the co-operative societies was gone through with. At each step, the TDP was shaken by conflicts over allotment of tickets, with Lakshmi Parvati patronising candidates of her choice, who were mainly men who would otherwise not have stood much chance of breaking through the established party network to get tickets for themselves. At the end, when all the elections were over, the party had come close to an irredeemable division. It only required the coming together of the two discordant sons-in-law, blessed by a disloyal son, Hari Krishna, and as soon as that unity was cemented, the legislature party split, and NTR was dethroned. He made an ass of himself by parking his favourite campaign van outside the hotel where the disloyal legislators were camping and inciting the policemen present – who had by that time guessed which way the wind blew – to drag the dissidents from out of the hotel and hand them over to his lawful custody, such being his notion of lawfulness. He later made a further ass of himself by demanding that

the office of governor must be abolished – though Krishna Kant had followed the procedure quite scrupulously – and that chief ministers must hereafter be elected directly like the president of the US so that they may be undisturbed in their whimsicality for five full years.

Throughout this terminal combat, *Eenadu* played a determined role by lampooning Lakshmi Parvati's ambition, as if she was the first ambitious politician this state has seen. It made copious use of the patriarchal distrust of an ambitious woman who gets married to a wealthy and powerful old man whose brain is suspected to have gone soft of late. This is the acme of vampishness in a woman, and Lakshmi Parvati was guilty of this. Nothing more was needed for a determined campaigner to damn her.

The ruthless campaign is matched by the man it has brought to power. Chandra Babu Naidu is a cut-throat politician of current vintage. He is also ably suited for the role that *Eenadu* and the opinion it represents hope he will play. Like any man who was born in a four-acres-of-dry-land peasant family from backward Rayalaseema and has made for himself umpteen crores by the time he is 40, he is abundantly endowed with what capitalism calls enterprise. But going beyond making money for himself and his cronies, he claims the vision necessary to structure a modern capitalist society endowed with the characteristics required to reproduce itself as a matter of course. This, as we have said, is one vision that underlay the rise of the Telugu Desam Party. There is no inevitability of its success, and no ruse of Reason that will work for its success. All that we can say is that for the present it has the national and international climate in its favour, apart from whatever internal dynamism it has. But then that climate itself contains much that may ultimately disfavour or distort it to suit a different purpose. And the internal dynamism operates in a specifically third world environment.

But Andhra politics has always provided space for other visions, other values that can inform the process of the formation of a modern society. These are values of equality, justice and welfare. Whether these values are realisable in the absolute sense or not, they can function as a counterpoint to the kind of vision that *Eenadu* and Chandra Babu Naidu desire, and can drastically modify the outcome of the ongoing process of social transformation. It would have helped if the proponents of the alternative values understood the radical social model they visualise as a counterpoint in ideals rather than the next phase of an ordered History. But then it is an aspect of unavoidable human contingency that we have to put up with radical baggage of the past as much as with the conservative muck.

New Attempt at Workers' Resistance

National Centre for Labour

Mohan Mani

National Centre for Labour has emerged as a co-ordinated response of the working class to their growing marginalisation due to the new economic policy.

It was the best of times, it was the worst of times...

— Charles Dickens, *A Tale of Two Cities*

IT certainly is the best of times for a small minority of the population in this country — for the industrial bourgeoisie with their freedom for unlicensed growth, unfettered by any obligations to the workers or the environment; for the large farmers with their access to new technologies, new crops and new markets; for the new breed of professionals, particularly those in the last expanding multinational sector, with monthly salaries amounting to what a construction worker can hope to earn in five years. And in their wake, for a whole, distinct upper middle and middle class segment of the population, prosperity has become the sole objective and guiding principle of the new economic policy (NEP).

While times have never been so bad for a growing section of the population pushed into increasing poverty. The industrial workers faced with loss of jobs, with no protection from the government, and increasingly pushed into casual employment. The large number of workers in the different unorganised sectors of industry — agricultural, plantation and forest workers, construction workers, fish workers, petty self-employed workers, etc, for whom real wages have been rapidly pushed down, particularly by the price rise in commodities that are essential to their needs. These are the sections affected by the reduced government spending on social security schemes — on health, education, subsidised commodities through PDS, etc — a cardinal principle of the NEP. They are the sections who will be further excluded from any real opportunities for higher education, as its cost soar to Rs 20,000 per year. They constitute a large majority of the population of the country. Theirs is the burden of propping up the arithmetic and balancing the books of the NEP. Theirs is the lot to face increased state oppression to quell any opposition to the government policies.

People have resisted this process of marginalisation. They have resisted in the only spontaneous way known to them — by voting out the NEP in the recent state assembly elections. So much so that the prime minister had to admit that NEP is

generally perceived as pro-rich, and had to exhort his party colleagues to 'educate the poor that the government policies have actually benefited them'! But then what have the people gained? A Janata Dal government in Karnataka or a Telegu Desam government in Andhra Pradesh or a BJP government in Gujarat — all adhering to the same policies as the Congress party. Even the West Bengal government, the last stronghold of the communist parties had had to toe the Congress line on economic development.

A change in this dominant political ideology can only be brought about by the people through an organised, educated resistance. The initiative for this should have come from existing organisations of the working people — the national trade union federations. However, these bodies have themselves been unable to take a strong, positive stand in this regard. Their responses have been confused. Faced with the dictates of the political parties to which they bear affiliation, and given their own long process of economism and depoliticisation, the trade unions have found themselves unable to articulate a clear, political stand against the anti-worker policies of the government. They have floundered along with occasional token strikes and dharnas, but have failed to mobilise the mass of working people and form a common front to resist the government. It is significant in this context that two of the large trade union federations, the AITUC and the INTUC have taken some initiative to delink themselves from their parent political organisations, and there have also been some attempts at unification and greater co-operation between the AITUC and CITU. However, to date all these attempts remain a part of the confused response of the trade union organisations to the NEP. It is against these circumstances that the formation of a new trade union federation, the National Centre for Labour (NCL), as a representative body of organisations working in the unorganised sector of labour should be viewed.

The formation of NCL has not been a sudden spontaneous coming together of organisations to face a crisis. On the contrary, it has been the result of a carefully thought out process, which has gone on for over four

years and involved a number of meetings and discussions. It has been a response to the felt needs of various organisations working in conditions of bitter struggle for over a decade with various diverse groups of workers, to form a common federation with a minimum common set of demands, and to promote greater solidarity in their struggles. It has tried to address itself to the various problems of non-permanent workers, and of organisations working with them. It has also been, finally, a response to the current changed political and economic situation in the country, and to the rapid process of marginalisation faced by these sections of workers. NCL now includes unions representing as diverse group of workers such as forest workers in UP, agricultural workers in Andhra Pradesh, construction workers in Tamil Nadu, Karnataka and Kerala, fish workers in all the coastal states, self-employed women workers from Gujarat, UP and MP, anganwadi workers in Maharashtra and many others. These unions together represent nearly 6 lakh workers from all over the country. It is a truly diverse and representative body of different unorganised sectors of labour in this country. It speaks for the efforts put in by the representatives of the different unions that they were able to formulate a clear-cut constitution for NCL, accommodating the diverse needs of the workers in these sectors. The culmination of this process of planning and discussions was the Founding Convention of NCL held on May 28 and 29, 1995 at Bangalore.

The two-day founding convention of NCL commenced with an inaugural session held at the Town Hall at Bangalore. The session was attended by the delegates of the various constituent unions to NCL. The inaugural address was given by the veteran labour leader, Ela Bhat of SEWA, who also unfurled the flag of NCL. This flag with green, blue and yellow bands adjacent to a broad band of red, symbolises the unity of agricultural and forest workers (green), fishworkers, women, dalits and minority groups (blue) and construction workers (yellow) with all the toiling masses of the country and the world (red). It symbolises the hope that such a principled unity of different sections of the most oppressed and marginalised workers will be able to wrest the initiative from the present political establishment, and to force a rethinking on the development imperatives of the country. It symbolises the essence of the political process that NCL hopes to catalyse.

It was gratifying that the inaugural session was also addressed by the state president of AITUC, and fraternal greeting to NCL on its formation were received from the state unit of HMKP. At this juncture all working class organisations need to strive for greater and principled issue-based unity, and this is

precisely what NCL hopes to achieve in all its dealings with other trade unions.

The inaugural session was followed by the working sessions of the delegates. At the first session the constitution of NCL was read out, discussed and unanimously adopted. The resolutions to be adopted were proposed by the various constituent unions and discussed before finalisation. The major resolution included: (i) The demand to recognise the absence of a permanent and stable employer-employee relationship for most workers in the unorganised sector, and hence for the government to step in and act as a guarantee of the rights of these workers, and to form tripartite boards to regulate conditions of employment in these sectors; (ii) The demand for solidarity and support to the ongoing struggles of the workers in the unorganised sectors and marginalised sections of society; and in particular to the struggle of construction workers for a comprehensive legislation to protect rights, the struggle of fishworkers for control over their environment and source of livelihood; and the fight of the self-employed women for the adoption of an ILO convention on their rights; (iii) The demand for a minimum national wage across all sections of workers, and minimum benefits of health insurance, gratuity and PF, maternity benefits, etc. for all workers to ensure a dignified existence; (iv) The demand for control over the environment and resources of sectors like fishworkers, forest workers and agricultural workers, who are faced with the threat of encroachment from big business and alienation from their source of livelihood.

The last working session was to elect the office bearers to the executive committee and the committee of secretaries of NCL. It would be appropriate to highlight here some of the significant aspects of the election process as specified in the constitution of NCL: (a) Since nearly half the workers in the unorganised sector are women, the constitution specifies representation of women in all decision-making bodies of NCL in proportion to their membership strength; (b) The committee of secretaries, the apex decision-making body, shall function as a non-hierarchical committee, with no general secretary or president to head the body; (c) While following the principle of proportional representation to all decision-making bodies, it shall be ensured that sections of workers who are under-represented in NCL shall also be ensured a voice through co-operation of representatives from these sections to the various decision-making bodies; and (d) The constitution grants the right to each member organisation to recall any of their delegates from positions of office in NCL.

Accordingly, 40 office bearers to the executive committee and nine secretaries

were selected by the delegates. It is significant that women had nearly 50 per cent representation in the executive committee, and four of the nine secretaries were women.

On May 29, 1995 a massive rally of workers was organised by NCL at Cubban Park in Bangalore. Nearly 50,000 workers attended the rally. They were addressed by the trade union representatives of the constituent organisations. All had come at their own expenses, forgoing their wages for the day. They were not provided any incentive or free transport facilities to come to the rally. It was a turnout which even established political parties would have found difficult to mobilise with their political clout and monetary incentives. The workers came to express their solidarity with the decision to form NCL to represent their interests.

It is significant that the founding convention of NCL attracted wide publicity and media coverage. Most important English and vernacular dailies and magazines across the country carried write-ups on NCL. The formation of NCL has raised considerable expectation among different sections of the society, in particular among the working people. It is up to NCL now to live up to these expectations. The organisation has already initiated different activities around the following priority areas: (i) Building solidarity between different working class struggles in the country. This solidarity should transcend just token support, and should be based on a full understanding of the issues involved in broader social, economic and political context. The process should lead to a shared ideological perspective among the members of NCL; (ii) Research and documentation of the particular situation of work, livelihood and struggles of different sections of the working class, with an aim towards education and information sharing. This should also help in forming a shared ideological perspective, and (iii) Lobbying and interaction with other agencies, including the government and its regulatory and policy-making bodies, the international regulatory agencies, trade unions, media, etc. in order to push for acceptance of the common minimum demands of the workers and the justness of their struggles.

Some of the actual activities initiated by the various constituent members of NCL in this regard include: (a) In UP the union representing forest workers in the Saharanpur region is now attempting to make common cause and forge links with unemployed industrial workers in Kanpur and other important urban industrial centres; (b) SEWA has been at the forefront of the successful struggle to get a proposal for an ILO convention of self-employed women to be adopted. It had to carry its struggle in the face of apathy, and even opposition from the

Indian government which abstained from voting on this convention; (c) The National Fishworkers' Forum (NFF) is intensifying its struggle for the rights of the fishermen for control over their livelihood, through a blockade of the harbours in different parts of the coast during November. This shall be an occasion for NCL to organise massive protest rallies in solidarity. The federation is taking up this issue for education and publicity among its members; (d) The Tamil Nadu Construction Workers Union (TMKTS) while taking steps to intensify its struggle for proper implementation for a tripartite board in Tamil Nadu, is also attempting to make this struggle an occasion for wider solidarity with other sections of unorganised workers in the state; and (e) NCL has initiated a comprehensive study into the minimum wages paid to workers in different sectors across the country.

All these are small but significant strategic steps in forging a new type of workers' movement and working class consciousness. It is fortuitous that the formation of NCL and its initial activities are happening at a time when the country is going through a period of political ferment, and is preparing itself for what must be a significant election in its history. It remains to be seen if the organisation will be successful in carrying on the momentum generated and fulfill the expectations raised by its formation. What cannot be questioned is the pressing need for such organisational activity to change the course of political history of the country.

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Cuba: The Renewal

Frederic F Clairmont

While Cuba repudiates laissez-faire as the way to national reconstruction, in what is now officially celebrated as 'the special period' there is a radical break from the inflexibility of an earlier brand of socialism by vastly extending the scope of the market that functions within the framework of a comprehensive national plan. And the sweeping internal changes which are transforming Cuba are taking place at a time when, US machinations notwithstanding, the country's long isolation is clearly coming to an end.

FOR those peddlers of salvation who tirelessly preach the gospel of *laissez-faire* as the Grand Panacea for humanity's ills, the cataclysmic repercussions of the IMF/WB policies of structural adjustments in the third world are an apocalyptic reminder of the workings of Big Capital. As in China, and all of the Asian Tigers, Cuba repudiates *laissez-faire* as a pointer to national reconstruction. In what is now officially celebrated as 'the special period', the new directions radically break from the inflexibility of an earlier brand of socialism by vastly extending the scope of the market that functions within the framework of a comprehensive national plan.

Of one thing we can be sure: there are no ritualistic incantations that can be invoked by Cuba's decision-makers to cover up blatant managerial incompetence and woefully inadequate financial controls. In this respect alone, the rupture with the Soviet model was a benediction. One Cuban social worker, an atheist, called it a source of redemption, the need for national renewal. All the cobwebs have not been swept but the renewal is tangible. This implies junking of all dogmas and a no-holes-harred critique of all institutions and individuals.

In general, one does not find a sense of resignation and despair in Cuba. It could well be as a Swedish diplomat puts it that perhaps in no other country in the world are issues of development and their reverberations debated on such a scale with such fervour. This was not always so. Given the gravity of the crisis the solutions mandatory to pull the nation out of its morass will therefore have to be found, within Cuba. In short, the model for sustained dynamism must be of Cuban provenance; a fact and a challenge that the Cuban leadership and the people themselves have come to understand.

CYCLICAL DEBACLE

Food, fuel and consumer goods shortages of every sort, transport bottlenecks, power blackouts, devalued real wages and deteriorated housing and public services are

some of the major afflictions battering the nation's economy. The GDP table, in constant 1981 prices, indicates the depth of the calamity that befell the nation since the crucial year, 1989, one of the most pivotal turning points in Cuba's grim 20th century history. GDP collapsed by more than 34 per cent in that interval, exacerbated by an implacable embargo. There are few countries in this century's history that have taken such a beating – considerably greater than the amplitude in the US Great Depression, 1929-32.

TABLE: GROSS DOMESTIC PRODUCT*
(1989-1994)

	Billions of Pesos	Index	Per Cent Change on Year Earlier
1989	19.6	100.0	+ 0.7
1990	19.0	97.0	- 2.9
1991	17.0	86.7	-10.7
1992	15.0	76.5	-11.6
1993	12.8	65.3	-14.9
1994	12.9	65.8	+ 0.7

* In constant 1981 prices.

Source: National Statistics Office

It is an indicator not only of precipitous descent, but also pinpoints that the battle for recovery, now boldly and imaginatively under way, will be hard and protracted. There are no illusions among most technocrats within the finance and planning ministries and among the Spanish and Canadian entrepreneurs, with whom I spoke. Without recourse to facile rhetoric, president Castro elucidated the magnitude of the traumas engendered by these misfortunes and the challenges they pose.

Our main objective is to preserve the revolution and the achievements of socialism. We have not renounced socialism as our common objective. Now we are introducing reforms to develop the country during the 'special period' because the socialist camp has disappeared. We have lost more than 70 per cent of our imports. We were left without credits, without capital, without technology and without markets.

No other country in the world would have been able to endure what we have endured. No other socialist country has been able to endure the collapse of the socialist camp or the loss of its imports in the midst of a blockade. No other country would have been able to endure such a situation without a system similar to ours because it would not have been able to guarantee an equitable distribution of resources (italics mine).¹

Due to the immensity of the job of social restructuring and the ineluctable polarisation that has sprouted, it of course remains to be seen if this 'equitable distribution of resources' will continue to prevail. Certainly, neither China nor Vietnam offer sanguine precedents.

MEDIATIC DETERMINISM

The nation's distress, of which the mass exodus of the *halseros* (rafters) in July/August 1994 was proof sufficient, fathered a wave of prognostications on Cuba's coming collapse. Predictably, *The New York Times* and *The Washington Post*, are in the vanguard. "Senor Castro is doomed and everybody knows it", moans Flora Lewis. "The real issue is how he will fall and what happens then".² Similarly, James Hoagland contends that Cuba is not simply another version of a Latin American dictatorship, "but a rotten little regime stranded by the Soviet collapse; one which lives on borrowed time".³

This has been the standard stuff of the world corporate media for over three decades; a genre of journalism engineered to the specifications of US geo-strategic objectives. How can US *apparatchiks* and their media sidekicks have the temerity to prattle on about introducing 'democracy' to Cuba in view of the mounting inequalities between social classes in the US economy? A top executive boss now makes 150 times more than a worker's average salary, up from 35 times in 1974. Further, how can a letid US social order be held up as a paragon of democratic virtue in Cuba or anywhere else?

These two ideologically-loaded proclamations and similar thematic variations, set the parameters of a false debate. It seems rather incongruous to castigate Cuba as 'living on borrowed time' coming from a journalist whose nation's wobbly economy has lived parasitically for decades on the world's savings, bedeviled by an unstable national currency, buried in deficits and indebted up to its ears with no possibility whatsoever of repayment to its creditors; blighted by a depraved money-driven communications media gone berserk by wave after wave of unending corporate aggrandisement.

The misperceptions of *The New York Times* and *The Washington Post* are understandable as propaganda, but they are important as a



"I do not want my house to be walled on all sides and my windows to be stuffed. I want the cultures of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any of them."

-Mahatma Gandhi

**126th Birth Anniversary of Mahatma Gandhi
October 2, 1995**

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mirror to the futureless cliché-ridden platitudes that the US hegemonic caste has cherished for over three decades. What these determinists are shovelling into the minds of their readers is not that the regime is heading for the rocks, but rather that interventionism should be cranked up to hasten its end.

Collapse will lead presumably to their nostrum of 'democracy', determined by the criteria of corporate capital, and their political and media handlers. In Cuba, and elsewhere, US stratagems have never been geared to advance 'democracy', or even to combat 'communism', but spring from the insatiable appetite to promote, maintain and augment the power of US capitalists. This has invariably masked itself under the euphemisms of national security and national interests.

What is demanded is not Fidel Castro's exit and the pharisaical inauguration of 'human rights' but the demolition of the Cuban revolution and its quest for national identity, a yearning inseparable from the revolutionary upheavals leading up to 1958. "What happened in East Germany", extols a Miami emigre, "is the blueprint for Cuba tomorrow". This crass morsel of imbecility is self-hypnosis on a grand scale. The bounteously funded Cuban American National Foundation and its aging leadership, as any perfunctory dialogue with its devotees discloses, has lost touch with the sweeping currents within Cuba; and hence its credibility within the island is marginal, and grows more so with each receding generation.

DEMOCRACY FOR WHOM?

How can the US oligarchy contend to be a leading light of 'democracy' when the alpha and omega of its entire social, political and economic co-ordinates are drenched in the inexhaustible sewers of Big Money and unbounded skullduggery? Republicans and Democrats are in effect a single class party notwithstanding their savage recriminations and shadow boxing. They represent a totalitarian political muscle designed to buttress the power, profits and prestige of its mega capitalists. Like peas in a pod capital and its political companions are inextricably interrelated.

Where has the unchallenged US hegemonic caste, in its more than 150 years of belligerent intrusions into Latin America, supported 'democracy'? Mexico? Cuba? Chile? Nicaragua? Haiti? Brazil? Grenada? Panama? What's the point in continuing this painful enumeration? The criminal historical record speaks for itself. Annihilation of tens of thousands of innocent victims by US state terrorism in Latin America alone is one that rivals the SS performance. On that score the SS at least were honourable; they abhorred

democracy. In contrast, however, to SS exterminism of the lesser breeds, US political exterminism is galvanised in the name of 'democracy'.

In Guatemala alone more than 1,00,000 persons were massacred over the last 34 years — for reasons stemming directly and indirectly from US interventionism in 1954 and after. 'Democracy', 'human rights' and now recourse to the trivialised platitude of the 'international community' are the ideal smoke screens behind which capital moves and functions. But smoke screens do not alter the fundamentals of its rapacity

CONFRONTING THE CRISIS

Nothing more poignantly highlights Cuba's present distress than the anguished testimony of an elderly Scottish schoolmaster:

No one has to tell me what the achievements and negations of the Cuban revolution are. I have studied them since its birth. I taught for three years in Batista's Cuba. I applaud the creation of an equitable social order; I applaud the end of racial injustice; I applaud the health and educational systems that are by far the best in the Americas; the cleanliness of its cities; the absence of drugs and organised crime; and above all full employment even at appallingly low wages. Certainly I could continue but what saddens me now, like millions of others, no doubt, is the scarcity of basic staples, the decrepitude of many of its splendid buildings, the black markets and of course the rise of prostitution and other reprehensible activities.

Cuba is not merely a third world socialist economy but largely a monocultural plantation economy. "Cuba is sugar and sugar is Cuba" declared Jose Marti. Since the XVIth century, sugar has remained the bigger export earner, accounting for 90 per cent of total exports, as well as its Achilles heel. The 1994-95 sugar harvest at 3.3m tons is the lowest in 50 years. Three successive miserable sugar harvests have cost Cuba well over one billion dollars in lost revenues — in spite of the compensation of higher world prices.

These shortfalls are imputable to the critical shortages of fuel, fertilisers, pesticides and spare parts. But above all they stem from the dearth of financial credits, now forthcoming from Anglo-Dutch banks. Whether these infusions wedded to other more sophisticated marketing, stimulative and institutional packages will reverse declining production remains to be seen. There are grounds for optimism. Sugar is of strategic importance for the payment of imports; its performance also impacts on other farm export sectors, i.e. rum and molasses.

What the US agro-industrial TNCs demand is privatisation of the entire farm sector. Politically, this is inconceivable in Cuba, at

any rate for the moment. In terms of the economies of scale, breakup of the socialised units would be disastrous. What is required is an overhaul of the management and marketing practices of several, but by no means all, of these large farms. Cuba is not faced with any demographic pressure on its land resources. Rather a trait of Cuban agriculture is the underutilisation of its farm resources and inadequate marketing infrastructure.

The new direction pursued comprises joint ventures (i.e. Unilever), marketing decentralisation and bonuses linked to higher productivity. Steps taken to rationalise the sugar sector are inseparable from other measures designed to uplift the economy. "What strikes me when I read certain superficial reports on Cuba", comments a member of the Sugar Commission, "is the belief that we are twiddling our thumbs. The truth is that we have been reshaping every facet of Cuba's farm economy at a break-neck tempo". An excessive degree of prudence is one of the hallmarks of Cuban decision-making and continues to be. Such prudence is by no means incompatible with the alacrity of decision-making as Unilever consultants have discovered. And the sugar sector is not an exception.

One of the salient innovations of 'the special period' has been the deployment of the revolutionary armed forces (RAF) to boost farm output. This deployment of military power numbering 1,85,000 now produces about a third of the island's food supply. This mass drive has gone hand in hand with the setting up of 'farmers' markets', legalised on October 1, 1994. Since then their numbers (July 1995) increased to 250 and are expected to swell to 7-8 thousand by end 1997. Free market retailing has now become widespread as one perceives in all major cities and larger villages. They have contributed to the improvement in Cuba's food supplies. Further rationalisation and consolidation of the wholesale and retail network is mandatory. In this sense the 'farmers markets' are a stop-gap measure.

TOURISM: THE STRIDES

Tourism is the first sector to have been extensively opened up to foreign direct investment. Spain and Mexico are the spearheads, with the Spanish group Sol Melia carving out a dominant niche in hotel construction. Growth has been phenomenal in the last two years. If it continues its present trajectory tourism will overtake sugar as the leading sector, on the assumption of course that the latter continues to lag.

Tourism's earnings are expected to top \$1 bn in 1995; up from \$850 m in 1994. Its importance is that it already generates

a considerable demand for domestically produced farm goods and services. It is here that one also sees the conspicuous presence of the RAF. It is engaged in every aspect of tourism. One of its better known enterprises being the huge tourist agency the Gaviota (the sea gull). The RAFs activities embrace every aspect of tourism, including luxury hotels, hunting reserves, marinas, spas, a large taxicab fleet and airplane flights. Its activity extends also to a chain of department stores called the TRD Caribe (*tiendas de recaudacion de divisas*) in which transactions are made in foreign currencies.

Tourism is almost entirely dollar denominated certainly the base wage in the sector is paid in pesos but for many tourist employees the base wage is lavishly supplemented by tips in dollars, as yet untaxed. This is a cause of friction as it demarcates the privileged service labour aristocracy from the peso-denominated wage sectors. It explains the sectoral exodus from the ranks of highly skilled professionals. Dollars for that elite can be used for purchases on the free (higher priced) markets as well as selected dollar stores. To what extent undeclared earnings in the dollar-base service sectors can be subject to fiscal equity remains to be seen, although this and other tax adjustment correctives (including progressive income tax) are being hotly debated nationwide.

Prostitution, although not exclusively a byproduct of tourism, is not a large scale marketing venture. The possibility of Havana returning to the *bordellos de luxe* of the pre-1958 era appears highly improbable because of the structure of the Cuban economy and the prevailing residual Puritanism.

FOREIGN DIRECT INVESTMENT

Foreign investment is pouring into Cuba. There is little that the US blockade can do to stop it. The US blocked the World Bank, and the IMF from making loans thereby underlining the twins' subservience to the dictates of US policy. The ministry of finance gives an accumulated total of \$ 2.1 bn for FDI, but it is unclear whether these are funds actually disbursed rather than simply committed. However, as in Vietnam and China, these numbers tell us very little about investment flows since they are officially recorded data.

There is reason to believe that sizeable sums flow into Cuba that bypass the scrutiny of the US. Cuba has come increasingly to be regarded as a 'safe haven' by many Latin American and other investors. It is no paradox that the nation is visualised by some as a kind of Singapore which offers stable returns in a stable political milieu. Cuba has all the preconditions for attracting

foreign investors: an educated and disciplined labour force, political stability, a stable currency already freely convertible in that the dollar is legal tender, investment laws that are rigorous but permit the foreign investor to repatriate his profits.

In less than a decade Cuba can be expected to pull in about \$ 30 billion in FDI. Judged by current trends a sizeable segment of these inflows will emanate from Asia. Such high FDI levels can be anticipated to be supplemented by a GDP savings rate, of

about 25 per cent, or about the same order as that of 'the Tigers' today.

BUSINESS REALIGNMENT

A Canadian oilman puts it this way: "The US is losing out in every way. In the oil business Cuba is on the threshold of major breakthroughs. The geological finds are beyond dispute. In about three years at the most the country will not only become self-sufficient — its well on the way now — but

The Institute of Development Studies, Jaipur is proposing to recruit two faculty at the Associate Fellow (University Lecturer) level. Both these positions are initially for three years but are likely to continue. One of the faculty will be associated with the Women's Studies Group and the Education Group of the Institute. The person concerned should have preferably a Ph.D. Degree in Social Sciences, Humanities or Physical Science or published work of repute. Academic qualifications may be relaxed in case of persons having relevant field level experience in Women's Studies and or Education. The second faculty will be associated with the NGO Centre of the Institute. Apart from high academic qualifications the candidate should have practical experience of working with the NGOs and organizing development programmes in an independent capacity. Both these positions require extensive travelling and stay in villages. The applications with full personal details, academic qualifications, publications and work experience, together with the names of three referees should be sent to:

Director,
Institute of Development Studies,
8-B, Jhalana Institutional Area,
Jaipur 302 004 (India)

within 15 days of the publication of this notice.

will also become a major exporter." A judgment shared by certain geologists in the US Bureau of Mines. The petroleum and petrochemical industries provide the base or further large-scale industrial expansion, with the potential for eclipsing both tourism and sugar as national income earners.

In bio-technology, Cuba is a major player as Ciba-Geigy attests, an industry reinforced by joint ventures with British, Asian and Latin American firms. A positive factor enhancing Cuba's attraction to FDI is that its labour costs rank among the world's lowest at current dollar/peso conversion rates. Cuban industrial labour costs are lower than Mexico's. Given the pace of Chinese inflation, Cuban wages are lower than those in China's coastal cities. Hence the competitiveness of its industrial exports.

The emergent 'special period' model is no carbon copy of Vietnam's 'Doi Moi' and China's 'socialist market economy'. Certainly there are points of convergence but the Cuban model has its own distinctness. Cuba is interventionist with public sector planning playing a guiding role. Mahatma and Castro are on the same wave length. Colonisation of the ex-DDR, as a Cuban central banker puts it, was achievable because of political colonisation. In this perspective, the east European experience has been sedulously studied, and has had a cathartic impact on the framing of economic policy. Executed within rigorous political co-ordinates.

When references were made to the implications of the global reach of the world's 200 mega TNCs the Cuban technocrats with whom I spoke were astonished. Distressingly this is due to the fact that the TNCs have never been the object of far-reaching, systematic research. No compensation, however, Cubans have long memories. The rapacity of the United Fruit Company in Cuba in particular, and that of US capital in Latin America in general, have not been forgotten. Facing up to the systematic penetration of 'corporate Capital' is a policy issue, based on knowledge, that can no longer be ignored or covered up by boastful rhetoric on the everlasting glories of socialism.

Nestle's gobbling up of more than four-fifths of Thailand's instant coffee market is suggestive of the forces against which Cuba is pitted stemming from its new orientation. It is not simply Nestle's monopolistic market share that is alarming, but that it has ignored Thailand's anti-inflation marketing guidelines by jacking up prices indiscriminately. How does Cuba intend to counteract such practices?

END OF ISOLATION

The sweeping changes transforming Cuba are transpiring at a moment that

witnesses the end of its long isolation. Indubitably its clearest manifestation is the vote on the embargo in the UN General Assembly. Two countries alone opposed it: the USA and Israel. Which does not prevent Israeli capitalists from investing in the agro-industrial complex. As Cesar Gaviria Trujillo, secretary general of the Organisation of American States (OAS), puts it: "The debate on the present and future of Cuba has been monopolised by the most extreme positions".

Opposition to the obtuse US position is growing not because of any passion for Cuba and the charms of Fidel Castro but because the US embargo is an impediment to those who want to make money. Only Costa Rica, the Dominican Republic, Guatemala and Honduras do not have diplomatic ties. A conjuncture that will soon be altered with the exception of that hardened US satellite, the Dominican Republic.

Cuba is a fully fledged member of the Association of Caribbean States, aimed at creating the world's fourth largest trading bloc with a market of 204m people, and an annual trade volume of \$ 188 bn. Once a servile enthusiast of the US trade embargo, Latin America is now developing full diplomatic and economic relations. Mexico is Cuba's largest foreign investor. Latin America supplies over half of its imports.

Accused of not showing deference to the masters of Capitol Hill the Canadian government has struck back against the Helms/Burton legislation that would tighten even further existing sanctions. "We cannot accept that our Canadian firms, who are legitimately doing business in other countries be restricted by foreign legislations", said Andre Quinlan, Canada's foreign minister. These unilateral measures, he went on, will be strenuously opposed by Canada as they violate the charter of the OAS as well as the principles of NAFTA and the World Trade Organisation.

No less important than these spirited rebellions are the stirrings within the ranks of some of the biggest US financial and industrial transnationals. Listen to the voice of Dwayne Andreas, chairman of Archer Daniels Midland, the big grain conglomerate: "Our embargo has been a total failure for over 30 years. We ought to have all the Americans in Cuba doing all the business they can. It's time for a change," he said in a June interview with CNN.

This is the voice of naked self-interest that always propels Capital. Cuba's markets are being grabbed by others. This is the heart of the contradiction between important segments of US Big Capital and the still massively bankrolled anti-Cuban lobby on Capitol Hill. A Mexican entrepreneur puts

it pithily. "I don't want the Americans in Cuba. If they come here, as I suppose they inevitably will, they will have too big a leverage on Cuba's fragile economy. To be honest with you, I don't want their competition and nobody else does."

THE FEEL-GOOD FACTOR

What imparts a new sense of hope is the reversal of fortunes. 1994 marked a modest turning point with a 0.7 per cent GDP growth rate; in the first half of 1995 it rose to 2 per cent. There are enormous difficulties ahead, not least the penury of indigenous financial expertise and the woeful inadequacy of financial accounting procedures and controls. No doubt that too will change. Cubans are fast learners and the imperatives of survival have always been a ruthless teacher.

The grand question still remains: to what extent will the US political caste modify its relations with the island? A *modus vivendi* appears highly improbable primarily because the tenuous historical connections between Cuba and the US throughout the 19th century and after have always been a relationship between the predator and his prey. Cuba's present leadership nourish no illusions of US objectives: unconditional capitulation and the integral dismantling of Cuba's political infrastructure and a return to the status quo ante with a few phoney electoral trills as public relations gimmicks. Impoverished Haiti and the Dominican Republic provide the US caste oligarchy, it believes, with a blueprint of Cuba's future.

A powerful nationalist current in Cuba is convinced that the US political machine does not want an economically strong and viable economy even if a great deal of that strength emanates from a rapidly burgeoning capitalist sector. The identical sentiment is omnipresent in China. In the perceptions of this powerful Cuban nationalist current what the US wants is to destabilise the nation whatever the consequences. This *etat d'esprit* is perhaps best summarised in the severe judgment of foreign minister Roberto Robaina.

Let us not be fooled. All of the measures about which there is so much speculation are also instruments for the submission of our country. They are not debating whether or not to cut off our heads, but how they will do it: knife or razor."

Notes

- 1 *Time*, February 20, 1995
- 2 *The New York Times*, September 2, 1994
- 3 *The Washington Post*, August 25, 1994
- 4 See the important enquiry of Larry Rohter, 'A Country Where No One Is Safe', *The Guardian*, August 26, 1995
- 5 *Washington Post Service*, April 3, 1995.
- 6 An interview in *Granma*, Quoted in *The New York Times Service*, August 8, 1995

State Bank CHAIRMAN

EXCERPTS FROM THE SPEECH DELIVERED AT THE FORTIETH ANNUAL GENERAL MEETING OF THE STATE BANK OF INDIA

Ladies and Gentlemen,

I warmly welcome you to the Fortieth Annual General Meeting of your Bank in this historic city of Madras.

INDIAN ECONOMY

The process of economic recovery was bolstered with the GDP growth rate accelerating to 5.3% in 1994-95 from 4.3% in each of the preceding two years. This process was led by the industrial sector with a reassuring growth of over 8% and an estimated 4% rise in agricultural output.

WORKING RESULTS 1994-95

The year under review was the first full working year after your Bank went public in December 1993 and I very much hope that you will recognise its excellent performance reflected in 160% growth in net profit from Rs. 275 crores in 1993-94 to Rs. 715.5 crores in 1994-95. Earning per share has gone up from Rs. 12.2 (on weighted average equity) in 1993-94 to Rs. 15.08 in 1994-95 on a share of Rs. 10. Capital adequacy maintained, as at 31st March 1995, was 12.77%. Your Bank was able to achieve such handsome results by pursuing a flexible and dynamic business strategy aimed at increasing non-interest income, improving asset quality, reducing resource cost, optimising funds management, and controlling operating expenses.

INTERNATIONAL QUALITY RECOGNITION

Shareholders will be pleased to know that your Bank has again been selected this year as the best Bank in India for the second year running by Euromoney, the well-known international financial magazine. Further, your Bank has just been named as one of the "Best Managed Companies" in India, by a worldwide poll of institutional investors arranged by Asiamoney, also a well-reputed international financial journal. Such recognition reflects not only the improving quality of your Bank's operations but also the growing overseas interest in the Bank.

DIVIDEND

In view of the excellent working results for the year, your Board decided that the rate of dividend for the year 1994-95 be raised to 35%, up from 30% declared for 1993-94.

BANKING SCENARIO

The beneficial effect of the banking sector reforms became visible from 1994-95 in the form of improved working results of banks. Under the new economic policy there has been continuing deregulation and liberalisation of the banking system and the financial sector during the year, making the business environment more challenging. For banks in India including your Bank, therefore, the need to improve efficiency and competitiveness is steadily increasing, and I want to assure you that your Management is fully alive to this need.

In recent months, there has been some sign of inadequacy of loanable funds at the disposal of banks in India. Nevertheless, the banking system responded vigorously to the demand of the commercial sector. The demand for credit has continued to grow

strongly because of the sustained growth as ongoing new investments. Despite this, the Bank has managed to meet the requirements of its farm and hopes to be able to do so on an

EXPORT CREDIT

Consistent with the growing trade of the country, the demand for export credit has also been increasing. In the year ended 31st March 1995 accounted for 10% of the Bank's mandatory requirement of 10% excess of 14%.

If our exports are to be competitive in the global market, we need to reduce this interest cost borne by the exporters. The solution is to move gradually towards a more flexible system of providing export credit from achieving appropriate macro-economic objectives to lowering of overall interest rate structure. This, such as developing new financial instruments for various financial instruments.

PRIORITY SECTOR LENDING

Your Bank's share of advances to the priority sector, as on 31st March 1995 was 36% of the total bank credit, well below the benchmark of 40% that needs to be achieved. Our performance was still below that of the total bank credit during the period. I believe, for the authorities to encourage the growth of priority sector advances, the credit is operationally realistic. As in the short period of time and by high volume of lending to the priority sector, it becomes very difficult to absorb credit in relatively small individual units. There is thus a need to improve the performance of banks in lending to the

ORGANISATION

I mentioned in my address to you the study of organisational change required for the Bank to be able to report that the study was correct. Several organisational changes have been implemented. We have moved towards a relatively distinct business groups for better management. Heads with clear profit responsibility.

Bank of India

M'S SPEECH

AT MEETING OF THE SHAREHOLDERS HELD AT MADRAS ON AUGUST 8, 1995

growth in industrial output and exports, as well as the pressure on resources, your Bank has been able to help manufacturing and exporting customers fully on a going basis.

ON CREDIT

and exports, the volume of export credit from the banking system as a whole, credit to exporters as 12% of the net bank credit as against Reserve Bank 1% in the case of your Bank, the figure was in

international markets, we need to do what we can for exporters. Commercial banks cannot be expected to offer commercial rates of interest. The real solution is a lower overall interest rate structure. Apart from balance, which is a necessary condition for success, there are also other tasks to be achieved for the products and creating efficient secondary markets

SECTOR ADVANCES

priority sector, as a proportion of its net bank credit which fell marginally short of the stipulated target. During the year, your Bank's outstanding was a sizeable amount of over Rs. 1,400 crores, well above the benchmark mainly because of the sharp growth in January to March 1995. However, there is a question whether the present system of linking the growth of the contemporaneous growth of total bank credit to other sectors often expands rapidly over a period of time as was actually the case in the latter part of the year. Such expansion with corresponding expansion in the same time-frame as this sector typically does spread over a large number of borrowers. It is an alternative benchmark to measure the growth of the priority sector.

ON RESTRUCTURING

last year that we were engaged in an in-depth restructuring and that in this process we were being assisted by a management consultancy firm. I am happy to be able to say that during the year, and resulting therefrom, a number of changes have been brought about at the Bank's Central Office. These changes in organisational structure; have identified and reorganised as discrete businesses by Group. These changes have created new staff positions such as those

of Chief Credit Officer, Chief Financial Officer and Corporate Development Officer, and have revamped key management processes in areas of credit, financial management, asset/liability management and human resource management. New empowered internal forums such as Credit Policy & Procedures Committee, Central Office Credit Committee, Asset-Liability Committee, etc., are now in place and have started functioning. We have set up a separate Corporate Accounts Group to handle accounts of key corporate customers requiring multidimensional facilities, a Leasing Division and Project Finance Division - all reporting directly to the Central Office. We are now focussing on the organisational changes in Circles. We have developed a design model for Circles on the basis of our study referred to above. This is now being tested in two of our Circles before being made ready for implementation throughout the Bank. A major task under the organisational change programme is to nurture the identity and growth of the National Banking Group which will now focus on the Bank's business served by its vast branch network, particularly the middle market, the small scale sector, agriculture and development banking.

We strongly believe that the organisational changes that we have initiated would lead to a leaner and more agile organisation, significant delayering of management processes, speeding up of decision-making particularly in the credit area, and clearer focus on identified business segments. All this should result in better value-added service to our customers and improved profits for your Bank.

OUTLOOK FOR SBI

In my address to shareholders last year, I had commented at fair length on the prospects ahead for State Bank of India. From the feedback we have been receiving from our customers and at various customer forums, there is certainly a need to improve the general quality of our services. All of us in the industry must now single-mindedly devote ourselves to improving our services to our customers and, in turn, add value to our shareholders. I must say that in your Bank there is today a wide recognition about the need to provide satisfaction to customers and I think, at operating levels, our personnel have become more customer-friendly than before. I can say that at several locations I have personally received positive feedback from our customers about quality of our service and the friendliness of our operating staff. That this has been so in an increasingly competitive environment testifies to the dedication and motivation on the part of many of my colleagues serving, as they often do, at distant, difficult and far-flung locations and I do want to recognise their good work. At the same time, I cannot overlook the fact that we still receive a large number of complaints from our customers - not only of poor service but, unfortunately in several cases, of indifferent or unhelpful attitude and behaviour. I fully recognise the need for bringing about a quick change in this situation and I am certain that all colleagues in the Bank share this concern. Your Bank has major strengths - in balance sheet, in capital adequacy, in its unmatched resources, in its vast branch network, in its superb human resources and in its well-honed skills in complex business such as corporate finance, international banking, finance to small scale industries, etc. Its weakness, if any, has been indifferent customer service at some branches. I am sure that, once we are able fully to address this issue of customer-service in a decisive way, nothing can hold back your Bank in its trajectory of growth.

Marginal Environments and the Poor

Evidence from India

T G Kelley

P Parthasarathy Rao

Often conjectured, but rarely substantiated, is the claim that rural poverty is more acute/severe in more marginal and less developed regions, i.e., where average yields of crops are characteristically low due to poor rainfall or poor soil conditions. This note challenges this statement both for its precise meaning and the empirical evidence for it.

THE debate over where scarce R and D resources should be allocated – to the more poorly or better endowed regions of India – is often clouded by largely unsubstantiated views about where the bulk of the poor are located. Many maintain that a disproportionate number are found in the more marginal environments. Evidence presented here suggests otherwise.

According to the 1990 *World Development Report* [World Bank 1990] more than one billion people in the developing world are living in poverty. Of this about 420 million poor are in India alone,¹ 80 percent of which are in rural areas. Often conjectured, but rarely substantiated, is the claim that rural poverty is more acute/severe in more marginal and less developed regions, i.e., where average yields of crops are characteristically low due to poor rainfall or poor soil conditions.² Such statements rarely go beyond that. In this note, we challenge that statement, both for its precise meaning and the empirical evidence for it. Specifically, we test the hypotheses about relative and absolute incidence of poverty in the more marginal regions of India. We conclude that while the relationship could be valid for the relative incidence of poverty (higher proportion of poor in marginal areas) – though data here fails to support this, it is not true with respect to absolute numbers of poor (less numbers of poor in marginal areas). Needless to say, this has important policy implications since research and development programmes often explicitly target these 'poorer', marginal environments on equity grounds.

We propose to test first the hypothesis about absolute numbers of poor using data for India. Ideally, district level data would be used with the following model,

(1) $RP_i = \beta_0 + \beta_1 TCA_i + \beta_2 \%MCA_i$, where, RP_i is the absolute number of rural poor in the i th district, TCA_i is the total cropped area for the i th district, and MCA_i is the share of the total cropped area in the i th district classified as marginal (used as a proxy for an index of 'marginality'). We

would expect RP to be positively related to TCA , i.e., the larger the cropped area, the greater the number of poor. The sign of β_2 is our main interest, however. A positive sign would indicate that marginal environments are associated with greater numbers of poor (numbers of poor increase with an increasing proportion of marginal land). A negative sign would indicate the reverse: less numbers of poor in marginal environments. This is by no means counter-intuitive; quite likely marginal lands are unable to support the same numbers of (poor) people, i.e., have a lower carrying capacity, than the more favourable production areas.

Obviously much depends on how one defines 'marginal'. We have chosen to use a crop output value as a measure of 'marginality', i.e., lower values correspond to more marginal environments. For the crop output value we rely on a district classification index by Bhalla and Tyagi (1989). They used average values of production (gross returns in Rs/ha) for 19 major crops for districts in the 16 major producing states of India for production years 1980 to 1983. Rather than presenting specific values for

each district, Bhalla and Tyagi classified districts into six major groups: (1) districts whose average crop value exceeds Rs 1,750/ha; (2) districts whose average crop value is between Rs 1,750-1,250/ha; (3) districts whose average crop value is between Rs 1,250-1,000/ha; (4) districts whose average crop value is between Rs 1,000-750/ha; (5) districts whose average crop value is between Rs 750-500/ha; and (6) districts whose average crop value is below Rs 500/ha.

Thus, by our definition, districts with low values of crop production – below some defined minimum level (we use both Rs 500 and Rs 750) could be classified as predominantly marginal environment districts.

Notwithstanding this grouping of districts limitation, there is another more troublesome data availability problem. Rural poverty data for India at the district level is not readily accessible (presently). State-level data, however, is. These two data limitations force us to specify a slightly different model to test our hypotheses. The form of the model is identical, except the unit of observation is now states, not districts. To some (indeterminate) extent this qualifies the results. More robust findings will have to await better data availability.

The modified model is thus

(1') $RP_i = \beta_0 + \beta_1 TCA_i + \beta_2 \%MCA_i + u_i$, where, RP_i is the absolute number of rural poor in the i th state (in millions), TCA_i is the total cropped area for the i th state (in 000 ha), MCA_i is the share of the total cropped area in the i th state classified as marginal (i.e., the total cropped area of the districts falling below Rs 750/ha divided by the total cropped area in the state, i.e., an approximation), and u_i is the random error term (with the usual assumptions of normality of distribution and zero mean).

TABLE 1: STATEWISE NUMBER OF RURAL POOR AND MARGINAL CROPPED AREA

State	Rural Poor 1984 ¹		Marginal ² Cropped Area (000 ha)	Marginal Cropped Area (Per Cent)
	Million	Per Cent		
Andhra Pradesh	14.8	34	1637	12.2
Assam	9.2	48	0	0
Bihar	44.9	70	1130	11.0
Gujarat	8.8	36	1779	17.1
Haryana	2.5	24	0	0
Himachal Pradesh	0.9	23	0	0
Karnataka	11.0	39	4974	43.3
Kerala	10.1	47	0	0
Madhya Pradesh	23.3	53	16005	70.7
Maharashtra	22.8	53	16114	76.3
Orissa	16.0	66	426	4.4
Punjab	2.3	18	0	0
Rajasthan	11.9	41	11039	58.8
Tamil Nadu	19.0	56	0	0
Uttar Pradesh	46.9	49	2143	8.6
West Bengal	27.5	65	0	0

Source: 1 Poverty data from Minhas et al (1991).

2 Marginal cropped area data calculated from Bhalla and Tyagi (1989), by adding the TCA from all districts in each state with productivity levels less than Rs 750/ha, for 19 major crops (1980-83).

Data for the 16 major states in India were assembled for this analysis. State-level data on the numbers of rural poor and population was obtained from Minhas et al (1991). They used income data from the National Sample Survey (NSS) from 1983, which was adjusted for cost of living differences between states. The total number of rural poor for the 16 states under consideration in this analysis comes to 270 million (Table 1). Total cropped area for the 16 states was collected from government of India, 1986.

ABSOLUTE NUMBERS OF POOR

Since the definition of marginal environment is somewhat arbitrary we decided to test our hypothesis about the incidence of poverty by varying the lower limit of crop output value which was used in defining a 'marginal environment district'. Accordingly, three model runs were estimated. The first (Estimation A) classified those districts with productivity levels less than Rs 500/ha as marginal environment districts. A total of 21 districts fall in this category. Total cropped area in each of these districts was summed up for each state and expressed as per cent to the respective state total cropped area. This variable is called marginal cropped area (%MCA) expressed in percentage terms (Table 1). The second (Estimation B) classified as marginal environment districts those districts with productivity levels less than Rs 750/ha. A total of 89 districts fall in this category. The third model (Estimation C) grouped all districts below Rs 1000/ha as marginal environment districts, a total of 154 districts fall in this category. Results of the estimated equations are shown in Table 2.

For Estimation A, %MCA is negatively and significantly related to rural poor, i.e., as %MCA increases the number of rural poor declines. For every 1 per cent increase in %MCA, the number of rural poor declines by 3,80,000 (or 0.38 million). TCA was, as expected, positively related to number of rural poor. Both these variables explain 46 per cent of the variation in rural poverty across states in India. This supports our contention that there are less absolute numbers of poor in the marginal areas.

Similar results were obtained in Estimation B where %MCA includes all districts with an average value of crop production less than Rs 750/ha. Significant levels are a bit higher (significant at 0.05 versus Estimation A which was significant only at 0.10) and here the model explains 51 per cent of the total variability in state rural poor numbers.

In the third model (Estimation C) which grouped all districts below Rs 1000/ha, %MCA is still negative but not significant. Thus, as the classification of marginal environments includes a higher proportion of districts with higher average crop output values (we assume this corresponds to more favourable environments), this negative relationship tends to weaken, i.e., we tend to see more numbers of poor as the environment 'improves'.

PROPORTION OF POOR

Here we consider it plausible (and thus we hypothesise) that higher rates of poverty exist in the marginal areas, i.e., as the proportion of marginal cropped area increases the poverty rate also increases. For this hypothesis the following model was used
(2) $\%RP_i = \beta_0 + \beta_1 \%MCA$

where %RP = per cent rural poor in the *i*th state, and %MCA is the share of the total cropped area in the *i*th state classified as marginal. This variable is similar to the one used in the equation on absolute poverty. Similar to the absolute numbers of poor analysis, three model runs were estimated: grouping districts whose productivity levels were less than Rs 500/ha (Estimation A), less than Rs 750/ha (Estimation B) and less than Rs 1000/ha (Estimation C). Results of the estimated equations are shown in Table 3.

All three estimations had low and insignificant R^2 values. And only in Estimation C do we see anything even approaching a significant (but positive) relationship between %MCA and poverty rate. The data offers no support for the hypothesis of increasing rates of poverty in marginal zones. The fact that Estimation C alone had a positive coefficient with *t*-value above 1.0 – if anything – suggests higher poverty rates in less marginal areas (i.e., in more favourable zones).

Interestingly, while data on rural population density was, as expected, negatively correlated with %MCA (significant at 0.05 probability), rural population density is positively associated with per cent rural poverty – a result somewhat counter-intuitive, perhaps. This, of course, requires further study before any conclusions can be drawn.

Notes

1. Minhas et al (1991) estimates somewhat lower figures – about 360 million poor altogether, of which 280 million are rural. His estimates are based on the most recent NSS income figures adjusted for regional differentials in cost of living expenses.
2. Definitions for marginal environments abound (e.g., see Virmani 1992). In this paper we have chosen this definition, i.e., relating marginal environments to a crop productivity measure.

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TABLE 2: RURAL POOR IN INDIA AS FUNCTION OF MARGINAL CROPPED AREA – MULTIPLE REGRESSION COEFFICIENTS

Variable	Estimation A ¹	Estimation B ²	Estimation C ³
Intercept	4149.3	1539.2	5215.7
TCA	0.0014 (3.3)	0.0019 (3.6)	0.0014 (2.6)
%MCA	-0.376 (1.81)	-0.309 (2.1)	-0.107 (1.0)
R ²	0.46	0.51	0.38
No of obs.	16	16	16

(figures in brackets are *t*-values)

- Notes: 1. Estimation A includes area under all districts with productivity levels less than Rs 500/ha
2. Estimation B includes area under all districts with productivity levels less than Rs 750/ha
3. Estimation C includes area under all districts with productivity levels less than Rs 1000/ha

TABLE 3: RELATIVE POVERTY IN INDIA AS FUNCTION OF MARGINAL CROPPED AREA – MULTIPLE REGRESSION COEFFICIENTS

Variable	Estimation A ¹	Estimation B ²	Estimation C ³
Intercept	45.7	43.8	40.4
%MCA	-0.081 (1.3)	0.073 (1.5)	0.136 (1.2)
R ²	0.005	0.02	0.09
No of obs.	16	16	16

(figures in brackets are *t*-values)

- Notes: 1. Estimation A includes area under all districts with productivity levels less than Rs 500/ha
2. Estimation B includes area under all districts with productivity levels less than Rs 750/ha
3. Estimation C includes area under all districts with productivity levels less than Rs 1000/ha

Privatisation in East Europe

Nigel Harris

United Nations Conference on Trade and Development/Kopint-Datorg, **Privatisation in the Transition Economies: Recent Experiences in Eastern Europe**, United Nations, Geneva, December 1994, pp 418.

MACRO-ECONOMIC reform in developing countries has become a global obsession, as universal as import-substituting protectionism was in the developed countries in the 1930s and 1940s, and in the developing countries in the 1950s and 1960s. Furthermore, the agenda of reform has become strikingly uniform, summarised in part in John Williamson's 'Washington Consensus' (1990). Reform provides the target for what Bergstein and Williamson call "a global stampede in the last quarter of the twentieth century" [Williamson 1994:3].

Countries of every geographical region, income level and ideology have joined the rush. Asians, Europeans, Latin Americans and Africans: countries once among the richest in the world (such as Argentina, Australia and New Zealand) and countries near the bottom: capitalists, socialists and those in between.

The political range is indeed extraordinary, suggesting that the reactivity of governments to external events is very much more important in shaping policy than prior political commitments. The spectrum covers overtly Communist regimes (China 1978, Vietnam 1989, Laos 1990, without mentioning the much older attempts at market reform in the former Soviet Union and eastern Europe), Social Democratic (Australia, New Zealand, Spain, Portugal, France), Liberal Conservative (America under Reagan, Britain under Thatcher), Leftist-populists (Menem's Peronists in Argentina, Salinas' PRI in Mexico), and the newly democratising Russia and eastern Europe.

Structural adjustment has the reputation of requiring authoritarian regimes, but only a handful of countries have experienced a military coup preceding reform – Suharto in Indonesia (1966), Pinochet in Chile (1973), Turkey in 1980, Ghana in 1983, and South Korea in 1980 (by contrast, most military coups have not led to reform). On the contrary, emergence of an integrated global economy which has impelled this uniformity of reforms may in future years be credited with dissolving authoritarian regimes – most strikingly with the old Soviet Union or apartheid in South Africa.

In some cases, a dedicated minority has fought to come to power in order to reform. But more often, it is the old order which had

been obliged to take up the task. Indeed, in some cases, political leaders have come to power with one set of aims (or one reputation) and have apparently been converted in office – most strikingly with France's president Mitterrand in the early 1980s, with president Menem in Argentina, finance minister Kweisi Batchwey in Ghana and even Manmohan Singh in India.

Furthermore, so universal has the new orthodoxy become, when the opposition comes to power, it does not reverse the reform package nor seek to return to the status quo ante. This is even true where the reform regime originally came to power through violence, leaving a legacy of at least anguish, and at most, the demand for retribution. President Aylwin in Chile has modified the policy framework put in place by Pinochet's regime [Bosworth, Dornbusch and Laban 1994], but not reversed the basic form. Turgut Ozal continued the reform programme in Turkey from the military to the civil regime, as did South Korea's Roh Tae Woo, doffing his army uniform for elections.

The reform programme has also dissolved the traditional political alternatives. They have not so much been defeated as suddenly lost meaning. The old corporatist conservative Right with its emphasis on the decisive importance of a powerful state has

gone, surviving only where its proponents transmogrified themselves into what they formerly hated, 19th century free marketeers. The Left which for so long fashioned its political alternatives on the basis of a *dirigiste* state, in part or whole absorbing civil society, found its chosen vehicle an increasingly ineffective instrument for its purposes; it shrank and swapped class for the softer focus of community. The brave beacons of progress – Cuba for some, Sweden for others – have dimmed and now fallen. Finally economic nationalism, so universal in developing countries 25 years ago, is on its last legs. Economic crisis in the 1980s did what no amount of IMF or World Bank persuasion could earlier have achieved.

The universality of the change, the diversity of the sources apparently converging on a uniform agenda, suggests a common force at work. Each national economy, it seems, is being reshaped by reactions to a new phase in the development of the system: the emergence of an integrated, as opposed to an interdependent, global economy, enforcing as never before in such detail common disciplines regardless of local differences. Among the leading powers, governments are becoming increasingly unclear as to what their national economy is, what their national economic interest is; they administer no more than a fragment of the whole.

RUSSIA AND EASTERN EUROPE

Nowhere has the process been more dramatic or more rapid than in what used to be called the Centrally Planned Economies. There the process of stratification had gone further than anywhere else – although the western war-economies during the second

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world war have similarities – and the collapse was even more extreme. In the terminology of the *ancien regime* there, the counter-revolution has been almost complete, suggesting the changes have long been in the making beneath the surface.

If we followed, by analogy, a Leninist model of this change (the Lenin of *State and Revolution*), to be a complete counter-revolution, the personnel of the old order would have had to be largely replaced by newcomers. Schumpeterian entrepreneurs and capitalists would have replaced the civil servants who directed the giant industrial ministries and combines. They would have done so swiftly in order to prevent a counter-attack and restoration of the old order, for, as two Russian authors observe:

State property is the last defensive line for the opponents of reform. The branch ministries are eager to control the process of privatisation and to get control of the package of shares or to create huge industrial-financial corporations in order to restore the traditional forms of management [Yevstignejev and Voinov 1994:6].

This is the broader systemic significance of privatisation. In practice, since people have largely forgotten what nationalisation was for, they have equally devalued the idea of privatisation.

CASE FOR NATIONALISATION

What was the original case? After the Great Depression of the interwar years, socialists concluded capitalism as a force for economic growth and development was finished. Others argued in the 1950s in the new discipline of development economics that, whatever role private capital had played in the early phases of development in the developed countries, it could for many different sorts of reasons not play that role in the developing countries. In the same way, development could not take place through increased international trade or the import of foreign capital. Only the state, directing the economy (whether through direct public ownership or directing private firms) and basing growth on the domestic market, could now develop a country.

Furthermore, production for use, rather than profit, was, it was said, the prerogative of the state, and therefore state activity in the economy embodied the march of progress – in the face of the opposition of those interests which wished to monopolise the social surplus for their exclusive use. State enterprise (as Brus, in this volume:47) notes was seen as superior in ethics in justice and in desirable socio-economic ends (it abolished exploitation and alienation), and these characteristics raised it to 'the sacrosanct level of a new order'. It was technically superior, eliminated duplication and waste, it made possible central planning and so the full development of a collective rationality

to secure rational behaviour by macro-economic criteria (full 'internalisation of externalities'), to gear production to genuine human needs, undistorted by the skewed distribution of purchasing power, and to eradicate the absurd coexistence of excess capacity, excess labour and unsatisfied needs by an *ex ante* matching of aggregate savings and investment (ibid:47).

Note that the case was not particularly socialist although it came so to be seen. There were important right-wing thinkers who also found the case seductive – see for example, the British Conservative leader, Harold Macmillan, in the 1930s. Professional managers in large corporations tended to find the ideology of planning of much appeal. Furthermore, the case came to be supported by a whole branch of economic thought where elements attributed to Marx, but refashioned from a nationalist perspective (leave aside whether this was a valid exercise), were interwoven with those from the middle period of Keynes. In retrospect, it was a kind of extreme mercantilism in which the interests of the state overrode all others.

By the 1970s, the case had become more defensive and instrumental – public ownership was to achieve particular ends of policy rather than a new social order. Nationalisation was now seen as a means to regulate natural monopolies, to eliminate foreign in favour of local ownership, of securing access to income and rents in natural resource industries, to appropriate 'strategic industries' (those supposedly of special significance for long-term development) in order to enhance the capacity of the state to expand without reference to markets, and to prevent bankruptcy and layoffs (India has the strongest record on this score).

A paean of praise presented so uncritically ought to have encouraged us in an initial scepticism. Such arguments are usually advanced to conceal much narrower interests. Furthermore, the overt case also provided a cover for something different: the struggle of the state to preserve its independence in conditions of ferocious rivalries between states. It was not accidental that the growth of heavy industry, so extravagant in capital when capital was so scarce, became the central criterion of success for the planned economy, not because it 'made the machines which made the machines', but because it also made the means to kill. Looked at in the context of rival imperialisms, the planned economy made much more sense as an attempt to create as swiftly as possible an adequately prepared war economy, regardless of its effect on the welfare of the population.

If there were overt and covert purposes in the extension of the role of the state in the economy, practice was different again. The state and its officials were not Plato's Guardians, a force of disinterested

benevolence pursuing the interests of society at large, nor even the 'executive committee of the bourgeoisie'. The state had a collective interest which was different (and indeed, often in conflict with) the heterogeneous interests of society, and its officials also had private agendas of their own. The state enterprises which were supposed to generate major increases in savings for society as a whole has often generated losses, which in turn absorbed part of the savings of the rest. State officials pocketed another part. In the Eastern Bloc, the large State Owned Enterprises (SOEs) were the power base of the old nomenklatura, allied to conservative strata in the most privileged part of the workforce, dedicated to blocking any infringement of their prerogatives and with no built-in drive to expand society's productive base. Influence, contacts, political favours in an opaque context in which few consistent criteria were publicly known replaced any real evaluation of priorities for investment.

While there was no rigorous evidence that state ownership was, in principle, less efficient than private [Israel 1990, Milward 1989], in practice it was much more subject to influence by special interests. The state would usually not allow its dependencies to be bankrupted, so it was obliged to cover any deficits, so there were no sanctions for failure. This did not necessarily mean private gain – governments used SOEs to implement social policy, to hold down prices in the interests of an anti-inflation policy, to retain workers without any useful role, etc, all tending to increase deficits and so weaken the incentive of managers to operate financially a tight ship.

In the Eastern Bloc, public ownership did not indicate a clear cut set of rights, distinguished from private prerogatives, but rather the lack of legal constraints upon the actions of state officials – the "unconstrained disposability of assets by central authorities" [Brus here 47]. Public property was property that belonged to no one, and therefore anybody, if they could, would raid it.

What had been tolerable for a very long period of time became intolerable in the 1980s. With extraordinary speed, everything went into reverse – foreign capital was welcome, imports were no longer a foreign invasion, trade could develop a country – and public ownership came under increasing attack.

However, the justification of privatisation spanned as wide a range of ends, some of them mutually exclusive, as had the case for public ownership. Some saw it as the means to destroy the old order once and for all, to create some prototype of a private capitalist economy and a middle class representative democracy through the redistribution and decentralisation of economic power (as expressed for Poland in the book reviewed

here Blaszczyk and Dabrowski 91) This would be the Leninist mode of counter-revolution Others saw it as a technical matter to improve the efficiency of enterprises, the rate of growth of productivity and innovation to end political interference or labourism distorting economic objectives and to create an economy responsive to macro-economic management Some used the distribution of shares to the population at large as a means to buy political popularity and make more secure their hold on power – in conditions of great political instability and, quite often economic hardship In Russia, it was used to bribe the existing managers to accept reform ¹ Ministries of finance saw selling off public assets as a means to cover the fiscal deficits that followed economic crisis and make possible enhanced public spending Yet others saw privatisation as the most unequivocal demonstration to foreign lenders of a regime's commitment to reform of the seriousness of its application to join the western world

THE PRACTICE

This book is an excellent compilation of writings by 18 authors on the process of privatisation in, by conventional criteria, the most successful group of east European countries, the Visegrad group – Poland, the Czech and Slovak Republics, and Hungary

A set of general presentations are made, followed by three or four papers on each country, followed by a set of commentaries The contributions were made to a Budapest workshop in 1993 In general the accounts are solid, authoritative, well argued and well documented The contributors tend to be sceptical about the claims for privatisation or actively hostile either in principle or practice although all accept the case for radical reform

The practice after two years of experience is as Yilmaz Akyuz's introduction puts it disappointing although few of the authors distinguish sharply enough between what can be safely attributed to reform and what to the major economic crisis which hit eastern Europe in the late 1980s Indeed that crisis – and the political challenges it generated – shaped all responses As always there was not time for a carefully-crafted technically optimal policy

So far as the SOEs were concerned in any case, earlier steps towards reducing central control, enhancing decentralisation of managerial authority had a disastrous effect The SOE officials in many cases ransacked the assets, setting up a shoal of private subsidiaries under their control to receive the assets ('privatised') at giveaway prices to purchase the SOE output at below market prices (on selling the output at market prices)

or to sell to the SOEs inputs at inflated prices Private profits were, for the old SOE officials, the other side of the balance sheet to SOE deficits Where state finance was seen as simply a cost-free servicing element in the economy, the SOE deficits were simply covered by the state, representing a neat transfer of funds from the state exchequer to private accounts of SOE officials In a soft financing context SOEs just stopped paying their bills, and even their workforces – intercorporate debts became enormous The bureaucrats did not become public sector managers, they became kleptocrats And far from political issues becoming removed they were enhanced – the decisions on privatisation were highly political mediated through still emerging processes involving strong interests and lobbies and with a genuine possibility of a popular backlash in societies sensitive to wide divergencies of wealth' [Dhanji and Milanovic 1991]

Privatisation was itself shaped by immediate exigencies: the ongoing slump in output while asset raiding continued (necessitating a speedy remedy) high inflation inadequate savings in the population at large to purchase the assets (without an effective capital market) fears that foreign interests would have the resources and might take over the economy (in fact foreign interests showed remarkable

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disinterest in the old 'commanding heights'), the lack of people with sufficient knowledge to evaluate the performance of companies, the high degree of concentration of capital, the lack of competition, indebtedness and corruption.

Nonetheless, formally a significant transfer from public to private occurred. The least was in Hungary – by late 1994, about 40 per cent of SOEs (by book value) had been transferred. Poland, with about 8,400 SOEs in 1990, still has 5,400 in public ownership (but 1,700 undergoing bankruptcy proceedings). Even in the Czech Republic where the transfer was most rapid and complete, the state's National Property Fund has held on to about 20 per cent of the assets in 400 companies.

Beneath this formality, things look more complicated. Very little prior restructuring took place, so that in some cases, public monopolies have been turned into private monopolies, but without a framework of regulation. Often the cumulative debts have been 'written off', removing the market sanctions that might spur reorganisation. When in doubt, governments have accepted the prior claims of existing officials who have then inherited power and sometimes ownership. In some cases, they have succeeded in entrenching their positions so that they cannot be ousted by powerful shareholders – again, restructuring has been impeded.

In the Czech Republic, the population were issued with vouchers, a method "not adopted for its economic efficiency, but for its speed in order to accomplish as much privatisation as possible before the election" [Wagener, here:294]. As Stark notes [ibid 413], "The consequences of the voucher privatisation was not to make a popular capitalism, but to make Vaclav Klaus [then finance minister – NH] popular". The vouchers were handled by a group of investment funds which then bid for shares in the SOEs. The state-controlled banks had major interests in the 10 leading investment funds (the top 14 funds controlled 55 per cent of the vouchers issued and, after purchase, 43 per cent of the shares in the newly privatised companies), and they also purchased shares on their own account. In essence, the state's banks acquired "nearly absolute control over the Czech economy" [Dlouhy and Mladek 1994:168]: "banks funded by the state have funded investment funds which in turn acquire ownership of the banks, which can acquire ownership of firms through the voucher system" [Stark, here:414]. Furthermore, on the one hand, the state's National Property Funds retained predominant interest in a number of key sectors (steel, energy, telecommunications). On the other, voucher privatisation diffused ownership over a mass of small shareholders, incapable of exercising any watching

discipline over the newly privatised managers; the shares are held as a form of savings, so there is little turnover, and this makes it difficult to build up a holding capable of influencing, let alone displacing, existing managers.

Hungary has sold assets at value and up to relatively recently this has meant foreign interests have dominated those fields seen as potentially profitable (which does not include the great fortresses of heavy industry). However, a scheme of subsidised credit has been introduced to widen the market, and the government has tried at various stages to ban foreign bidding for particular sectors (it is a muddled response since no one knows why foreign capital is likely to behave differently to local).

PRIVATISATION

In sum, the state has retained a dominant role – and so have the old officials who administered, on behalf of the ministries, the SOEs. The counter-revolution is, in terms of personnel, very far from accomplished.

What is in fact properly 'private' in the non-agriculture sector is the mass of new businesses that have developed since 1990, most of them very small, heavily concentrated in the retail trade, hotels, restaurants and services, many of them part of a grey or black economy, outside legal regulation or the net of tax contribution. They are still on the margins of the system of public power, still tolerated rather than encouraged.

If the properly private conforms in some respects to a supposedly competitive capitalist system, the newly privatised is much more like Hillerding's finance capital, giant groups of former SOEs, often linked to a bank with strong links to the state and its favours. Has enough market decontrol been undertaken ultimately to reshape this structure into more competitive forms? It depends upon the discretion of the state. If imports and foreign capital are still controlled, then the old leviathans can continue – at a heavy cost to the rest of the society. Here the political coalition that runs the new order is all-important. In general, the western advisers lacked a sociology to understand how market imperatives can be entirely transformed by the existing structure of interests. Furthermore, appropriate institutions are not created on horseback as an afterthought, and without those institutions, the nomenklatura in industry has survived. The fears of those that the old order would succeed in manipulating a slow reform process have been born out, even where the reform has been swift (as in the Czech Republic and Russia). Indeed, the distinction between public and private has become even more blurred than before. Change there has been – and it can be seen in the improvements in supply as well as the extraordinary growth of exports to hard-

currency areas – but this is still far from being the creation of competitive market economies.

This volume is a fascinating presentation of different viewpoints on these important questions. Despite now being inevitably rather out-of-date since the processes have been developing very swiftly, it provides an overview of the issues which is invaluable. It allows us to broaden the scope and apply the agenda of criteria to include the other Europeans (Bulgaria, Romania, Albania), Russia and the CIS, and the Asians (China, Vietnam). There is only one reservation – the wretched binding on this book means the pages fall out after one reading. Perhaps it was produced by one of Hungary's newly privatised printing companies.

Note

- 1 "... To ensure speedy privatisation... breaking the ownership position of the branch ministries was the overwhelming priority if the irreversibility of the transition was to be ensured... the speed deemed necessary could not be attained without 'bribing the insiders' " [Sutela 1994:418]

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Communalism and Violence

Roma Chatterji

Lifting The Veil: Communal Violence and Communal Harmony in Contemporary India by Asghar Ali Engineer; Sangam Books, Hyderabad, 1995; pp vii+347, notes, index; Rs 325.

THIS collection brings together a variety of essays concerned with communalism and violence in India. Even though the essays have been written at different points in time in response to specific political events, they achieve a thematic coherence as they are placed against the backdrop of the Ram Janmabhoomi/Babri masjid controversy. The author seeks to understand this as a symbol of conflicting group identities that articulate the aspirations of new political agents competing over scarce resources. If, as the author states, the violence that ensued as a result of the destruction of the Babri masjid marks "the lowest point in Hindu-Muslim relations in post-partition India", this relationship also has a dimension that can be understood only in terms of the larger developmental process in contemporary India. The democratisation of the political system has created new opportunities for mobility and for the articulation of new modes of group identity. Violence results as a consequence of the efforts of deprived groups to use the political system to renegotiate their status. Religion as well as other markers of collective identity like ethnicity and caste can become the focii for the organisation of communities that function as interest groups. Thus a democratic political structure imposed on a social system that is rigidly stratified and fundamentally unequal can lead to a highly volatile situation. And when the society in question is in a condition of material instability religion often serves as a defence mechanism. There is an assertion of religious identity when the society is in political and economic decline.

The author explores this thesis through a series of interrelated themes. The book moves from a general discussion of communalism and ethnicity in India and other parts of south Asia to a detailed description of the riots that followed the destruction of the Babri masjid in 1992 and the specific conditions that led to it. This latter forms the bulk of the book and apart from accounts of the riots themselves, the author addresses issues that range from the role of the press in influencing representations of violence, to the analysis of political events like the 1991 Lok Sabha elections that influenced the course of events that were to follow. Finally, in the concluding section of the book, the author takes up the issue of secularism, exploring the history of the term. To this end he tries to place the contemporary

debates between the different political parties on secularism in the context of India's composite tradition. A tolerance of pluralism is not merely an ideal propagated by mystical, other worldly doctrines like the Bhakti and Sufi movements but rather the organising principle behind all historical attempts to create stable polities. However, it is interesting that the medieval period when these movements arose is also represented as being one of unrelieved conflict between Hindus and Muslims. The history of this period is viewed through rigid stereotypes in which Islam is portrayed as the religion of the aggressors who imposed their doctrines on peace-loving Hindus, made non-aggressive by their belief in religious tolerance. But, as the author says, if the ding-dong battle between different political parties on the true nature of secularism is seen in this light it becomes another power game using history as its medium. The paradox, of course, is that if the stake in the search for true secularism is democracy itself, because only a democratic structure can ensure communal amity, it is also democracy that unleashes a political process that uses essentialistic categories like religion and ethnicity to create interest groups for its own ends. If this is one of the ironic conclusions of the book the author also makes a plea for a critical evaluation of Indian history and tradition and a return to those aspects that may help to renew the civil society.

While it would be difficult to disagree with the sentiments expressed in this book, the theoretical framework in which the issue is posed is somewhat problematic. For the author economic development is invariably accompanied by violent upheavals in society. This may take either class form or ethnic and communal form depending on whether it takes place in a socialist or capitalistic framework. The assumption is that ethnic and communal prejudice that are primordial are given a new form with the rise of colonialism and then capitalism. The challenge for newly-emergent nations then is to be able to transcend particularistic allegiances to achieve universalistic principles based on justice. However, an explanation that seeks to locate the problem of communalism within the politico-economic structure of society does not help in understanding this. Communal competitiveness creates a vicious circle of violence, for the author, because power is

seen as a zero sum game between different communities. But by explaining violence in terms of the social forces that create it we also remove from it any consideration of agency. Violence becomes faceless, an anonymous force that creates its own momentum, that comes to an end only when it is spent.

Communal competitiveness is based on the principle of sameness. Religion, ethnicity, caste or class all function in similar ways – they serve merely as markers of group difference. They express relations of symmetry between different groups and in this case where these relations are based on violence, these markers are used as defence mechanisms to protect each group's fragile identity. To break out of this vicious circle the frame of the explanation must be changed. Violence must be understood within an ethical frame, in terms of suffering. This will give a face to violence, and allow for the recognition of agents as well as victims and also make possible perhaps an understanding of coexistence as a relationship in which we are responsible for the other. This would involve an expression of identity with the other not so much in terms of a similarity of desires which may bind us in relations of competitive violence but rather a recognition of shared vulnerabilities. Thus, a recognition of the rights of the other must go beyond an acknowledgement of common aspirations and must be based on the assumption of shared responsibility, a responsibility for the other's very existence.

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People's Bill on Nature, Health and Education

P R Seshagiri Rao
Madhav Gadgil

The challenge today is to evolve a system of sustainable use of natural resources, conservation of biodiversity and maintenance of a good public health environment by creating appropriate institutions that would put to good use the potential for genuine motivation and detailed practical ecological knowledge of local communities. Several tentative moves have been made in this direction: joint forest management programmes, village level resource mapping, etc. These need to be consolidated, developed further and linked to the panchayati raj institutions.

This article presents and discusses an alternative programme of action which has been formulated as the People's Natural Resource Management Bill.

WE stand on the threshold of a potential revolution in the way country's natural resources are managed. We have arrived at this juncture for a variety of reasons. Last four decades have witnessed a process of development focusing on intensifying the flows of natural resources with large-scale state investments to benefit a narrow elite, while passing on the costs of environmental degradation to the masses. But over the decades democracy has slowly taken root in our soil, and with gradually increasing levels of literacy these disempowered people are beginning to make their voices felt. At the same time, costs of the highly wasteful, centralised, bureaucratic management of natural resources can no longer be accepted, especially in the increasingly competitive economic environment. Similar developments in other parts of the world, coupled to the new promises of biotechnology have forced all nations to take cognisance of the need to steer economic development on to a sustainable course and to protect the global heritage of biological diversity. This prompted adoption of the Agenda 21 for sustainable development and the signing of the international convention on biological diversity at the Rio Earth Summit in June 1992 [United Nations 1992a, 1992b]. These documents recognise the role of indigenous communities and women in prudent management of ecological resources and call on nation states to respect their traditions and practices and strive for more equitable sharing of benefits of use of natural resources, especially biological diversity with the local communities.

We have every reason to be proud that amongst the third world countries India is in the forefront of empowering people through democratic institutions, as witness the recent 73rd and 74th amendments to the Constitution [Ministry of Rural Development 1992a, 1992b]. India is also in the lead in revitalising institutions for involving local communities in the management of natural resources as manifest in the joint forest management programmes, in force in West Bengal since 1974, and formalised through

a central government circular in June 1990 [Deb and Malhotra 1993]. There have also been other significant initiatives such as the involvement of ryot sanghas, farmers' clubs in watershed development programmes in Karnataka. The spontaneous grass roots support to the literacy mission in many parts of the country, and the development of village-level resource mapping as a component of the post-literacy programmes by the Bharat Gyan Vigyan Samithi are pointers in the same direction [Zachariah and Sooryamorthy 1994:187].

India has a vibrant voluntary sector that has played a significant role in involving people in prudent management of environmental resources. The women of Chipko movement in Garhwal Himalayas continue to be active in ecodevelopment camps in the Alakananda valley [Down to Earth, April 30, 1993]. The farmers of the Sangli district of Maharashtra have worked with engineers to build the famous Baliraja dam and organise a system of equitable sharing of water resources on their own. Voluntary efforts have often concentrated simultaneously on health, education and environmental protection and restoration. The recent plague epidemic in India has also focused attention on the need for much more serious effort at people's involvement in maintenance of public health [Down to Earth, October 31, 1994].

Simultaneously, we are increasingly realising that working against nature will not help in the long run [Haila and Levins 1992]. We cannot indefinitely go on sucking out ground water while allowing the traditional small-scale irrigation works to get silted up. We cannot forever control mosquitoes through broadcast spraying of DDT for they will evolve resistant strains. We cannot go on cutting down species of rich rain forests and planting them with Eucalyptus for the monocultures will fall prey to the pink disease. We cannot go on multiplying the number of trawlers and purse seiners for the fish and shrimp stocks will be simply wiped out. Instead, we must work with nature, carefully fine-tuning our interventions, to

get the services we want as efficiently as possible without introducing excessive perturbations. Thus we must keep levels of fertiliser usage as low as possible through carefully monitoring soil conditions, helping it retain its natural store of organic matter and micro-organisms and then adding only the required nutrients at times geared to promote efficient uptake by crop plants. We must manage forests as far as possible by promoting natural regeneration of the multitude of indigenous species. We must deal with disease vectors like fleas and mosquitoes by controlling their breeding sites rather than by broadcast use of pesticides.

Such a programme of managing nature carefully by working with, rather than against it, calls for substantial inputs of information. For, in this instance, we are dealing with exceedingly complex systems highly variable in time and space. Detailed locality and time-specific information is therefore an essential prerequisite of any system of careful, prudent handling of natural resources and the public health environment. Such detailed information, continually updated is available only with farmers, graziers, fisherfolk and forest dwellers who depend on it for the success of their day-to-day subsistence activities [Gadgil, Berkes and Folke 1993:151-156; Gadgil 1994]. Moving towards an information-based management of natural resources will therefore have to depend on involving these practical ecologists in the management process. It is also these Indian masses living close to the earth who stand to gain most from a shift towards a regime of sustainable use of natural resources, maintenance of local diversity and of a healthy public health environment. But today they have little or no control over their local environment and have instead become instruments of abuse of the country's common property resources. The challenge before us then is to move towards a system of sustainable use of natural resources, conservation of biodiversity and maintenance of a healthy public health environment by creating appropriate institutions that would

put to good use the potential for genuine motivation and detailed practical ecological knowledge of local communities [Gadgil and Rao 1994:2103-2107; Antia and Bhatia 1993:394].

As mentioned above, several tentative moves have already been made in this direction, moves such as the initiation of the joint forest management programmes, extensive involvement of the voluntary sector in the literacy and drinking water missions, and the village level resource mapping programmes as a post-literacy activity. These moves need to be consolidated and appropriately linked to the countrywide set up of the panchayat raj institutions now being established. Unfortunately, the draft forest bill of 1994 makes little progress in this direction [Chhatre 1994:5-11; Hiremath, Kanwalli and Kulkarni 1994:280]. As a result, the voluntary sector organised a series of local and regional meetings to discuss this draft, culminating in a national conference in New Delhi between October 25-28, 1994 which opposed the draft. In response, Kamal Nath, the central minister for environment and forests called on the voluntary sector to come up with its own alternative draft [Indian Express, October 26, 1994]. The conference on the draft forest bill concluded by stating that it will collectively work towards incorporating the views of tribals and forest dwellers all over the country and will then present an alternative plan, programme and draft legislation of the people for ratification [Indian Social Institute 1994].

This article is based on a draft of what was termed as the 'People's Natural Resource Management Bill' which was submitted to the minister for environment and forests at this conference as a beginning towards the development of an alternative. This alternative was extensively discussed on October 26 and 27, 1994 at this conference, as also circulated widely in different parts of the country. This has generated extensive, useful and detailed suggestions. The purpose of this paper is to present a version of the alternative draft revised fully in the light of these suggestions in the hope that it will help take further the process of development of a viable alternative plan, programme and legislation.

THE APPROACH

The current bureaucratic regime has greatly fragmented the control over and management of the country's natural resources amongst revenue, forest, irrigation, public works, public health and other departments. It has also established a bureaucratic monopoly over all information pertinent to environmental management treating the practical ecological knowledge of the people as irrelevant and providing no

role for the extensive network of schools, colleges, universities and research institutes of the country in this process. We visualise instead that all public lands and waters will be managed in an integrated fashion in conjunction with the privately controlled lands and waters in any locality with the three-fold objectives of sustainable use of natural resources, conservation of biological diversity and maintenance of a healthy public health environment. We also visualise this process as involving local communities as the principal actors, and being based on careful use of locality specific information through extensive involvement of local schools, colleges and research institutions. The panchayat raj institutions must play an important role in this process. But the coverage of the lowest level panchayats is still too extensive to do justice to the highly locality-specific task of managing natural resources. The proper basic units for such a task will have to be individual hamlets, settlements or villages. We therefore visualise 'Village Nature, Health and Education Committees' (VNHEC) as the foundation on which the environmental management of the entire country would be built up through a bottom-up process. These institutions are also expected to play an important role in more effective management of public health, and revitalisation of the educational system by linking it closely to first hand experience of local environment and development issues. These village-level institutions will have to be properly linked to the panchayat raj institutions at village cluster, taluk and district levels.

In place of the incredibly fragmented bureaucratic system, we instead propose two basic regimes of environmental management: a supply regime for fulfilling the natural resource demands of the local people, as well as the larger economy, and a safety regime focusing on provision of ecosystem services and conservation of biological diversity. We must also create a system of positive incentives to ensure maintenance of high levels of biodiversity in the supply regime especially through protection of smaller safety zones, and provision for basic needs of people in the larger safety sites. We therefore visualise management of the entire landscape and waterscape of the country as a mosaic of supply sites and safety sites. This will have to be a co-management between local communities and the larger society and the larger society will especially have to help through the support of nature protection squads, help in conflict resolution and provision of technical inputs.

THE FRAMEWORK

1 Elements of land and water in any particular locality are linked together by flows of energy and material as well as by

human resource use and are an integral part of the overall ecosystem of the region. Long-term sustainable management of these resources calls for an integrated and decentralised approach. The basic unit of such a system of decentralised, integrated management should be a village/hamlet/settlement.

2 The current fragmented system of management of public lands and waters should be replaced by a system based on reclassification of these lands and waters into safety sites and supply sites. The larger safety sites shall primarily consist of existing protected areas and areas with dense forest cover, low population density and a high proportion of tribal population. They shall also include ecologically significant areas in sea, rivers and wetlands. The remaining public lands and waters shall form supply sites for fulfilling the natural resource demands of the people and the larger economy. A series of much smaller safety zones embedded in the supply sites would complement the larger sites. The management of safety sites will focus on provision of ecosystem services and conservation of biodiversity with adequate provisions for fulfilment of the basic needs of the local people. A system of positive incentives should be created to promote maintenance of high levels of biodiversity in both supply and safety sites.

3 All state controlled natural resources within the territorial limits of a unit of management such as village/hamlet/settlement, whether classified as supply or safety sites should be the collective property of the local community. The community should enjoy rights over all biomass, minerals, rocks and intellectual property rights pertaining to knowledge of uses associated with these lands and waters. The community shall have an advisory and supportive role in management of private property as well. Enjoyment of these rights shall be linked to continued good management of these resources and adherence to certain norms by the community. Such norms should aim to protect long-term interests of the community, as well as of the ecosystems, promote equitable sharing of benefits especially with the weaker sections and incorporate a system of performance based rewards.

4 The village community level institutions involved in the management of natural resources should be simultaneously responsible for a comprehensive system of primary health care under decentralised management to replace the current system of primary health care. These institutions should look after all the promotive and preventive health care services, as well as organise certain curative aspects of primary health care needing simple skills and facilities for diagnosis, management and

care. It should work closely with NGOs that are already providing these services or are willing to do so. These institutions should take full advantage of local human and veterinary health traditions. The village community should share control with the government over the health care delivery system and contribute towards its operational costs.

5 The village community institutions involved in the management of natural resources and public health should also be responsible for primary, secondary, vocational and non-formal education. Both the formal and non-formal systems of education at the village level should have significant components of interactive learning with the students and teachers involved in monitoring the status of local environment and public health situation. Such efforts in monitoring and preparation of management plans for local environment and health care, along with technical information from departments of agriculture, horticulture, animal husbandry, soil conservation, forestry, fishery, public health, etc., should provide the learning situation and material for adult education. Vocational education should be designed to fit the local needs, infrastructure and natural resource availability with substantial inputs from the local community. The village community should make the fullest use of the information gathered through monitoring as an integral component of the educational process for devising plans for the management of natural resources and public health.

6 The 'grama sabha' of the village should be considered as the owner of all natural resources in the public domain within its territory and the final decision-making body in management of natural resources, health and education. Benefits flowing from the utilisation of natural resources should be equitably shared amongst members of grama sabha. Such benefits may be treated as tradeable but a person's share in the collective property is to be considered as inalienable. An elected or selected body termed as the Village Nature, Health and Education Committee (VNHEC) should function as a trustee for management of this collective property. It should serve as the executive body implementing the decisions of the grama sabha and management plan prepared by it. The VNHEC should have adequate powers to regulate access by outsiders, as well as group members, and to make the needed operational rules for management, and equitable sharing of benefits. The VNHEC should prepare plans for management of natural resources, health and education with participation and approval of grama sabha. These village-level plans should form the basis of a larger regional plan incorporating management plans of other villages.

7 The government departments should not have a monopoly over executing works in the management plan, but should have to compete with private agencies and grama sabha members in winning contracts to do so. The VNHEC should closely monitor the implementation of such works and should have the powers to withhold payment in case of improper execution of works.

8 Several functions can be efficiently performed only at larger spatial scales above the village level such as taluk, district, or nation. For this purpose, representative committees should be formed at higher levels involving NHEC representatives from the preceding levels as members. Such committees should aid and support VNHECs in the following functions: (a) Co-ordinate management of contiguous patches of forests, water bodies, hill ranges belonging to individual VNHECs, (b) Organise sharing of indivisible, fugitive resources like surface and ground water, natural biological populations based on traditional arrangements and current requirements, (c) Deal with transboundary issues such as downstream influences and prevention of offences, (d) Disburse funds to VNHECs and also receive payments for certain services rendered by them to the larger society like conservation of biodiversity, monitoring of status of contagious diseases and vectors and participatory environmental impact assessment, (e) Ensure redressal of grievances of weaker sections and protection of their interests, (f) Organise evaluation of performance of individual VNHECs by an independent agency and allocation of funds on this basis, (g) Resolve disputes amongst lower level committees, (h) Provide advice and facilities to ensure that VNHECs get a fair price for market transactions involving surplus biomass, rocks, minerals and intellectual property.

9 These institutions should function in close co-ordination with panchayat raj institutions at village cluster, taluk and district levels and with state and central governments. They should include the elected members of such bodies at the respective levels along with VNHEC representatives. VNHEC should have primacy in all aspects of ownership and management of its collective property unless it violates the norms to be established by the district level panchayat body.

10 Currently, natural resources, health and education are separately managed in a centralised manner by various government agencies and departments. The role and powers of these government agencies will be so redefined as to support the activities of VNHEC and be a part of an integrated, decentralised process of planning, implementation and management of natural resources, health and education. The development departments concerning natural

resources like forest, agriculture, horticulture, animal husbandry and fisheries, etc., should provide technical expertise and training. They should be one of several possible implementation agencies for the management plans prepared by the VNHEC and consolidated at panchayat level. Relevant departments concerned with law enforcement regarding natural resources like forest, revenue, pollution control, coast guard, etc., should depute their officers to form a nature protection squad. Control over and maintenance of such nature protection squad shall be shared by district level NHEC body and the state government.

11 Environmental offences shall be defined in light of the norms and laws at state and national level. However there should be enough flexibility allowed at various levels to define offences and penalise offenders to suit the local context. The scope of the offences should be widened to include pollution, and commercial overexploitation.

12 Adequate provisions should be made for protection of interests of weaker sections by providing forums for redressal of grievances at appropriate levels. All activities of VNHEC and higher committees should come under the purview of the sub-committee on welfare of weaker sections of the respective panchayat bodies and other relevant institutions at state and national level.

13 All conflicts between NHECs should be resolved by higher committees only. Nyaya panchayats should be constituted at panchayat level as per Karnataka 1983 Act with all activities of VNHEC and panchayat level NHEC body within its jurisdiction. From taluk level upwards appropriate legal courts should perform this function. Special benches should be constituted for speedy disposal of cases.

14 Continuous monitoring of status of natural resources, health and education with special reference to status of contagious diseases, population levels of crop pests, vectors and pathogens of humans and livestock diseases is essential for proper planning and efficient implementation. Such an effort should become a part of the interactive learning process in both formal and non-formal education and help in increasing the general level of awareness amongst people.

15 Allocation of funds to VNHEC should be based on the performance as evaluated by the local pre-university and college students and teachers. Parameters for evaluating performance of VNHEC should be defined and weights assigned to each parameter for management of natural resource, health, education at state level and for conservation of biodiversity at the national level. The payments to VNHECs will be enhanced with good performance and withheld in case of very poor

performance. Persistent bad performance should result in the takeover of the management of the VNHEC by higher level bodies until the VNHEC can ensure good performance. There should be internal auditing and evaluation of performance to scrutinise the utilisation of funds by VNHEC and higher bodies. There should be no auditing by the government.

16 Livelihood and culture of tribals is closely inter-linked with forests. Livelihood of traditional fisherfolk and nomadic graziers and shifting cultivators may depend on access to resources across territories of several village communities. The new collective property regime under VNHEC is likely to increase their cost of resource gathering and bring uncertainty in contractual arrangements made with individual VNHECs. The interests of such special groups should be adequately protected.

17 There should be a National Environmental Commission consisting of VNHEC representatives, NGOs and scientists functioning as an independent authority to: (a) adjudicate over matters affecting natural resources, public health, pollution, displacement of people by development projects, commercial exploitation, etc; (b) continuously monitor status of environment and health at the national level.

18 Adequate access to and dissemination of information is crucial to the success of the NHEC system. All VNHEC members and NHEC functionaries should have full right of information regarding any activity of NHEC at all hierarchical levels. Grass roots level awareness of provisions of this bill, status of natural resources, health, management plans, budget allocations, evaluation reports of VNHEC, working of higher committees are important for success of the programme.

19 The system envisages involvement of several institutions including NHECs at various levels of hierarchy, people's elected representatives, government departments, NGOs and commercial interests in management of natural resources, health and education. Under such a set up, it is important to ensure that the balance of power favours VNHEC and panchayat level institutions.

20 As the NHEC system is based on democratisation and decentralisation of power across the board, it is bound to face resistance from certain sections of government and vested interests and initial apathy from people. For it to be successful, it has to be built up as a people's movement, with successful implementation of the system a part of the grass roots political agenda.

21 Decentralisation of powers down to the village settlement levels would undoubtedly permit the dominant social elements at such levels to exert their influence. The system

provides several checks and balances to minimise the distorting effects of such influences. In the more open, transparent processes thus visualised, the role of these influences should in any case be reduced in comparison with the role they can play in the current system.

The Bill

FORMATION OF VNHEC AND HIGHER COMMITTEES

1 Awareness of the Bill and Opportunities Offered to People:

1.1 It is necessary to create awareness at village level especially amongst weaker sections about provisions and opportunities offered under this bill. This should be attempted prior to initiating any of the processes envisaged under this bill.

1.2 Such a programme should be built along the lines of the National Literacy Campaign with active involvement of NGOs, local schools and colleges and local people. This should involve posters, information brochures and setting up permanent notice boards to display relevant information in prominent public places.

2 Formation of Village Committees:

2.1 Prior to the first meeting of grama sabha (assembly of all individuals of 18 years or above in the village or hamlet) for the formation of VNHEC sufficient notice and publicity should be given regarding its purpose, venue and date. Invitations should be sent to each family of the village and acknowledgement of receipt obtained. Similar procedures shall be followed for all subsequent meetings of grama sabha by VNHEC.

2.2 The unit of VNHEC can be a revenue village, hamlet or tribal settlement. The decision as to the appropriate unit to be selected should be arrived in the meetings of the various grama sabhas within the jurisdiction of a panchayat. Organising a grama sabha as specified in 2.1 is the joint responsibility of the panchayat members, school teachers, local NGOs and the concerned revenue department functionary. This grama sabha shall be chaired by the president of the panchayat.

2.3 Members of VNHEC shall be selected/ chosen by consensus in the grama sabha. The number and composition of such members is specified in section 25.6.

2.4. In case of a lack of consensus in grama sabha regarding selection of members of VNHEC, elections shall be held as per section 26.3.

2.5 During the initiation of this process of VNHEC formation the higher committees above VNHEC would not have been constituted during elections for VNHEC. In

such a case, only the president of VNHEC and its representatives to PNHEC shall be elected by grama sabha. The elections should be supervised by the taluk panchayat body.

2.6 The entire expenses of such elections to VNHEC shall be deducted from its funds of component C as specified in section 13.1.

3 Qualifications for Membership:

3.1 The VNHEC members shall have a term of office equivalent to gram panchayat and the process of selection/election of members be staggered by at least one year with respect to that of panchayat elections.

3.2 Existing members of panchayat raj institutions, state legislative, or co-operative institutions shall not be selected/elected as VNHEC members. Any sitting member of VNHEC shall lose the membership in case of acquisition of any of the memberships mentioned above.

3.3 VNHEC members should be permanent residents of the village and should not hold any transferable jobs either in private or public sector.

4 Formation of Higher Committees:

4.1 The higher committees shall be formed in a sequential manner at panchayat (PNHEC), regional (RFN), taluk (TNHEC), district (DNHEC), state (SNHEC) and national (NNHEC) level with membership as indicated in Table 1.

4.2 Each committee shall select or elect its representative(s) for the next higher committee. Only VNHEC members shall hold the office of the president up to district level and acting vice-president at state and national level.

4.3 The representatives to higher committees, as well as the president/vice-president shall be recalled by 2/3 majority vote of the electorate.

5 Functioning of Higher Committees:

5.1 All the Nature, Health and Education Committees (NHECs) shall have their permanent offices in appropriate administrative headquarters. Such committees shall meet at least once every month for PNHEC and TNHEC, every two months for DNHEC, every four months for SNHEC and every six months for NNHEC. An extraordinary meeting can be called either by president or 1/3rd of members at a minimum notice of a quarter of this period to all members.

5.2 For NHEC committee meeting the quorum shall be the presence of at least half of its voting members. Such members shall lose membership for absence in two consecutive meetings without prior information and valid reasons for doing so.

The non-voting members can be absent with prior permission and only after deputing a suitable person in their place.

5.3 The NHECs should have power to summon any relevant government official or examine any relevant record within its area of jurisdiction by giving adequate written notice.

5.4 All proceedings and records of NHECs shall be open to public scrutiny and copies shall be provided on payment of duplication charges.

5.5 Allowances and facilities for NHEC members shall be equivalent to those of the elected members of panchayat bodies, state legislature and parliament at corresponding levels. The expenses in this regard shall be met by DNHEC funds till district level. At SNHEC and NNHEC level it shall be funded by state and central government respectively.

5.6 They shall operate in conformity with the provisions of sub-committee on welfare of weaker sections of panchayat bodies and other mechanisms for protection of weaker sections formulated by state government.

6 Nature, Health and Education Committee as a People's Movement:

6.1 As the NHEC system envisages decentralisation and democratisation of power in various sectors it is bound to face resistance on various fronts from certain

sections of government, vested interests and initial apathy from people. For NHEC to be successful, it has to be a people's movement with adequate protection to interests of weaker sections of society.

6.2 While legislation and policies are absolutely necessary for the functioning of NHEC system, they are by no means sufficient conditions. Protection of interests of weaker sections, preferential or increased allocation of benefits to poor, protection of livelihoods of groups of people dependent on grazing, shifting cultivation, non-timber forest produce, inland fishing, etc. cannot be ensured by rules alone.

6.3 NGOs should take up this challenge and strive to: (a) create awareness amongst people about provisions of the NHEC system; (b) ensure transparency and accountability in NHEC; (c) make the issues of section 6.1 as social norms of people; (d) make successful working of NHEC system as a political agenda at the grass roots level democratic institutions.

6.4 TNHEC shall promote this by constituting NGO watchdog committees from active local NGOs.

6.5 The elected/selected president of NGO watchdog committee shall attend all NHEC meetings from TNHEC level onwards. Issues raised by him shall be answered within 10 days by the relevant NHEC president. Each such committee shall select/elect one representative to the NGO

watchdog committee for the next higher level in the hierarchy.

THE VNHEC

7 Delimitation of Boundaries of VNHEC:

7.1 As delimitation of boundaries is a complex task and can get contentious, it shall be carried out by PNHEC and TNHEC with the help of NGOs and concerned VNHECs.

7.2 To the extent possible, village revenue boundaries shall be used for this purpose. However, existing rights and privileges in resource catchments, i.e. areas outside revenue boundaries from which people are used to meeting their biomass and other natural resource needs also have to be considered.

7.3 In case of two or more VNHECs sharing a single resource catchment like a forest patch, grazing lands, etc. an attempt shall be made to arrive at a mutually agreeable consensus to the extent possible.

7.4 Attention should be paid to the traditional rules and conventions governing the sharing of such resource catchments especially with respect to water bodies like ponds, rivers and sea by two or more communities. In the event of dispute decision shall be given by TNHEC as per section 21.

7.5 VNHECs sharing a continuous resource patch as in section 7.3 or indivisible resources like ground water and streams

TABLE 1: SUGGESTED NORMS FOR MEMBERSHIP AND OFFICE BEARERS OF NATURE, HEALTH AND EDUCATION COMMITTEES AT DIFFERENT HIERARCHICAL LEVELS

	Village	Panchayat	Taluk	District	State	Country
VNHEC members	Elected/selected by grama sabha	Two representatives from each VNHEC at least one being a woman	One representative from each PNHEC	One representative from TNHEC	One representative from each DNHEC and SSA	One representative from each of SNHEC and SSA extending across states
Elected representatives	-----	Members of grain panchayat	Members of taluka panchayat	Members of zilla parishad	Members of state legislature	Members of parliamentary committees concerning nature, health, education
President	Elected by grama sabha	VNHEC members elected by PNHEC	VNHEC members elected by TNHEC	VNHEC members elected by DNHEC	Chief minister of the state	Prime minister of the country
Vice-President	Elected by grama sabha	VNHEC member elected by PNHEC	Any voting members of the TNHEC	Any voting member elected by DNHEC	VNHEC member elected by the SNHEC	VNHEC member elected by the NNHEC
Secretary	Village education worker	Panchayat secretary	Taluk panchayat secretary	District panchayat body secretary	Development commissioner of the state	Secretary, environment
Departments concerning natural resources	-----	Village level functionaries	Taluk level functionaries	District level department head	Department secretaries	Department secretaries
Health	Village health worker	Panchayat level functionary	Taluk level functionaries	District level department head	Department secretaries	Department secretaries
Education	Village education worker	Panchayat level functionary	Taluk level functionaries	District level department head	Department secretaries	Department secretaries
Nature Protection Squad	-----	One deputed member	Taluk level officer of the Nature Protection Squad	District level officer in charge	State level officer in charge	National level officer in charge
NGO committee	-----	-----	One member	One member	One member	One member
Evaluation committee	-----	-----	One member	One member	One member	One member

Note: At each level the VNHEC members should constitute 75 per cent or more and elected representatives 25 per cent or less of the voting members.

shall be subject to the authority of a federation of all such VNHECs as per section 19.

8 Accrual of Property Rights:

8.1 After delimitation of territories the boundaries are to be demarcated conspicuously and permanently. A permanent record is to be made consisting of location map of boundaries, land survey numbers and area of each of the survey number involved. Special attention should be paid to boundaries in water bodies and their satisfactory demarcation ensured, based either on traditional practices or any other appropriate method.

8.2 The boundaries thus fixed shall be altered only under certain special circumstances. The entire public lands and waters within the territory as declared in section 8.1 and benefits accruing from minerals, rocks and living organisms like plants, animals, micro-organisms in it, including intellectual property rights (IPR) relating to knowledge of uses of living organisms, shall be deemed as the collective property of the grama sabha.

8.3 Notwithstanding anything said anywhere else enjoyment of the collective property rights under section 8.2 shall be subject to certain conditionalities prescribed by DNHEC as per section 25. Records regarding the territories of VNHEC shall be deposited with PNHEC and TNHEC.

8.4 The share of the collective property to any member of grama sabha is inalienable and shall not be traded. However, the specific benefits accrued to a member are tradeable.

8.5 The existing privileges in the public lands and waters shall continue under the new regime of collective property. The privileges shall be reviewed by DNHEC as per section 29.2.

9 Bench-mark Survey on Status of Nature, Health and Education:

9.1 This process shall be initiated by PNHEC. It shall involve closely all the VNHEC members, volunteers from local people, teachers and students of local school and NGOs.

9.2 The survey shall make use of and also record practical ecological knowledge of local people. The parameters for status on natural resources, health, education shall be specified as per procedures and formats indicated in section 26.1. Such a process shall involve simple techniques of data gathering.

9.3 Findings of such a survey shall constitute a 'community register' which shall be treated as a permanent record of VNHEC. It shall be updated based on annual evaluation reports of VNHEC and copies sent to PNHEC and TNHEC. Any unauthorised alterations shall be considered an offence under section 33.1.

10 Preparation of Management Plan and Recruitment of Staff by VNHEC:

10.1 After preparation of community register the VNHEC shall prepare a comprehensive management plan regarding natural resources, primary healthcare and education within its jurisdiction. Such a plan shall be prepared, and shall also have the approval of one or more meetings of grama sabha called for this purpose.

10.2 The grama sabha shall appoint village health worker (VHW)(s) and village education worker (VEW)(s). It shall also appoint other staff necessary for management of natural resources. Such staff shall receive training as per section 20.2 and be subject to service rules as per section 26.5.

10.3 The management plan shall include the following: (a) Measures needed for development/improvement of natural resources, village sanitation, primary health care and formal, non-formal and vocational education. It shall also specify prioritisation of works to be taken up for implementation; (b) Physical works to be carried out like soil and water conservation, village sanitation, drainage, afforestation, etc. shall be clearly indicated on the map and plan and estimates made for them; (c) It shall identify as safety zones certain areas suitable for conservation like water-sheds, pristine areas including those in sea and wetlands, and sacred groves. It shall specify measures to promote and conserve biodiversity in both public and private lands as well as waters. Such efforts shall include individual efforts in conservation like cultivation of local cultivars, maintenance of wild relatives of cultivated plants/animals; (d) Decision of VNHEC shall be final regarding the plan in case of any dispute with PNHECs or RFN, provided it does not violate section 25; (e) This plan shall also take into account outside pressures like commercial demand, pollution effects, and nomadic graziers.

10.4 The management plan shall be incorporated into a larger regional plan by PNHEC preferably on a watershed basis. It shall decide on the works to be taken up and suitably allot funds of component M of VNHEC as per section 13.4. Government departments like PWD, soil conservation, etc. shall not have a monopoly in carrying out these works and shall compete with grama sabha members and private agencies for contracts for the works.

10.5 The payments for works executed shall be made by the committee handling component M as in section 13.4: (a) It shall, if necessary appoint a monitoring committee of grama sabha members to supervise the implementation of works; (b) It shall withhold payments for unsatisfactory completion/quality of works.

11 Functioning of Village Health Worker:

11.1 The VHW(s) shall perform the following functions along with any other functions assigned by grama sabha from time to time: (a) Provide treatment to certain categories of ailments as per section 37.4 and Table 3 and refer other ailments to the Primary Health Centre and Community Health Centre. She/he shall maintain records of the patients treated or referred; (b) Assist grama sabha in planning for village sanitation and public health, conservation of medicinal plants and utilisation of local health traditions and monitor implementation of these programmes; (c) Create awareness regarding family planning, maternity care, nutrition by involving local people/NGOs, local teachers/students in periodic monitoring of health status and campaigns. She/he will ensure that trained dais provide adequate maternity care; (d) She/he shall maintain records and carry out monitoring of status of communicable diseases, vectors, stomach worms, drinking water and other relevant health parameters; (e) She/he shall involve local village education worker(s), school teachers/students, local health practitioners and other volunteers in monitoring the health status of the people as well as public health related aspects of the environment.

12 Functioning of Village Education Worker (VEW):

12.1 VEW shall function as the secretary to VNHEC and shall perform the following duties along with others assigned by grama sabha.

12.2 Send invitations for and give publicity about grama sabha meetings and training programmes.

12.3 Maintain relevant records of VNHEC like community register, management plan.

TABLE 2: APPROPRIATE LEVEL OF NATURE, HEALTH AND EDUCATION COMMITTEE FOR DECIDING UPON REGULATIONS, OFFENCES AND PENAL PROVISIONS

	Responsibility
Village	Operationalising the management plan
District	Norms to be followed by DNHEC, TNHEC, PNHEC
State	False claims, corruption, misappropriation regarding component M, protection of interests of weaker sections, formation of VNHEC, external impacts affecting interests of VNHEC, demands on biomass from urban areas and commercial interests
Country	Intellectual property of VNHEC and its members' false claims, corruption relating to component C, co-ordination between various SNHEC laws

proceedings of VNHEC, budget allocations, etc.

12.4 Co-ordinate the implementation of extension activities of development departments and vocational training.

12.5 These records and technical inputs shall form the learning situation for adult literacy programme. Along with a team of volunteers, she/he shall run the adult literacy programme and work with the local school teachers and students in monitoring the parameters of natural resources and education.

12.6 Formulate a vocational training programme for the village and ensure that such trainees get continued support from PNHEC and TNHEC.

12.7 Both VEW and VHW shall receive periodic training as per section 20.2. They shall receive payments from PNHEC from component M of VNHEC subject to recommendations of grama sabha.

13 Handling Finances:

13.1. There shall be a fund called VNHEC fund and it shall receive the money from following sources: (a) All proceeds from sale, auction and appropriation of benefits from the property in its territory as in section 8.1; (b) From certain taxes levied and fees as decided by it; (c) Payments from National Environment Fund as Component C or service charges as per section 32. The quantum of these funds shall depend on services performed with respect to conservation of elements of biological diversity, participatory environmental impact assessment, monitoring of disease vector populations, etc.

13.2 This VNHEC fund shall be deposited in the nearest bank or post office and the accounts shall be operated jointly by two VNHEC members nominated by grama sabha one of whom shall belong to weaker sections. 13.3 VNHEC funds shall be treated as untied funds and can be allocated in any way deemed fit by VNHEC. Grama sabha shall have full knowledge of the extent and allocation of VNHEC funds and all records have to be presented in its meeting. PNHEC also has an advisory role in allocation of VNHEC fund and shall receive a copy of dealings regarding VNHEC fund.

13.4 Funds sanctioned by DNHEC for the management plan prepared by VNHEC referred to as component M shall be vested with PNHEC. It shall be deposited in the nearest post office/bank and shall be operated by president of gram panchayat, representative of VNHEC in panchayat and operators of VNHEC fund.

14 Working of VNHEC:

14.1 The VNHEC shall function as the trustee to manage collective property of grama sabha. It shall carry out the management plan and other decisions of grama sabha. It shall have sufficient powers to ensure effective

management of natural resources, health and education.

14.2 It shall design appropriate operational rules for usage and appropriation of benefits from collective property of grama sabha and implementation of management plan in general.

14.3 It shall ensure proper functioning of VEW and VHW and receive complaints regarding their functioning.

14.4 It shall share control over all facilities of primary, secondary, non-formal and vocational education and primary health care within its jurisdiction and ensure their proper functioning.

14.5 It shall organise grama sabha on a regular basis of at least once in 2 months to be chaired by either the PNHEC chairman or the VNHEC representative to it. All the details of various activities of VNHEC shall be placed before it and discussed.

14.6 It shall participate in environmental impact assessment of development projects and pollution causing industries affecting them as per section 30.

14.7 Certain groups like nomadic graziers, fisherfolk, shifting cultivators, artisans depend on *de facto* open access to government-owned lands and waters across resource catchments of several villages for their livelihood. Under the new collective property regime of VNHEC the costs of obtaining such access would increase and the informal arrangements made amongst themselves and as well as with the villagers would be put on uncertain footing. VNHEC shall take cognizance of these issues and make suitable provisions in the management plan.

15 Prevention of Offences and Law Enforcement:

15.1 VNHEC shall also decide on what actions constitute an environmental offence and take effective measures to prevent it as per Table 2. Provisions of section 25 supersede this section.

15.2 VNHEC shall devise mechanisms for prevention of offences as declared in section 15.1 which can include: (a) Formation of village defence committees as in the Indian Penal Code; (b) System of rewards for information/apprehending offenders; (c) Organise checks along roads and paths on to the forest patch; (d) Regulate harvest of timber/forest produce/fish/grazing pressure/NTFP extraction. (e) Any other measures found suitable/needed.

15.3 The burden of proof of there being an offence shall be on the VNHEC and it can levy a fine or any other punishment deemed fit under section 15.1. The offender under section 15.2 shall have recourse to an appeal to Nyaya Panchayat under section 18.2 within 7 days of receiving a verdict from VNHEC.

15.4 VNHEC shall request the help of Nature

Protection Squad constituted as per section 33.3 through PNHEC for prevention of offences, and help in law enforcement. Such requests should be in the written format specifying nature of help, location and duration for which it is required.

15.5 VNHEC shall make efforts to give publicity to the information on environmental offences and punishments for such offences.

PANCHAYAT NATURE, HEALTH AND EDUCATION COMMITTEE

16 Working of PNHEC:

16.1 It shall function as a sub-committee of the Panchayat and enjoy autonomous powers unless it violates the DNHEC norms and provisions of panchayat sub-committee on weaker sections.

16.2 From the individual management plans of VNHEC it shall prepare a panchayat level management plan integrating into such plan prescriptions for all the areas over which it has control under 11th schedule of 73rd constitutional amendment act 1993.

16.3 Members from Nature Protection Squad set up as per section 33 shall attend the PNHEC meetings and be available constantly for specific PNHECs to accept written complaints and to take necessary

TABLE 3: APPROPRIATE AUTHORITY FOR SUPERVISION OF HEALTH FACILITIES

NHEC	Responsibility
Village	Village health worker, trained dais, local health practitioners
Panchayat	Primary Health Centre
Taluk	Community Health Centre

Notes:

Primary Health Centre (PHC): to be located at headquarters of PNHEC. Should provide major facilities like outpatients care chiefly of referral nature, inpatient services like medical, minor surgery, sterilisation operations, moderate risk cases of delivery, first aid and referral for services requiring further medical care. It shall have two MBBS doctors, one preferably female and an additional doctor trained in the indigenous system of medicine along with other necessary staff and equipment.

Community Health Centre (CHC): Health care facility with at least one being located at TNHEC headquarters headed by a doctor with post-graduate training in medicine preferably in preventive and social medicine. She/he should be assisted by specialists consisting of physician, surgeon, gynaecologist, paediatrician and anaesthetist with adequate supporting staff, facilities and transport. Major functions consist of providing backup for all curative problems beyond skill and facilities at PHC, providing high level of medical and surgical care for problems referred by PHC or VHW, maintaining close liaison with PHC and providing consultancy services and periodic training for VHWs.

action. The exact strength of such members assigned to PNHECs shall be decided upon by TNHEC.

16.4 All the funds received for the management plan of VNHEC shall be controlled jointly as per section 13.4. The funds received as service charges shall be handed over to VNHEC.

16.5 It shall ensure proper evaluation of VNHEC by a team appointed by TNHEC and as well as internal auditing as per section 23.2. It shall send the reports to TNHEC and be responsible for their authenticity along with the evaluating agencies.

16.6 It shall make payments to VEW and VHW as per grama sabha recommendations and to evaluating agencies as per DNHEC norms.

16.7 It shall share control over all educational and health facilities provided for as per SNHEC decisions in section 37.4.

16.8 It shall arrange for vocational education as per PNHEC management plan and also provide market, technical, credit linkages for trainees at panchayat level itself.

16.9 It shall initiate participatory environmental impact assessment as per section 30 by VNHEC.

16.10 It will undertake all activities to support functioning of VNHEC and any other tasks assigned by DNHEC.

17 Monitoring and Evaluation:

17.1 PNHEC shall make payments for students/teachers, people from village community who are involved in the initial bench-mark survey and continuous monitoring of natural resources, health and education.

18 Conflict Resolution and Redressal of Grievances:

18.1 It shall refer all disputes between VNHECs to TNHEC and shall carry out delimitation of boundaries for VNHECs.

18.2 Any grievances shall be referred to Nyaya Panchayats which shall be set up as per Karnataka Mandal Panchayat and Nyaya Panchayat Act 1983. Such grievances can also be referred to all relevant forums and panchayat level sub-committee on weaker sections.

REGIONAL FEDERATION

19 Functioning of RFN:

19.1 Whenever control over a physically continuous patch like a forest, hillock, or pond happens to be under more than one VNHEC belonging to different PNHECs such regional federations shall be formed.

19.2 Such RFN shall consist of presidents of constituent VNHECs and representatives of Nature Protection Squad and NGOs.

19.3 It shall ensure that the measures taken under management plan and prevention of environmental offences shall not adversely affect the operation of other adjoining VNHECs.

19.4 It shall ensure co-ordination and close co-operation amongst its members especially in sharing indivisible resources like ground water, streams, natural biological populations like wild life, etc.

19.5 The president of RFN shall be elected by the constituent VNHEC presidents. In case of failure to implement sections 19.3 and 19.4 he shall seek the intervention of TNHEC.

19.6 Certain groups like migrant graziers, artisanal fisherfolk and non-timber forest produce collectors though residents of a particular village/hamlet/settlement depend for their livelihood on free and/or subsidised access to resources over large tracts extending over several villages or even districts in certain cases. The representatives from such groups should form one or more regional federations (RFN) at an appropriate level at or below the district level as per section 25.6.

19.7 The president of such an RFN shall be elected/selected by the representatives. He/she shall seek to protect the interests of his/her constituents such as migrant graziers, traditional fisherfolk, non-timber forest produce collectors as the case may be.

TALUK NATURE, HEALTH AND EDUCATION COMMITTEE

20 Supporting Activities of TNHEC:

20.1 TNHEC shall provide all technical support like maps, instruments, training needed for benchmark survey, monitoring and evaluation of health, education and natural resource parameters in co-ordination with technical cell of DNHEC.

20.2 It shall train VEW and VHW periodically, provide for vocational training as per PNHEC management plan, also extend technical and market linkages through relevant institutions at taluk level.

20.3 It shall share control with all relevant departments over health care facilities and educational institutions up to pre-university level and ensure that they function as per PNHEC management plan and DNHEC norms.

21 Allotment of Territories to VNHEC:

21.1 TNHEC shall decide on partitioning of territories in case of disputes between VNHECs by considering population, biomass demand of contending parties, status of resource catchment, existing conventions and rules of use.

21.2 The criteria for allotment of territories shall be worked out by DNHEC. It shall also

outline the procedures to ascertain such criteria in the field.

21.3 The decision given by TNHEC shall be open to appeal to DNHEC. However, decision by DNHEC shall be final and binding on the parties.

21.4 TNHEC shall take the final decision on sharing or management of indivisible resources between VNHECs like streams, ground water, wildlife, etc, or in dealing with claims of migrant graziers, artisanal fisherfolk, non-timber forest produce collectors. This shall be done either in case of an appeal by relevant RFN of such groups, concerned VNHECs or RFN president.

22 Working of TNHEC:

22.1 It shall have in its deposition the records of collective property rights of all the VNHECs, management plans of PNHEC and VNHEC, evaluation reports of all VNHECs. It shall store all the information in the community register in a preferably computerised data base. Such information shall be updated every year.

22.2 It shall also maintain a counter in the local college/high school to receive inputs for community register. Such information shall have to be verified by annual evaluation committee of the concerned area.

22.3 It shall promote maintenance of specimens of elements of biodiversity in colleges and pay special attention to *in situ* conservation of biodiversity in VNHECs.

22.4 It shall identify VNHECs with poor performance and pay special attention to improving their working through the respective PNHECs. On persistent poor performance (2 consecutive years) it can take over such VNHEC under section 27.2.

22.5 It shall exercise punitive powers with respect to offences regarding monitoring and evaluation, corruption charges against VNHEC, PNHEC, and Nature Protection Squad members and take necessary action under section 27.2.

22.6 The TNHEC shall have a nodal centre of the National Informatics Centre Electronic Network, NICNET, which is currently at district level. This shall be used for communication with higher committees, to send time bound information on status of communicable diseases, population of vectors, etc.

23 Monitoring and Evaluation of VNHECs and PNHECs:

23.1 It shall exercise operational authority in appointment of evaluation committees for VNHECs from students and teachers of local pre-university and under-graduate colleges and NGOs.

23.2 It shall depute up to 7 members of PNHEC as internal auditors to PNHEC.

They shall be chosen on a lottery basis during the regular meeting of TNHEC. Each PNHEC shall undergo such an audit at a minimum of once in 2 years as per section 26.4

23.3 It shall prepare an abstract of performance evaluation reports of PNHEC regarding performance of individual VNHECs with respect to management plan (component M) as also conservation and promotion of biodiversity (component C).

23.4 Based on evaluation reports and internal auditing it can recommend to DNHEC every year 5 VNHECs for rewards which shall go to their component C. Based on such reports, it shall also accord non-material rewards like titles or certificates to honour either persons/VNHECs with exceptional contributions in these efforts.

24 Conflict Resolution and Redressal of Grievances:

24.1 It shall resolve conflicts between PNHECs and VNHECs and conduct necessary investigations after obtaining evidence from both the parties.

24.2 It shall depute an officer of the Nature Protection Squad to receive complaints from weaker sections regarding operations of VNHEC and PNHEC and give a written acknowledgement of receipt of the same. This provision would be publicised widely.

24.3 Within 10 days of such complaint the secretary of TNHEC shall seek an explanation from concerned VNHEC/TNHEC president and place it before TNHEC and notify the sub-committee for welfare of weaker sections and social welfare department at taluk and panchayat level in this regard.

DISTRICT NATURE, HEALTH AND EDUCATION COMMITTEE:

25 Norms:

25.1 DNHEC norms are a set of rules which all DNHECs shall have to specifically design and strive towards their compliance within their territories. These norms should ensure that:

25.2 The lands and waters vested with VNHECs should not be privatised or put to any use benefiting private parties to the detriment of the general community by altering their status.

25.3 Existing conservation practices like sacred animals, trees, groves, ponds, etc., shall be protected, as also practical ecological knowledge of people would be recognised, respected and rewarded.

25.4 No forest produce shall be harvested except under the plan prepared/procedures laid down by VNHECs. Clear-felling of trees and sale of timber above a certain ceiling limit would need prior written permission of TNHEC.

25.5 It shall lay down procedures for VNHEC to reward individuals for *in situ* conservation efforts like growing of local cultivars and maintenance of other genetic resources of value.

25.6 It shall stipulate the total number of members of VNHEC in proportion to the population and its composition. It shall also specify the proportion of seats reserved for weaker sections in the VNHEC. It shall also specify the number and spatial coverage of special regional federations representing resource users like migrant graziers, artisanal fisherfolk and non-timber forest produce collectors.

25.7 The migrant graziers shall have their traditional right of way across any of the VNHEC property. It shall be altered only after providing them with a satisfactory alternate passage.

26 Procedures and Formats to be Designed:

26.1 It shall in consultation with the technical cell set up as per section 28.1 and NGOs shall prepare formats for recording information on the following: (a) Details regarding property assigned to VNHEC and permanent records regarding such property; (b) Information on socio-economic and environmental parameters especially relating to natural resource use, health and education of people; (c) Community register which documents elements of biodiversity and associated knowledge systems.

26.2 It shall design procedures for rewarding persons involved in the initial hench-mark survey and also for regular monitoring, evaluation and internal auditing of VNHECs from component M.

26.3 It shall set up the procedure for the election process of VNHEC members.

26.4 DNHEC shall also design procedures for internal auditing of PNHEC to be carried out by members of the other PNHECs.

26.5 DNHEC shall formulate the service rules for village health and education workers.

27 Ensuring Compliance to the Norms:

27.1 It shall be the responsibility of PNHEC and DNHEC and especially Nature Protection Squad that norms prepared by DNHEC are implemented by VNHEC. Non-compliance of this section shall be reported to DNHEC and could result in prosecution of concerned VNHEC president/members and/or take over of VNHEC by TNHEC.

27.2 It should devise procedures by which TNHEC shall be empowered to take over VNHECs' collective property with persistent bad performance as per the Evaluation Committee reports and also terms for restoring it to VNHEC.

28 Establishment of Technical Cell:

28.1 The DNHEC shall set up a technical cell with adequate infrastructure. This shall work in close association with scientific research institutions, universities, colleges as well as the local population, especially people with high levels of practical ecological knowledge such as fisherfolk or traditional health practitioners.

28.2 The technical cell shall address the environmental and public health problems/issues faced by VNHECs or other bodies or individuals to generate locality-specific solutions taking cognisance of modern scientific knowledge as well as practical ecological experience of people.

28.3 It shall extend to VNHEC and PNHEC technical help for preparation of management plan. It shall disseminate relevant information for the people in the local language.

29 Working of DNHEC:

29.1 DNHEC shall function as a sub-committee of zillah parishad. It shall have autonomous powers in matters concerning natural resources, health and education unless it violates the laws of the land or verdict of zillah parishad sub-committee on protection of weaker sections.

29.2 It shall have power to make new rules and change any of the provisions regarding NHECs under its control as in Table 2. An appeal against such rules will be with the court of law, and not any state NHEC or NEC.

29.3 For this, it shall convene a meeting of NGO watchdog committee along with DNHEC and allow for sufficient debate, after giving one month notice about such meeting and circulating the information on new rules/amendments to all participants.

29.4 Any further changes in the policies to be recommended shall require a quorum of 80 per cent of members and 3/4 majority, the NGO watchdog committee representatives shall have voting rights at such meetings.

29.5 It shall give rewards to people, VNHECs and RFNs as per recommendations of the TNHEC.

29.6 It shall also recruit the needed office staff for its own and TNHEC activities and such recruited officials shall be under total control of DNHEC.

29.7 The funds for maintenance of DNHEC, technical cell and TNHEC shall come from the DNHEC fund which is formed by contribution of a fixed percentage of components C and M and shall be clearly indicated in the processes of distribution of funds to VNHEC.

30 Participatory Environmental Impact Assessment:

30.1 There shall be a participatory environmental impact assessment of various

impacts on VNHECs like pollution, urban sewage and waste, mining and various development projects.

30.2 This shall be initiated by DNHEC either on its own, or on suggestions by concerned VNHECs, on request from the National Environment Commission, government agencies, or private enterprises.

30.3 The technical cell of the DNHEC shall carry out such an exercise with the help of affected VNHEC members. The state pollution control authorities and other such governmental agencies shall provide needed expertise, infrastructural support and training.

30.4 This process shall be carried out for existing problems as well as proposed projects which come under conditions of section 41.6. The finalised report shall be used to present the case of VNHEC as per section 41.7.

31 *Monitoring and Evaluation:*

31.1 It shall set up a standing committee for monitoring and evaluation at district level consisting of one member from each Taluk evaluation committee which shall submit status report of each TNHEC level functioning.

31.2 Such reports shall be compiled and analysed by the technical cell. The DNHEC shall receive compiled evaluation reports and internal auditing reports from TNHECs directly.

32 *Sources of Funds and Handling of Finances*

32.1 It shall annually receive from SNHEC funds towards component M upon submission of abstracts of evaluation reports of PNHECs, and from NNHEC funds towards component C on submission of evaluation report abstracts of VNHECs.

32.2 The funds shall be allotted based on performance as per section 32.1. The sum total of the performance of constituent VNHECs shall be considered as the performance of the DNHEC for both components.

32.3 In the event of false performance claims the president of the concerned agency like VNHEC/PNHEC/TNHEC or evaluation committee leader shall be held accountable under section 35.2.

32.4 It shall publish the evaluation reports and financial allocations.

33 *Prevention of Offences and Nature Protection Squad:*

33.1 It shall formulate a set of rules to define offences as in Table 2 which shall be binding on TNHEC, PNHEC and DNHEC itself. Such rules shall form the general basis of trial of offenders in the court of law and

Nyaya Panchayat and all NHEC bodies below the district level.

33.2 DNHEC shall request deputation for staff of Nature Protection Squad from the existing personnel of state forest department and other relevant departments like coast guard, police, excise, revenue, etc, depending on its requirements.

33.3 The control over such squad shall be shared between DNHEC and the concerned departments. Exact mechanisms of such sharing of control shall have to be worked out in each state with respect to payments, increments, promotions, transfer, etc.

33.4 The primary task of Nature Protection Squads is to assist VNHECs in prevention of environmental offences. Nature Protection Squads shall ensure that DNHEC norms are followed by VNHEC, PNHEC, RFN and TNHEC. In case of non-compliance they can report to DNHEC president and also to state level officer of Nature Protection Squad at SNHEC.

33.5 DNHEC must take notice of such written reports by Nature Protection Squad and take appropriate action within 21 days of receiving such reports and send a copy of action taken to state level officer of Nature Protection Squad.

34 *Conflict Resolution and Redressal of Grievances*

34.1 The DNHEC shall design procedures for establishment and operation of Forums of Redressal and Conflict Resolution at panchayat level called Nyaya Panchayats. These shall follow the model of the Karnataka Mandal Panchayat and Nyaya Panchayat Act 1983.

34.2 It shall be the final forum for resolution of conflict between any VNHEC and PNHECs. However in the case of TNHECs the final authority shall be SNHEC.

34.3 It shall set up a district level watchdog committee with representatives from each of the TNHEC level watchdog committees. It shall be mandatory for DNHEC to enquire into written complaints given by the same and carry out follow up action within one month of such complaints.

34.4 It shall also suggest changes in management plan of VNHEC in accordance with RFN as per recommendation of TNHEC after giving a fair hearing to concerned VNHEC.

STATE NATURE, HEALTH AND EDUCATION COMMITTEE

35 *Changes in Policy at State Level:*

35.1 The provisions of this bill need large-scale changes in the existing laws and policies of state. At the initiation of this process the SNHEC shall be responsible for drafting the required changes.

35.2 The new policies shall promote management of all natural resources on an integrated and decentralised basis. The environmental offences shall be defined with respect to natural resources and public health including pollution and deleterious effects of commercial exploitation and urban waste and sewage, and with respect to false claims of performance, for instance of conservation of biological diversity.

35.3 The process of preparation of drafts of new legislation shall involve DNHECs and NGO watchdog committee members.

35.4 Any further changes in the policies to be recommended shall require a quorum of 80 per cent of members and 3/4 majority. The NGO watchdog committee representatives shall have voting rights in such meetings.

35.5 In the task of formulating and drafting of the policies SNHEC shall be helped by the relevant departments and legal cell of the state government.

36 *Sharing Control over Relevant Government Departments:*

36.1 The powers and functioning of government departments concerning natural resources, health and education shall have to be reoriented as per the provisions under the NHEC system. The SNHEC shall design appropriate set of rules and procedures for this purpose along with NGOs and relevant departmental secretaries.

36.2 It shall share administrative control on Nature Protection Squad and education and health facilities provided on the basis of section 37.4.

37 *Working of SNHEC:*

37.1 It shall set up a standing committee of scientists belonging to R and D institutions and universities to take up research and evolve management strategies on specific problems as suggested by the technical cell of DNHEC and provide expertise for planning and development.

37.2 There shall be internal auditing of every DNHEC at least once in two years by other DNHEC members.

37.3 It shall reward the best performing DNHECs with respect to component M every year.

37.4 It shall ensure that state government shall provide the facilities for health care and education mentioned in Tables 3 and 4 as the minimum requirement. The number of such facilities to be provided and categories of diseases to be treated at each level shall be decided on a regional basis considering its remoteness and extent of current availability of such services.

37.5 The curriculum for formal education till pre-university level shall include interactive learning through monitoring the

status of local natural resources, public health environment, socio-economic milieu and ongoing development processes. There should be enough flexibility built in for the DNHECs to tailor the education to their locality-specific needs and culture of people. The non-formal and vocational education shall be designed and implemented at the TNHEC and PNHEC levels.

37.6 It shall deal with losses caused by pollution, urban waste and sewage and unfair trade practices by commercial interests causing loss to VNHECs. It shall be vested with enough penal powers by National Environment Commission for this purpose as per sections 41.5, 41.6 and policies of section 35.

37.7 The costs for maintenance of SNHEC shall be borne by the state government.

37.8 There shall be a State Nature, Health, Education Fund which shall receive contributions from the state government funds earmarked towards development of natural resources, health and education. The relevant procedures and norms of allocation by the state government should be worked out under sections 35 and 36. DNHEC and SSA shall receive their component M from this fund as per their evaluated performance.

38 Monitoring and Evaluation:

38.1 The SNHEC shall decide on the parameters for evaluation of natural resources, education and health care. It shall compile the results of monitoring these parameters from TNHEC and DNHEC reports which are to be published by it periodically.

38.2 It shall set up a body of scientists, NGOs and SNHEC members to assign values to parameters of health, education and natural resources which shall be periodically reviewed based on the findings of section 38.1.

38.3 The entire process in section 38.2 shall be transparent and the copies of the decisions sent to all VNHECs by the committee.

38.4 It shall set up a computer-based data bank with adequate safeguards for relevant intellectual property rights containing information on natural resources including biodiversity, health and education and community registers of VNHECs and link this to the NICNET operated by the National Informatics Centre.

38.5 Such data bank shall remain under the joint control of SNHEC vice president and presidents of NGO watchdog committee and evaluating committee mentioned in sections 39.2 and 38.2.

39 Conflict Resolution and Forums for Redressal:

39.1 It shall be the final forum for appeal regarding any disputes about TNHEC located

within the state.

39.2 It shall also set up a watchdog committee of NGOs at state level having representatives from each district which shall help SNHEC functioning.

NATIONAL NATURE, HEALTH AND EDUCATION COMMITTEE

40 Supporting the Policies of NHEC:

40.1 As in the case of SNHEC it shall draft new policies required for the central government under the NHEC system. It shall follow the procedures similar to those in sections 35 and 36. The focus shall be on concurrent subjects of state and centre and on safety sites.

41 National Environment Commission:

41.1 It shall be constituted from NNHEC representatives, scientists and NGOs with outstanding contributions in natural resources, health, and education. It shall have an independent status and shall be answerable only to the parliament.

41.2 It shall be vested with judicial powers for resolving disputes within areas of its mandate. It shall have the mandate on all external impacts on VNHEC like pollution, commercially exploitative forces, loss/displacement by development projects of government, pest and disease epidemics, etc.

41.3 Based on the monitoring committee reports from DNHEC, SSA and SNHEC it shall assign values to elements of biodiversity and identify parameters for evaluation of biodiversity which shall apply to the entire country.

41.4 It shall also collect information on status of communicable diseases, vector populations and pest and disease outbreaks of crops as well as livestock on a regular basis.

41.5 It shall receive petitions on pollution, adverse effects of urban areas, displacement of persons in developmental projects, etc., and initiate an enquiry at DNHEC or/and SNHEC levels.

41.6 Such cases shall be classified based on the magnitude of the problem and loss and assigned to appropriate levels. Decisions at lower forums shall be open to appeal in NEC and its verdict shall have an appeal only to the special bench of the Supreme Court.

41.7 In order to conduct an enquiry NEC shall appoint a panel of relevant scientific experts, lawyers, NGOs and NNHEC members at national, state and district levels. They shall hear the case of affected VNHECs or people and conduct direct investigations in the field. The findings of the panel and its judgment shall be published.

41.8 The panel shall receive financial assistance and honorarium from NEC and shall be held accountable for their findings.

41.9 The scope of the enquiry shall include existing instances of section 41.5. The proposed projects shall obtain a clearance certificate at the appropriate forums as per section 41.6.

42 Functioning of NNHEC:

42.1 There shall be a national environment fund and such a fund shall receive the following contributions: (a) From biodiversity cess to be levied by central government on all commodities which benefit from usage of elements of biodiversity; (b) Funds earmarked for conservation of biodiversity and towards management of protected areas by state and central governments; (c) Contributions from international forums, future payments received for royalties based on genetic resources and knowledge pertaining to it on which India has sovereign rights; (d) Fees charged to development projects, industries, etc. for organising participatory environmental impact assessment; (e) Cess on industries and urban areas causing pollution; (f) Funds earmarked for monitoring status of contagious diseases, pests and diseases of crops and livestock and vector populations.

42.2 Funds shall be allotted to individual DNHECs based on performance reports submitted by the district level monitoring committees.

42.3 It shall stake claims in all appropriate forums for intellectual property rights of the VNHECs as per recommendations of either DNHEC, SSA or SNHEC.

42.4 The country's interest in matters regarding natural resources shall be represented by NNHEC in all international forums.

42.5 It shall support working of Nature Protection Squads in DNHEC and also ensure that law enforcement agencies co-operate with it and extend infrastructural support.

42.6 It shall pay special attention and extend support to management of safety sites and ensure their smooth functioning.

42.7 The costs for maintenance of NNHEC shall be borne by the Government of India.

42.8 It shall co-ordinate the laws and plans for development between states so that environmental offenders shall not take advantage of such differences between DNHECs. This shall be done by giving appropriate directions to DNHECs and SNHECs.

42.9 It shall be the final authority to decide in disputes/conflicts at DNHEC and SNHEC levels.

42.10 It shall reward the best performing DNHECs regarding component C based on a system of internal auditing of section 37.2.

SAFETY SITE AUTHORITY

43 Management of Safety Sites.

43.1 The safety sites in contrast with supply sites shall be carved out of areas of dense forests and sparse population, well preserved freshwater and marine habitats, existing wildlife sanctuaries, national parks, biosphere reserves and other protected areas. The emphasis shall be on continuity of the patch and on *in situ* conservation of biodiversity elements.

43.2 The system of management shall be similar to that of supply sites with certain modifications. Suitable mechanisms shall be designed keeping in mind the interests of both people living in the interior of such patches and at the periphery as well as wildlife and other elements of biological diversity.

43.3 SSA shall be the equivalent of DNHEC. In case VNHECs being more than 25 it shall be formed from RFNs. In cases where less than 25 VNHECs are present it shall be directly formed from VNHECs.

44 Delimitation of Boundaries of SSA and VNHEC.

44.1 Initially the existing boundaries of protected areas shall be accepted.

44.2 The task of redefining the boundaries of sites from existing protected areas and other suitable areas from land, freshwater and sea within the state shall be carried out by SNHEC and across states by NNHEC. It shall, however, be under powers of NNHEC to change the boundaries.

44.3 Such jurisdiction of safety sites shall also include villages in the periphery, who use the forest patch or water body and/or are affected by wildlife of safety sites.

44.4 Such a process of delimitation of boundaries shall be participatory in nature involving people of the locality along with the NGOs active in the region.

44.5 The boundaries shall be decided based on the ground situation regarding status of vegetation and biological diversity of the proposed area and livelihood alternatives for the people dependent on it as assessed by experts from the technical cells of SNHEC and NNHEC. It shall strive to strike a balance between interests of biodiversity and people residing in and near safety sites.

45 Assigning Territories to VNHECs:

45.1 Within SSA, the units for formation of VNHEC shall be tribal settlements, hamlets

and revenue villages. The traditional leadership of tribals/non-tribals shall be consulted in this regard.

45.2 Territories to individual VNHECs shall be assigned based on the conventional traditional arrangements in practice amongst such communities. However, in demarcating such territories watershed approach and natural boundaries like stream, hillock or conventional boundaries in case of water bodies are to be followed to the extent possible. For this process traditional leadership amongst tribals and non-tribals, NGOs active in the area shall be consulted and involved.

45.3 After such a process, the property rights are given to VNHEC as in section 8.0 and in this case final authority shall be the Safety Site Authority (SSA).

46 Protection of Interests of Tribals and Biological Diversity:

46.1 As a norm of SSA, harvesting, sale and transport of timber shall be banned, along with capture, collection and hunting of endangered species.

46.2 As a norm of SSA, in documenting biodiversity knowledge systems, it should be ensured by SSA that people employed on such task shall not misutilise it for commercial gains and proper safeguards shall be given to information in community register.

46.3 Strategies shall be worked out by the technical cell to minimise human-wildlife conflicts. Victims of such attacks and loss of property shall be adequately compensated as per the procedures fixed by SSA.

46.4 Service charges for the protection of biological diversity paid to VNHECs shall be at a higher rate than the supply sites. The exact quantum shall be decided by National Environment Commission.

47 Working of SSA:

47.1 The provisions shall be similar to supply sites but the strength of Nature Protection Squad shall be increased and SSA shall be equivalent to DNHEC in powers. There will have to be more co-operation amongst VNHECs to prevent offences as the forest patches are continuous.

47.2 It shall maintain a full fledged technical cell of educational and research institutions to help devise suitable planning and development strategies for this region.

47.3 Such a set up shall interact closely with VNHECs and help them to implement various development strategies which are in tune with the culture and traditions of people.

47.4 With the help of its technical cell and expertise from SNHEC and NNHEC it shall evolve suitable strategies for management of wildlife, livestock and

fodder, trade and value addition to forest produce, cottage industries based on forest produce.

47.5 It shall encourage social forestry, agroforestry, alternatives to fuel wood like gohar gas, stall feeding, improved management of livestock in peripheral areas to avoid pressures on safety sites.

47.6 It shall ensure that the management of safety sites shall closely involve the people in the area. This can be done by working closely with interested NGOs, giving special importance to monitoring committee reports, ensuring that the VNHECs receive their rightful funds and creating awareness about provisions of this bill and establishing free flow of information regarding working of SSA.

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Globalisation and 'New World Order'

What Future for the United Nations?

Rajni Kothari

Decline of the United Nations, along with that of the nation-state, is happening at a time when a new phase of world corporate capitalism is being ushered in. Yet, the oppressed peoples of the world need the broad umbrella of the UN which will restore the democratic and liberating role of the nation-state, return to the issue of equity between and within nations, and re-emphasise the North-South dimension of world order.

WILL the call of the turn of the century and the dawn of a new millennium be responded by humanity retrieving lost ground or even breaking wholly new ground, or will it take us further along a slowly engulfing nemesis pushing us towards a precipice? Not the precipice of a nuclear war but perhaps something more dreadful, namely, the dissolution of the human civilisational enterprise as such: not moving forward to but rather receding into the 21st century. I have in mind not some doomsday prediction caused by forces beyond our control but a nemesis brought about by our own actions and inactions that are leading to an erosion of institutions that we thought we had created to provide 'unity' and 'order'.

The idea of a UN had, beyond the negative conception of avoiding a third world war, posited a positive conception of unifying a vastly fragmented, conflict-ridden and highly dispersed humanity composed of 'nations' and 'nation-states' for which the 'great powers' were to provide a framework of co-operative relationships for the preservation of peace and a global spread of human well-being and justice. As this failed to materialise, there emerged the idea of a world order which was posited to promote structures and initiatives, policies and perspectives, that would promote both peace and justice and through such initiatives arrest the disintegrative and chaotic conditions that appeared to engulf the world of nation-states including the 'great powers' themselves – seeking to provide a modicum of 'order' to it all.

These were the broad conceptions in which a combination of visionary statesmen, scholars, thinkers and international civil servants had thought of responding to what already appeared like a fast enveloping crisis of survival for a world besieged by growing divisions between regions, classes and ideologies. Instead what we got, following the second world war, was a long period of cold war that far from 'containing' sources of conflict and confrontations, spanned them further over a period of 40 years – in different phases, involving practically all parts of the earth – subsequently followed by a 'post-cold war' period that has given rise to a large and widespread upsurge of

nationalist, ethnic and religious turbulence, of growing violence and volatility from the bottom upwards, which in turn is being used for establishing a new model of hegemony in which the UN itself is being made an instrument.

What prospects can we envisage for the twin principles of unity and order through a structure of institutions that is there and can be utilised and strengthened in the face of such a drastically changed global context in which the old 'balances', 'deterrences' and multilateral and pluralistic (east-west, north-south) engagements are no longer working? Several facets of this drastic change can be noted: (a) The building block of the pre-existing system (the 'order') – the nation-state – is undergoing deep erosions, shifts, crises over 'boundaries', pressures from both the micro and the macro spaces, throwing the whole system into jeopardy and subject to completely new manipulations and patterns of dominance; (b) There is emerging a new style, culture and patterning of a new generation of nationalism in different parts of the world precisely when the old nation-states and transnational federations and confederations (sometimes called 'empires') are in disarray. The directions in which this new upsurge of nationalism will take us are wholly unclear. Uncontrolled violence and undeclared wars and civil wars seems to be the order of the day; (c) Meanwhile something else is also happening. Precisely in and through the shifts and erosions mentioned above, a new and different kind of upsurge of consciousness, based on a growing awareness of both change and the need for change, is in evidence, depicting a world in transition, this time not at the nation-state or the global level but at the grass roots. It is taking place in large parts of the world but is getting expressed in such a large variety of forms that again the directions are not clear and for which, as compared to the other two dimensions of change, we seem to be ideologically unprepared in respect of a relevant intellectual 'paradigm' and in respect of the goals and teleology of this transition; (d) Alongside such an upsurge and in part contributing to and in part responding to it have been the series of patient and gradual struggles for

a more just and humane world order and the creation of a truly 'global' UN. This included the whole north-south dialogue, the south-south notions of co-operation and solidarity (NIEO, etc) and the alternative ideological formations and political structures that had emerged as part of this patiently pursued struggle for change. The non-aligned movement, the G-77, the development decades of the UN, major institutional initiatives like UNCTAD in which the third world had an important say and the growing interface between peace research institutions and networks and the UN system.² Shorn of these inputs, the institutional framework of 'world order' has degenerated into the politics of the so-called 'new world order' which is increasingly taking on a hegemonic construction, reducing the UN into (in the words of Richard Falk) 'a scapegoat or political football, depending on the circumstances', undermining whatever autonomous role and functioning that it seemed for a while to acquire, say between 1987 and 1991, increasingly viewed as 'a rubber stamp or a deforming obstacle to the clear pursuit of strategic interests in the world'. In my own view, though, the real change underlying all this erosion is something more basic, namely, the growing disempowerment of states and governments in dealing with major concerns facing humanity, increasingly coming under pressure both from without and from within.³

This is happening at a time when we are being ushered into a new phase of world corporate capitalism, not just worldwide but truly global in its sweep, aggressive, undermining of political units and their autonomy everywhere and at all levels, having already earlier used them as part of its neocolonial phase. In the new phase there is a declining role of both individual and collective political entities, both the nation-state and the state system. The other major aspects of this phase is the declining concern with issues like poverty and social disparities, the economic agenda itself having undergone a drastic change, the political (nation-state) framework within which the economic agenda used to be carried out is being underplayed, the economic-technological focus is acquiring an autonomy of its own,

the cultural-cum-communications onslaught too is becoming largely economic in content (consumerism, etc) and, following this new version of economism, national elites too are being prompted to depoliticise their concerns. What we are getting is a radically changed nature of world capitalism⁴ in which the nation-state (including the dominant centres of national power) is being side-stepped and we are being moved into a new phase of world history—post-colonial, post-imperial, post-cold war, post-north-south divide, something new and pervasive. It envisions a new partnership between national elites, transnational capital, especially finance capital, a new international trade regime, state bureaucracies being overlaid by national and regional business and capital, including a large role for speculative capital (producing a series of 'seams'), all of this backed by the mass-media and a newly fashioned mass culture.

It is a partnership of which the basic thrust is both the depoliticisation and the delegitimisation of the state while, at the same time, by increasing the importance of a new set of institutions, mainly the three Bretton Woods institutions, increasing their legitimacy. Strange enough it may sound, the tribes that are being paid to these institutions for both 'stabilising' and 'structurally reforming' the global economy are happening precisely at a time when their mission seems to be to undermine the very institutions through which the post-war enterprise of development had been undertaken. The point of it all is the increasingly felt need in the new international think tanks to reduce the role of the state in the affairs of various societies and to transplant it by a renewed centrality of the market mechanism and to increasing integration of diverse economies into the 'world market'.

This may be a good point at which to lay out the original vision and perspective that informed the rise and legitimacy of the modern state, and its subsequent decline in both its wide acceptance and its legitimacy.

MODERN STATE IN PERSPECTIVE⁵

The state in modern times has been a source of both law and legitimacy, of authority and monopoly over coercive power (or so it was presumed and in that presumption lay its power), a source also of security for the people, of systems of justice, equity and accountability, and through them all, of conditions of freedom and creativity, the arts and the pursuit of excellence. It has been the premier institution through which the multiplicity and plurality of the civil domain has been ordered in both perception and reality.

The modern state began as both a philosophical idea and a political construct

to deal with a widespread condition of chaos and uncertainty and to provide conditions of peace, order and security in their place. So germane was it to the human enterprise at that stage (towards the end of the middle ages) that it soon got institutionalised by becoming an international actor for the promotion of the same ideas of peace and security, now on a world scale, even though the 'world' was still a limited geographical concept confined as it was to the early Englishmen and Europeans. However, the process got further consolidated with the adoption of the nation-state format by a large array of newly emergent countries after the second world war. The nation-state on the one hand, and the state system on the other, provided the fulcrum around which the world got organised. Even the superimposition of the two superpowers and the emergence of power blocs – or of the UN for that matter – did not reduce the importance of the state as the basic unit of organisation and identity in our world. Insisting on the identity it creates being prior to all other identities, the state has either reduced all other corporate identities to individualised subjects or, to the extent it admitted the existence of the former in the form of a complex called civil society, it has purported to be both the embodiment and the protector of such civil society – including the embodiment of cultures, at once their plurality and their mono-cultural form called the nation or territory or region.

It is out of this search for centrality and legitimacy in the modern world despite so much diversity all around that a series of theoretical models defining the relationship between the state and the individual or the state and the citizen emerged and have been with us. These models also reflect shifting perspectives on the state following the quickening of the historical process in Europe and beyond – the two world wars, the great depression following the collapse of the business cycle, the revolt of the masses ever since the French revolution and leading up to the communist revolution as well as the social democratic alternatives to it, the rise of fascism on the one hand and Soviet-style totalitarianism on the other, the end of old-style imperialism and the redefinition of the economic problematique in our time, giving rise to new questionings, alternative models and hypotheses. We have had the bourgeois democratic liberal institutional model of the state based on the theory of accountability. Different from it but at times complementing it has been the social democratic model of the state assuming responsibility for social transformation and the welfare of the people. We have had the Marxist model which has considered the bourgeois state as a committee of the dominant classes but one that also supervises relations of production that by their very logic create contradictions that lead to a protracted class struggle ending in

a revolutionary takeover by a vanguard party representing the proletariat. The transformation launched under the communist party was meant to, by stages, usher in socialism and the ultimate withering away of the bourgeois state as we have known it.

In recent decades, with the growing sensitisation on the human dimensions of the state and its policies and realisation of its increasingly repressive and exploitative thrust (in both bourgeois and communist countries), there has emerged a somewhat different conception of radicalism in the form of a liberal-cum-neo Marxist model of the state as a space in which the struggle for civil and democratic rights is being waged with a view to usher in a decentralised, 'sustainable' and people-centred structure of institutions that would promote social transformation. This is the broad conception that what are known as the new social movements, together engaged in an attempt to create an alternative model of both development and democracy, have in mind.⁶ There is also a Gandhian model of the state as a trustee and an arbiter between conflicting arenas of interest from the perspective of serving the deprived strata of a society, the poor and the socially ostracised, through modes of decentralisation and people's empowerment. My own idea (not yet a model) of the state is that of a plural arena which while it displays growing use and misuse of the coercive apparatus and sinews of repression and terror, still also continues to be a mediator among contending groups claiming 'rights' of diverse citizen groups and 'privileges' of less diverse yet differentiated structure of entrenched interests and classes and bureaucracies. I think of it as an increasingly problematic yet still relevant arena encompassing the large diversity of both contending and coalescing populations and interests within a context of historic transformation based on the democratic aspirations of millions and millions of people round the world.

Each one of these models of the role and significance of the state is in a state of transition, facing as it does new forces that are on the horizon (to which we shall presently come). While on the one hand there is still a wide degree of faith in the state, especially among common people, particularly the dalits, the general mass of the poor and the oppressed, the minorities and the women,⁷ producing a kind of mystification of the state, on the other hand it is faced by growing scepticism and doubt about its efficacy, producing a demystification and decline in both the aura and majesty that it once enjoyed. Instead of centrality and a dominant status of the state, we face a combination of growing marginalisation in its role and status in civil society and growing myopia, dehumanisation and brutalisation in its relationship with the

same civil society. Interestingly, the marginalisation of the state that seems to be proceeding apace is a result of both over-extension and shrinkage. The international order itself which was based for long on the state system (even the capitalist development model had accepted the state as a key instrumentality) faces an era of uncertainty following the Reaganite-Thatcherite reaction to the right, some of which may be wearing off but the basic mind-set continues and conditions the entire functioning of the world system. Both, the so-called 'new world order' and the new Pax Americana, sound ominous for a stable and predictable world order. But no less serious is the new backlash at the civil society end, at the 'grass roots' representing new stirrings of consciousness and new assertions of power based on the one hand on class and ethnicity and on the other nationality and religious identity. With this the state as an institution is under severe strain. In consequence, it faces a variety of bids of both taking it over and undermining it in the names of the economy, world security, religion, ethnicity and notions of self-determination, of 'nations' and regions. These have particularly grown following both the collapse of the Soviet model of state hegemony in ordering social and economic relationships and the decline of the post-colonial movements of nation-building seeking both autonomy and legitimacy of the state in large parts of the third world.

COLLAPSE OF SOVIET UNION: IMPLICATIONS FOR FUTURE OF THE STATE

In a way the collapse of the Soviet Union provides us with a historical vantage point from which to appreciate the growing erosion and marginalisation of the state, in particular through its very over-extension. Paradoxical as it may appear, while the Soviet Union was the ultimate in the wielding of state power it also produced, over time, its erosion and delegitimisation, a growing admission of incapacity of the instrumentalities of state and party and loss of faith in them among both the rulers and the ruled. While we are still too close to events in the former Soviet Union the full significance of which is still unravelling, there is little doubt that what we witnessed at the end of the 1980s was in many ways unique in modern history and cannot be explained except by reference to the hollowness of the whole corpus of the state in it. The phenomenon of Gorbachev and what happened under him⁸ has been pushed in the background following the coup against him and the rise of Yeltsin and his wholly adventurist politics, hoping to refurbish the Soviet state, in which he is not likely to succeed, despite the sustained backing of the US.

The Gorbachev phenomenon seen as an attempt to dismantle an over-grown state

presents a fascinating case history of marginalisation through over-extension. Never before has a leadership in control of so much power and such an array of instrumentalities to wield that power (the army, the scientific estate, the immense nuclear power, the position of a superpower) itself dismantled the whole apparatus, allowed its vassals to go their own ways, completely turned around its ideological moorings, admitted that the entire edifice was unsuited to the needs of the people, and proceeded to disperse the whole framework of power and authority and the sinews of the state. Never before had so much change been brought about almost wholly non-violently and that too in a society that had never accepted the creed of non-violence, so sharply reduced its military might and its machinery of surveillance and intelligence and security and that in a state whose major source of strength lay in its armed forces and its worldwide security and intelligence apparatus, so drastically clipped the power of an all-pervasive party in whose structure of centralised control and institutional power the state had relied so much for more than 70 years.⁹ What the long offensive of American imperial power and its worldwide network had failed to achieve over 45 years was achieved by the play of ideas and force of conviction of a few individuals occupying strategic positions. (At a time when doctrines of 'end of ideology' and 'end of history' have been afloat, there has taken place such major changes in the global structure of power basically through the power of ideas.) And this quite clearly without any powerful and widespread movement from below.

The 'movement' that did take place was led by a unique set of intellectuals – Solzhenitsyn and his *Gulag*, Sakharov and his massive dissent, the sufferings and voices of a whole lot of other dissenters of the Soviet state. What has happened is nothing short of an elite giving up its enormous power for ushering their country along political and social change.¹⁰ The future of the former Soviet Union remains highly problematic but its dishandment has produced waves that will continue to have an impact on the state system as we have known it since the second world war as well as on the centralised nation-state as it has operated over large areas of the modern world for a still longer period. We have by no means arrived at a stage where we are willing to write off the modern state.¹¹ But that it faces increasing challenge, above all from the very dialectic it has let loose upon itself through the playing out, or over-playing, its own (internal) inherent logic, is without doubt. The challenge is by no means limited to this dialectic. It could have been contained and dealt with if it was just that. This will not be easy because of the accentuation of the crisis by the rise of new

and powerful forces that have emerged external to the main arena of the state but deeply affecting its status and survival as an institution, its role and position in human affairs.

NEW CHALLENGES AFFECTING SURVIVAL OF THE STATE

The modern state and particularly the nation state as a centralised structure faces serious challenges from at least three major sources. First, over the last few decades, technology seems to be replacing politics and socio-economic factors in the functioning of modern society, and this is seriously affecting the role of the state in civil society. It is leading to a process of depoliticisation, displacement of the civil servant who was accountable to elected bodies and the people at large by the technocrat who is accountable only to his peers and to the momentum generated by the rise of the micro chip and the computer and by impersonal forces that were always there but were somehow held in check by ideological and political factors in a system that was competitive, pluralistic and open to debate and controversy. It is not as if technology – and the rise of the machine in the affairs of man – was not there or was not there in an important way in earlier periods of history. The industrial revolution and its spread round the world was in no measure without a major technological concomitant. But it was still technology as an instrument of man and of nations including those (one imperial power after another) that had taken upon themselves the task of organising the whole world after their own image.

The significant change that has now come about is that this organising of the whole world is being taken up not so much by some imperial power or powers but by technology and its own inner logic and dynamics which are under no man's or nation's control. Indeed, not even the scientists and the technologists as individuals or associations know what the next step in the technological enterprise is likely to be. What we have is the dawn of an age of technological fixes without any identifiable fixer. Technology, whether in the field of military R and D (the leading sector in setting the global agenda for some time now),¹² informatics, medicine or agriculture (not to speak of genetics, eugenics and cloning) is taking on an autonomy of its own and subjecting the whole of mankind and civilisation into a captive status. It is homogenising diverse cultures and social sectors and marginalising the political process. Naturally, in a technologically determined world where there is little scope for real choices of a socio-political kind, the state loses its importance and governance itself undergoes a radical transformation. The fast changing

nature of world capitalism discussed above to no small extent draws upon this primacy of modern technology (itself undergoing major transmutations) and has in consequence provided a system of global management to which 'there is no alternative' (the TINA hypothesis). This has further deeply affected the nature of governance in our time. (The recent debate in conservative circles about governments losing control over the governed reflects a condition in which the term governance itself has changed in its meaning.) If there is a widespread sense of insecurity round the world, including among those who are supposed to be in charge, it is primarily due to this condition created by modern technology and its institutional catalysts (the MNCs) towards which civil society, lay citizens and the state as well is being pushed.

However, precisely at a time when the state is being rendered weak and disembodied before the advance of technology it is facing another major challenge from a source which is the polar opposite of technology and its homogenising mission. It is the assertion of cultures, ethnicity, nationalities, pluralism with a vengeance, when entire societies are bursting at the seams, when so many regions of the world, when while the tension and violence generated by the cult of consumerism is spreading and destabilising social arrangements, the resulting state of anomie is precipitating the violence of terrorism and fundamentalism, and the modern state, as we have known it, is ceasing to be able to contain either or mediate between the two. With this, it is also ceasing to be an embodiment of civil society and a protector of the poor, the weak and the oppressed. The critique of the state as an arena of repression and terror is wholly valid as an empirical description of the relationship between the state and the citizen but it must take cognisance of the fact that it is also a state that has become powerless before the onslaught of the deep dialectic of technology and culture in our time. The state is ceasing to be a state. It is becoming something else which we as spectators facing the end of one millennium and the dawn of another must try to fathom but have so far been unable to.

This brings us to the third major source of challenge to the modern state, namely, the emergence of a new ideology, or rather a mind-set that is being proposed as a way out of all our problems and crises, including the crisis of the state, of the economy and of civil society. It is a mind-set that far from rejecting the role of modern technology, is proposing to make it the new 'god' of man — away from the old ideologies of liberty, equality and fraternity, away from the role of the state in promoting these values, proposing to marginalise both god and the state, making human greed and avarice the

prime movers of men and societies, and yet is coming forward and offering to mankind a new utopia — of globalisation. It is a utopia that holds out the promise of a new integration of the human enterprise, of joining diverse cultures and civilisations into one single marketplace, nudging along governments and elites and indeed the masses as well to catch up with this new fantasy. It is not integration based on diversity and of diverse entities finding a common ground but rather one based on cut-throat competition and rivalry, using whichever means that work, giving a new lease of life to the old idea of survival of the fittest which had been so far contained by the rise of alternative visions and ideologies but which, with the recent almost universal acceptance of the 'new world order', 'new society' and 'new democracy', seems to offer a way out to all but the poor and the already dispossessed who are in any case considered to be a surplus that can be dispensed with.¹³

As was mentioned in the beginning, the modern state emerged as a philosophical idea to deal with the situation of growing chaos and uncertainty, promising both order and justice. It seems that while the state as an institutional artefact may yet survive, the idea of the state that was so conceived may well be ending as a project of the modern age, exposing the world once again to chaos and uncertainty and without either order or justice.

UNITED NATIONS AND GLOBALISATION

The new framework of 'integration' that is currently being proposed poses a threat not only to the integrity of nations and cultures and seeks to displace the state as a source of both power and legitimacy. It also poses a threat to the state system as it evolved over the centuries and seeks to displace the UN as a basis for providing both unity and order. It proposes a major and historic diversion of the whole model of a political organisation of human affairs. Not only are states and the great diversity of communities and cultures that they represent losing their autonomy as global actors. The UN too is losing its autonomy and its role in world affairs, both in the area of maintenance of peace and security in the world and in the broader areas of development, culture, human rights and the defence of basic values. Again, the UN as an institutional artefact may well survive and may even be put to new uses by some powers but the idea of the UN as was conceived by a set of visionaries following the great crisis of human civilisation that led to the second world war seems like coming to an end. No amount of either technical or political restructuring (in terms of membership of the Security Council) that is currently being debated¹⁴ can change this

except through a new politics of transformation that starts from the very roots of the global social order and moves upwards to the institutions of the state, inter-state relations and the UN — in short, a restructuring of the world order in which 'world order' is conceived in a holistic, multi-level, multi-dimensional manner, in which all nations and cultures and states are enabled to participate.

As with the nation-state, the UN too stands on a paradoxical threshold. Its real power is on the decline and its credibility in a state of utter ambivalence even though it may appear to be over-extending itself and its writ. The dominant powers use it but really do not need it; it has itself been shedding its real responsibilities and institutional devices needed to fulfil them (as is the case with the nation-state), certainly in the socio-economic and cultural arenas but also in the arena of peace and security. And yet the peoples of the world, especially the poor, the disenfranchised, the displaced, the victims of state oppression and repression, the millions that have been rendered stateless and marginalised by their diverse cultures and communities, need it. They need the various institutions under the broad UN umbrella concerned with issues of survival, welfare, cultural integrity, rehabilitation with dignity and collective identity, as well as preservation and enhancement of living conditions of the working classes, the women and the children, the migrants and 'refugees', all those eking out a living in the so-called informal sectors of diverse societies. The growing role of the voluntary organisations, the NGOs and the grass roots activists in these spheres, both nationally and internationally, is testimony to the need for the framework of a world organisation as has been provided over the decades by the UN. Nor is the issue limited to socio-economic and cultural dimensions. The peoples of the world face an increasingly ominous spectre of insecurity in all its varied dimensions. They are in dire need of a system that provides 'people's security', peace and 'order', of law enforcement according to universal principles of the rule of law, justice and humane jurisprudence. Again it is the poor and disinherited of the earth that need such a system the most. They will need it all the more in the years and decades to come with the national institutions increasingly unable to provide conditions of survival.

That brings me to the issue of centralisation and decentralisation in the structuring of a world order with which I have for long been concerned and have given vent to in forums like the World Order Models Project and the United Nations University as against the world federalists and the one worlders.¹⁵ What I find is that the poor and the oppressed and the 'stateless' simultaneously need a global framework that is democratic and

representative and a decentralised 'political' structure within and across nation-states, both together responding to the demands of civil society, ethnic identity, constitution of the state, political-cultural movements, together providing a 'world order' that emanates from the very stirrings of civil society and the peoples of the world. Together, such a combination of governing structures must deal with the long shadow of depoliticisation that seems to be casting its spell over the last 20 years. This includes restoring the democratic and liberating role of the nation-state, returning to the issue of equity between and within nations, and re-emphasising the north-south dimension of world order, while at the same time gently but decisively intervening in the affairs of states that are found to defy norms of humane governance, decency and democracy often in the name of upholding national autonomy and security. An increasingly unequal world inhabited by brutal and dictatorial regimes necessarily plays down the political process, over-emphasises the economic and technological dimensions and gives greater and greater importance to trade-finance and balancing of budgets than to issues of poverty and justice. The decline of the socialist regimes and the erosion of the sense of autonomy of third world governments and the consequent decline of interest in ideological concerns have all contributed to this.

What a new UN that must emerge out of the diverse struggles for a humane order will need to take up is not just an effort to put down aggression, violence and war, none of which can be ignored, but also both a programme and a structure through which 'peace' becomes a condition of 'justice'. It must be an 'order' that controls the tendency to centralise and become coercive, moves away from a conception of governance that is mere 'administration of things' and ushers in a government of the people by the people and, only that way, for the people. In fulfilling such a mandate it will need to play roles that were not originally conceived for it, including at times asserting its authority in dealing with tragic human situations as it is already being called upon to - in Somalia, Bosnia, Rwanda, and may need to in Nigeria, Liberia and Sierra Leone where the state has practically collapsed under ruthless and self-aggrandising regimes. This will call for a new conception of the UN. While the threat of a world war or a nuclear holocaust may have receded, in some ways far greater challenges to the survival of humanity have come to the fore.

For all this the idea of an ordered universe (usually order from above) that is deeply ingrained in the 'scientific' paradigm of the modern west and its particular brand of universalism needs to be rethought, not necessarily to move towards a 'state of nature'

but towards a balanced harmony between diverse and often contending universes. Only thus can a world order be created that is truly humane, just, truly peaceful and emancipatory of the human condition.

Notes

- 1 In my 'Under Globalisation, Will The Nation-State Hold?', *Economic and Political Weekly*, July 1, 1995, I have dwelt at length on this theme.
- 2 A number of individuals engaged in grass roots movements had at one time been involved in the efforts to restructure the international system from the point of view of representing the interests of third world nations, some of them continued to work on an interface of the two. Over time, though, in light of the growing realisation that while leaders and diplomats of the third world waxed eloquent in global forums their own record at home was far from being progressive, many of these individuals began giving greater attention to citizen initiatives than to the UN and related structures. They also began to realise the growing power of transnational corporations (many of whom took advantage of third world elites' desire to catch up with the developed nations technologically and in respect of trade and finance. Slowly there emerged the concept of a third system, representing citizen initiatives and voluntary bodies, as distinct from both states (and inter-state bodies) and markets and transnational corporations. The idea was first mooted in a systematic way by Marc Nerfin and his colleagues (many of them third world intellectuals) in the International Foundation for Development Alternatives (IFDA), disseminated in a sustained way through the *IFDA Dossier*. The present author underwent the same transition from focusing on changing the nature of governance within and across his own and other third world nations (as was laid out in his *Footsteps into the Future*, Orient Longman, New Delhi and Free Press, New York, 1974) to focusing on grass roots activism through the conception of a 'non-party political process'. See in particular his *State Against Democracy: In Search of Humane Governance*, Ajanta, Delhi, 1988.
- 3 For an analysis of this dual attack, see my 'Globalisation and The Revival of Tradition: Dual Attack on the Model of Nation-Building', *Economic and Political Weekly*, March 25, 1995.
- 4 I have dwelt at length on this phenomenon of a post-imperial model of world capitalism in 'Uncertain Future: The Paradoxes of Globalisation', forthcoming.
- 5 In this section I try to step back from the contemporary scenario with respect to the nation-state as depicted in 'Under Globalisation, will the Nation-State Hold?', op cit, and provide a historical-cum-theoretical overview for comprehending that scenario.
- 6 See the various issues and special numbers of the bi-monthly *Lokayan Bulletin* for documentation of the 'new social movements'. For a detailed critique of the Lokayan perspective and a major effort at providing a theoretical rationale of these movements, with emphasis in particular on peasant movements, see Gail Omvedt's ambitious *Reinvesting Revolution: New Social Movements and the Socialist Tradition in India*, M E Sharpe, New York, 1993.
- 7 I made an attempt to lay this out and to suggest that it leads to quite a different model of radicalism than found in the new social movements in my 'Rise of the Dalits and the Renewed Debate on Caste', *Economic and Political Weekly*, June 25, 1994.
- 8 For an early, and critical, appraisal of the Gorbachev phenomenon, see my 'The New Detente: Some Reflections from the South', *Alternatives*, 14 (3), July 1989.
- 9 See my 'Soviet Developments in Wider Perspective', *Mainstream*, Annual Number, 1991.
- 10 For a highly perceptive analysis of Gorbachev's contributions in taking his country along a path that almost completely departed from the Soviet Union's established ideological as well as strategic positions without at the same time renouncing its socialist commitments, see Bhupinder Brar's important study, *Explaining Communist Crises*, Ajanta, Delhi, 1994, especially chapter 7 on 'Perestroika, Powercentrism and the Hegemonic Universe'.
- 11 Indeed, there are signs of renewed legitimacy of the state in many parts of the world following the adverse results of privatisation in the third world, the return to power of former communist parties in some eastern European countries and the decline in romanticism about regional zones based on free trade and economic prosperity resulting from it (including in Europe itself), though there continues to be scepticism about the state enjoying a monopoly of power and there seems to have been a steady growth in globalisation of trade, technology and finance capital as well as in the consumerist drives of the post-modern world. I have discussed the revival of interest in and legitimacy of the state in the already cited 'Under Globalisation, Will the Nation-State Hold?', op cit as well as in an earlier piece entitled 'State and Statelessness in Our Time', *Economic and Political Weekly*, Annual Number, 26 (11-12), March 1991.
- 12 I have discussed the idea of the military being a lead sector in global affairs largely as a result of even new technological breakthroughs in 'Peace as a Technology Fix', paper presented at conference on Conflict Resolution at Dunedin, New Zealand, 1987, published in my *Transformation and Survival: In Search of Humane World Order*, Ajanta, Delhi, 1988.
- 13 On the dispensability thesis see my 'Of Humane Governance', *Alternatives*, 12, 1987, also published in *State Against Democracy*, op cit.
- 14 For a comprehensive treatment of the crisis of the UN and proposals to save it from further erosion, see the Dag Hammarskjöld Foundation sponsored report by Erskine Childers and Brian Urquhart, *Renewing the United Nations System*, Uppsala, Sweden, 1994.
- 15 My differences from those holding a centralist and supra-national perspective on world order were first stated in 'Towards A Just World', *Alternatives*, 4(1), June 1979, a revised version of which was published in *Transformation and Survival*, op cit.

Alternative Approaches to Devolution

Implications of Tenth Finance Commission's Scheme

B P R Vithal

In contrast to its imaginative and dynamic interaction with the states in the field of tax reform, the centre seems to be diffident and pessimistic in the area of inter-governmental fiscal transfers. Against this background, the recommendations of the Tenth Finance Commission in its Alternative Scheme of devolution are appropriate and timely. The basic feature of the scheme, viz, the pooling of the receipts of all central taxes for the purpose of determining the share of the states, is likely to be generally acceptable. What is needed now is a suitable mechanism for formally eliciting different views on the scheme and examining these with a view to evolving a consensus.

THE Tenth Finance Commission (TFC) has, in its report, suggested an Alternative Scheme for devolution (hereinafter referred to as the TFC scheme). The basis of this scheme has been stated by it as follows.

Our basic approach to vertical resource sharing has been influenced by the view that it would be in the interest of better centre-state relations if all central taxes are pooled and a proportion devolved to the states. There is considerable merit in moving to such a system as it would make the vertical sharing simple and transparent. It also gives greater freedom to the centre in choosing tax policy measures in an integrated manner. If a proportion of all taxes goes to the states, any apprehensions of bias in the choice of tax measures will be allayed.¹

The broad features of the TFC's scheme are:

- (1) pooling of the gross receipts of all central taxes and assigning a proportion thereof to the states;
- (2) all taxes in Article 269, except Central Sales Tax, shall form part of the central pool referred to above;
- (3) the centre shall continue to have the power to levy surcharges for the purposes of the union which would be excluded from the sharing arrangements with the states;
- (4) the share of the states in the total gross receipts of the centre shall be suitably provided for in the Constitution and reviewed once in 15 years;
- (5) initially this share shall be 26 per cent;
- (6) the existing tax rental arrangements shall be terminated and additional excise duties merged with basic excise duties, and
- (7) a further share of 3 per cent of the gross central tax receipts shall be assigned to the states in lieu of the additional excise duties.

The basic feature of this scheme is the pooling of all central taxes for the purpose of determining the share of the states. The Sarkaria Commission had earlier considered a similar suggestion but had not favoured it on the ground that "the scheme of the Constitution earmarking certain taxes for the exclusive use of the union is sound in

view of the very onerous responsibilities cast on it. We are of the view that while there is no particular advantage in bringing all tax receipts into the divisible pool, it may, on the other hand, place the union at a disadvantage."²

At the inaugural meeting of the inter-state council in October 1990 the then chief minister of Tamil Nadu had suggested that the council should be consulted, among other matters, on proposed legislation relating to taxation by the union which affects one or more states and its views and recommendations placed before parliament while introducing the legislation. If the pooling of central taxes for determining the proportion to be devolved to the states is taken to be an expansion of the divisible pool, then following this line of argument, the states may claim that they have an interest in all the central taxes and that, therefore, they need to be consulted in regard to all tax policies of the union government. Such a situation would make it impossible for any federal government to function. If, therefore, we are to go over to an alternative system of ensuring for the states a certain proportion of the total tax proceeds of the union, we would have to make a complete break with the present constitutional arrangement. There should then only be union taxes and state taxes and no longer any taxes which are divisible between the union and the states. The TFC took note of this problem by stating that while amending the Constitution "the power of the union to levy and collect all taxes in the union list should not be qualified by the proposal to transfer a certain percentage of specified central taxes to the states. In other words, while all List-I taxes remain union taxes and the proceeds of no particular tax shall be deemed 'divisible', the states will be entitled to a prescribed percentage of the tax receipts of the union."³ This should safeguard the new arrangement against the kind of disadvantage envisaged by the Sarkaria Commission.

The suggestion that a certain proportion of the total tax revenues of the union should be distributed among the states has also been made by the Chellaiah Committee on Tax

Reforms (1991). In subsequent reactions, the TFC scheme has generally been welcomed. However, I S Gulati,⁴ while stating that the "TFC is on strong ground in recommending a move away from the existing system of the states sharing revenues from only a few specified central taxes", has suggested the transfer of the entire sphere of domestic trade taxes to the states as an alternative. He himself anticipates "one possible objection" and admits "that the need for redistribution among the states, given the disparities in the levels of development, cannot be denied". His solution to this problem is one that "will involve some inter-state transfers and the relatively better-off states... may have to part with a portion of the tax revenues they collect in favour of other states less advantageously placed". It is difficult to see how such a mechanism can be devised in practice. The present system works because the authority that handles the divisible taxes, viz, the union government also constitutes the Finance Commission and considers its recommendations. Therefore, once this authority accepts a recommendation, it can also implement it. In inter-state transfers the union government will no longer be in this position and will have to get the consent of all the states for implementing the recommendations of the Finance Commissions.

This issue has been examined in a study by the National Institute of Public Finance and Policy.⁵ One of the suggestions to get over this difficulty considered in this study is that "40 per cent of the indirect tax revenues of each state would have to be transferred to the centre to maintain the pre-reform distribution of revenues among states. Ruling out transfer of such magnitude to the centre as impracticable, the authors next suggest a tax to be levied on the states at the rate of 2.5 per cent of their GDP." Considering that the share of the states in the tax proceeds of the union are now in the range of 2.7 to 2.9 per cent of GDP it would be a meaningless charade to let this accrue to the states first and then tax it away to the centre for redistribution again.

Implicit in these arguments is a recognition of the fact that origin should not be the sole basis of accrual; the needs of states based on their levels of development have also to be taken into account. The above study also comments that "the centre would be ill-advised to vacate the domestic trade tax field unless the states come forward to accept the logic of destination-based consumption tax". In the case of income tax it has taken 50 years to give up any share based on collection, even when this is a union tax. One can imagine what the resistance will be to giving up origin-based taxation when the tax becomes a state tax. We must also take into account the fact that a number of barriers will come up within the national economy, unless there is a considerable degree of inter-state harmonisation through central intervention. If such harmonisation is effected, the essence of the right to tax, viz, the determination of the rate, would have been surrendered. What would have been achieved then, except that the state now administers the tax and retains the proceeds as envisaged in Article 268? But if such retention also cannot be allowed, as explained above, then what would be the net advantage of such a change?

We have seen how difficult it is for the centre to ensure equitable distribution between two neighbouring states of a physical commodity such as water or even to enforce a court decision in this regard. We can imagine how much more difficult this will be in the case of tax proceeds already collected and retained by a state. Unlike water, money does not flow automatically to the lower level. The centre now performs the role of a dam which impounds it and can then redirect it. There may be disadvantages in this as in the case of large reservoirs. There is loss by evaporation and some patronage at the head-works. But it can, in the ultimate analysis, be made to work. In the alternative suggested by Gulati resources will just not flow from the more developed state to the less developed one. A common interest can be created for these two only when they are together in opposition to the centre.

Guhan,⁶ while recognising that "the Alternative Scheme" of the TFC "has made a significant contribution in indicating the direction in which the centre-state fiscal transfers can be restructured", suggests an alternative of his own (referred to hereafter as the Alternative Scheme). The main features of this scheme are that

- (1) It shall be provided through a constitutional amendment that (a) *not less than 40 per cent* of the centre's aggregate gross tax revenues will be shared with the states (emphasis in original); and (b) this ratio will be reviewed once in five years.
- (2) There will be no separate plan grants for state plans.

- (3) Horizontal share criteria will be reviewed once in five years.

- (4) Normal plan assistance to states will be confined to loans and to the capital account.

The intention of (1) above is not clear. The Constitution as it now stands prescribes a certain procedure for determining, once in five years, the share of the states in the proceeds of the taxes that are now shareable with the states. This can be modified if it is so desired. But once the share of the states is to be reviewed every five years there is no reason why such share should be specified in the Constitution. Further, if there are to be no further plan or gap-filling grants then why should the constitutional provision state "not less than" instead of just specifying whatever is the desired percentage. After all, in any case, it is to be reviewed after five years.

Guhan considers the suggestion of the TFC that it should be reviewed once in 15 years as a 'flaw' in that scheme. On the other hand, this is the crux of the TFC scheme. The basic idea is that the vertical sharing of resources between the centre and the states should not be a subject matter of discussion or controversy every five years. The TFC's scheme assumes that it is possible to determine the vertical share for a longer period, such as 15 years, while it may still be necessary to review the *inter se* position of the different states every five years. The union ministry of finance had, in fact, suggested that the vertical share should be fixed for 20 years. Much of the merit of this scheme will be lost if the vertical share continues to be a subject matter of review every five years. One of the criticisms of the Finance Commissions has been that, in adopting a gap-filling approach, they have knocked the bottom line out of the financial management of states. All that a state needs to do is to keep the buck passing till the next Finance Commission. This shortcoming in the present arrangement can be remedied to some extent by having a longer period of review for the vertical sharing.

There is a broad consensus now that the distinction of plan and non-plan expenditure within the revenue account has ceased to have meaning and that the revenue account should be looked upon as one integrated whole. Successive Finance Commissions have taken the view that the Constitution does not preclude them from considering the total revenue account, including both plan and non-plan, even if their terms of reference specify only non-plan expenditure. The TFC has also taken "the view that there is a clear rationale for the Finance Commission to deal with the revenue account as a whole" but it did not do so because of "practical difficulties". Therefore, in its own scheme it did not

follow this rationale and has recommended a percentage of transfer based only on non-plan statutory transfers in the past. On the other hand, Guhan, who takes the view that "there is, in fact, a 'clear rationale' for the Finance Commission *not* dealing with the plan revenue account" suggests a percentage of total statutory transfers based on total transfers in the past including both plan and non-plan. His objection is to Finance Commissions' recommending such total transfers since they are "discrete occurrence" and, not "a standing body" like the Planning Commission. There would be general agreement that if the revenue account is taken as one entity then one statutory body should recommend the total revenue transfers. Differences of opinion arise only as to which of the two existing bodies, Finance and Planning Commissions, should discharge this responsibility.

Guhan would like this one body to be the Planning Commission. However, the main function of the Planning Commission is planning which has to be a political process. The fact that Planning Commissions have been reconstituted whenever the parties in power at the centre have changed and that even plans have been terminated with such changes confirms this point. The Gadgil Formula sought to insulate non-statutory plan transfers from this process and make them also objective and transparent. There was, however, a contradiction between this objective and the objectives which central plan assistance was expected to achieve. It was, to some extent, playing a supplemental role to non-plan transfers effected through the Finance Commissions by assisting the states in having higher developmental outlays, but it also sought to ensure that such outlays were in keeping with national priorities. The Gadgil Formula helped in the former aspect by making these transfers also a kind of entitlement. But this defeated the latter purpose and, therefore, devices like earmarking had to be adopted. When this was considered insufficient, other devices came into being such as centrally-sponsored and central sector schemes which, in turn, abridged the scope of the Gadgil Formula. This has been a continuing grievance of the states. In the present dual jurisdiction over transfers a part, at least, of the transfer has been insulated from this controversy by its being statutory on the basis of the recommendations of a body not concerned with the plans. The Finance Commission need not, for instance, take into account the surpluses required by the centre for centrally-sponsored plan schemes while deciding the quantum of non-plan transfers to the states. If, on the other hand, the planning agency is made responsible for the total transfers from the centre to the states this may become a primary concern

in determining the magnitude of transfer. The total transfers may then become subject to the same kind of controversies as now arise in the case of plan transfers.

The characteristics that the existing institutions have, such as the statutory status of the Finance Commission or the continuing nature of the Planning Commission, are historical accidents and can be modified. The nature of the single institution we envisage for the future must, therefore, be determined not by these but by our view of the process involved. Once the distinction between plan and non-plan revenue expenditure is removed, do we wish the plan process to be based on a pre-determined sharing of tax resources between the centre and states, or should such sharing itself depend on decisions regarding the plan? This is, no doubt, an iterative process. In determining the distribution of tax revenues between the centre and states a view will necessarily have to be taken, not only of existing expenditure commitments but also of future requirements and the need to reduce disparities between the states. This is precisely what the revenue component of the plan is expected to do and this is the reason why we are agreed that the distinction between plan and non-plan revenue expenditure should be removed. On the other hand, no reasonable plan exercise can be done without an assessment of the financial resources available. Nevertheless, it is important that we are clear about where we wish this iterative process to start, at least in its constitutional aspect. When the distinction between plan and non-plan expenditure is removed and the constitutional responsibility of determining the shares of the centre and states in total central tax receipts is entrusted to a Finance Commission, it will have to project some plan goals, as the Ninth Finance Commission had done. Nevertheless in this exercise the final determinant of the transfers will be a judgment regarding adequacy of resources and the plan goals will be only one of several factors taken into account. If, on the other hand, a planning body is in charge of this process, the priority or urgency it attaches to plan goals will be the main determinant and the resource gap will be expected to be filled by optimistic assumptions regarding the availability of resources, such as buoyancy and additional mobilisation.

Let us forget the names and their association with our existing institutions. There are two different approaches here. The choice between these two approaches will depend on our view regarding the role and importance of the plan itself in future. If we have a permanent Finance Commission looking into the finances of the centre and the states and determining

vertical and horizontal transfers on the basis of objective criteria, considerations of financial prudence may prevail leading to a more restricted view of possible plan outlays. But, the states can then prepare their plans in a more autonomous manner because the total transfer of resources would have been already determined by this commission. The centre, in its turn will formulate a central plan, which would include provision for centrally-sponsored schemes intended to supplement the efforts of states in areas which are considered to be of national importance. The planning body can then be an expert body which will integrate these into a national plan. It can monitor these plans, as well as the economy as a whole, with a view to indicating the directions in which the states and the centre ought to be reformulating their plans and policies taking into account the various developments in the economy. In the Alternative Scheme, the Planning Commission is to be in charge of loans to the states and their capital plans. In another context the Reserve Bank has suggested a State Funding Corporation.⁷ In either case the planning body can integrate the capital plan also into the overall plan without necessarily being responsible directly for the initial formulation of any of the plans.

On the other hand, if we give the Planning Commission the constitutional status and mandate to determine both the vertical and horizontal sharing of central tax revenues, as well as of loans to the states, we would be imparting to it a strength which neither of the present commissions has today. In the heyday of socialist planning one issue that used to be discussed was whether we should also not adopt the Soviet practice of making the plan prevail over the budget. But even then this suggestion was not accepted and the question as to which prevailed was decided from time to time by which way the prime minister inclined. The suggestion made in the Alternative Scheme will, in fact, provide a constitutional framework for precisely this. Therefore, the judgment that we have to make now will be concerned with more than two institutions; it will involve a view being taken about the nature of planning in the future in the context of the new economic policy.

There is a hope expressed in the Alternative Scheme that the Planning Commission "linked as it is to the NDC" will be in a position "to develop a long-term federal consensus on the extent and pattern of transfers from the centre to the states and between the states...[then] settled policy can replace the quinquennial gamble on the personal views of five members". This hope is based on several assumptions in regard to the Planning Commission, its relation to the NDC and the method of

functioning of the NDC. The Finance Commission, on the one hand, and the Planning Commission, on the other, represent two different approaches to the settlement of inter-state issues. A review of the experience of the last four decades should help guide us in regard to the choice we have to make for the future. We have had, in the Finance Commissions, a kind of 'arbitration' or 'award' approach while the Planning Commission has had to adopt a more democratic approach of evolving a consensus. If the Gadgil Formula represents the result of the consensus approach and the various formulae evolved by the 10 Finance Commissions so far represent the results of the 'gamble on the personal views' of 50 individuals, there is no reason to regret the gamble, since the horizontal transfers under the formulae devised by the various Finance Commissions have been more progressive than plan transfers. The comparison here is not a straight one between those formulae and the Gadgil Formula because the effect of the Gadgil Formula has been diluted or vitiated by devices such as centrally sponsored schemes and externally aided projects.

The manner in which the Gadgil Formula was evolved and subsequently modified provides a good case study of the consensus approach in which the Alternative Scheme reposes so much faith. The initial evolution of this formula and its approval by the NDC is an example of the best aspects of the consensus approach. It was not easy to evolve a formula for the first time when there was none. The fact that this was done is a tribute to the respect which D R Gadgil commanded at that time and the stature and statesmanship of the chief ministers who were then members of the NDC. The first modification of the Gadgil Formula, which increased the percentage available for states with per capita income below the all-India average was a progressive one but it was adopted by a procedure which was in complete contrast to the manner in which the formula itself had been evolved. The modification was announced by the then prime minister, Indira Gandhi, in her concluding remarks to the NDC almost as an aside to the proceedings. On subsequent occasions when an attempt was made to modify this formula, a transparent procedure was adopted in evolving and considering various alternatives, first when D T Lakdawala was the deputy chairman and subsequently when Madhu Dandavate was in-charge and R Vaidyanathan was the member concerned. But on both these occasions no decision could be taken, as no consensus could be arrived at. When the formula was, in fact, modified subsequently it was done in the usual confused atmosphere.

These successive incidents are a commentary on the methods of obtaining a consensus. It would appear that in a democratic body consensus never really evolves but is often obtained by a process in which haste and confusion prevail over deliberation and clarity. The consensus is acquiesced in not so much because everyone accepts it but because no one has sufficient conviction or energy left to disagree. The element of a gamble, therefore, is as much there in this democratic dynamics as there is in the award process. The difference is that in one case there are 26 interested parties while in the other there are five perhaps opinionated but disinterested players.

One other aspect that has to be taken into account is that horizontal transfers involve distribution among the states who are members of the NDC. A consensus in such a body will, therefore, have to be the least common denominator of their conflicting interests. This generally weighs the formulae in favour of population such as the 60 per cent weightage in the original Gadgil Formula. The progressivity of the formula would then depend on the extent to which population itself is a good measure of this. The history of the attempt to modify the Gadgil Formula shows that in the consensus approach it is difficult to change the status quo even when it is perceived that this is necessary in the interests of equity.

In the Alternative Scheme it is stated that 'there will be no gap-filling-grants'. Once the transfer covers both plan and non-plan grants, the question of gap-filling will not arise. A gap arises only when the non-plan revenue account is looked at separately. If there is a gap at this stage, it is filled by Article 275 grants. In the case of the Ninth Commission, there were states in which no gap arose at this stage but it did arise when the revenue component of the plan was considered. This was then covered by a plan deficit grant. Therefore, if it is said that there will be no gap-filling when plan and non-plan are taken together, there can be two alternatives in the case of states for which a non-plan gap would have arisen under the present procedures. Either the plan will, in their case, have to be smaller if this gap is not independently filled or the total grant would have to be larger on the assumption that a certain size of the plan is necessary for that state, as was done by the Ninth Finance Commission. Once we take plan and non-plan together, gaps will no longer be visible as gaps. The question then will be, whether the revenue component of a state's plan will equal its available revenue resources, after the transfer from the centre made on other objective considerations, or whether a desired revenue plan outlay will be first

determined and the transfers so adjusted as to make this feasible. A gap grant will then get subsumed under plan grants, as is already taking place in the case of special category states.

The TFC scheme envisages plan grants continuing as at present. In the Alternative Scheme 'horizontal sharing criteria' which are 'broad-based' on certain factors are expected to cover both plan and non-plan requirements and there are to be no gap-filling-grants. However, no matter how much fine tuning is done in criteria-based sharing, there will always be some marginal inequity that can be dealt with only through specific grants. Grants will always be necessary to top up criteria-based share. Article 275 will therefore, continue to be required and will have to play a critical though not a major, role. The use of Article 282 for making plan grants has been the subject matter of controversy over the years. There is nothing in Article 275 Clause (1) to prevent plan grants being made under this article. Finance Commissions have been constrained from recommending such grants by their terms of reference and not the constitutional provision. On the other hand what has constrained the central government from making subsequent plan grants under this Article is the proviso under clause (2) that requires that the president shall make no order under this clause except after considering the recommendations of the Finance Commission under clause 3(b) of Article 280.

If this link between Articles 275 and 280 is snapped by deleting clause (2) of Article 275, then this article will stand on its own and can be used for making all types of grants-in-aid including plan grants. Article 280(3)(b) will remain and this will enable Finance Commissions to make recommendations in regard to grants-in-aid. These will then be considered by the central government like the other recommendations of the Finance Commission and action will be taken as envisaged under Article 281. All that will happen is that the constraint that clause (2) of Article 275 now imposes on clause (1) of that article will be removed without prejudice to the functions of the Finance Commission under clause (3) of Article 280. Article 282 need not then be used for the purpose of making plan grants and thus the considerable criticism that has arisen on this score would have been met.

The TFC has recommended that the share of the states in the gross receipts of the central taxes should be 29 per cent including existing tax rental arrangements. The Alternative Scheme suggests 'not less than 40 per cent, on the basis of the existing percentage of total transfers including plan transfers. Gulati's suggestion of transferring

domestic trade taxation to the states will result in approximately the same percentage transfer on the basis of existing receipts under union excise duties. These suggestions do not take into account the fact that at present plan transfers are taking place from a central deficit. We must remember that we are discussing statutory transfers. Obviously such transfers cannot be determined taking into account revenue deficits. It is true that the centre tries to use this argument to constrain statutory transfers while it abandons it when it comes to discretionary transfers. Nevertheless the fact remains that the level of statutory transfers must be related to gross tax receipts and cannot take deficits into account.

The centre's case in this regard has been vitiated by the fact that while it has imposed the discipline of not having a revenue deficit on the states, it has not itself observed this discipline. It has sought to justify this on the grounds that its deficit is incurred on account of plan expenditure, a considerable portion of which again goes back to the states. It is this argument that provided a rationale for what Ashok Mitra used to say, viz that if the centre runs a deficit the states are also entitled to a share of it. What is cited as a constraint on statutory transfers cannot be ignored for discretionary transfers. We have, therefore, to make up our minds whether we are agreed that both at the centre and in the states we must work towards the goal of at least not having deficits on revenue account, no matter what our views on the magnitude of the fiscal deficits are. If this is agreed then it would be evident that the scope for increasing the level of statutory transfers is severely limited in the present situation. The 29 per cent recommended by the TFC is not sacrosanct but, equally, statutory transfers of 40 per cent will not be possible unless either the tax/GDP ratio goes up or the interest burden goes down or subsidies are reduced.

According to the calculations of the TFC, the post-devolution surplus of the centre in 1999-2000 will be about 14 to 15 per cent of its gross tax receipts in that year. The revenue plan assistance to states has been about one-third of the total revenue plan of the centre. If we assume that the entire revenue surplus will be utilised towards the revenue plan of the centre, one-third of this amount will be available for further transfers to the states which would come to five per cent of the gross tax receipts of the centre. Therefore, if we are not assuming any revenue deficit, the reasonable limit for the proportion of gross central tax receipts to be transferred to the states would be about one-third. This would include grants for state plans but would leave room for centrally sponsored and central schemes within the central plan as

at present. If the statutory transfers are constrained by the objective of not having a revenue deficit we could consider a provision for plan grants to the states over and above this, subject to the consequent revenue deficit not exceeding one per cent of GDP. This could be a transitional provision for such time as we are not able to observe the fiscal discipline of not having any revenue deficit. In the interim period, when we are still sinning, this will meet Ashok Mitra's old grievance that the centre alone was enjoying this particular sin.

As Gulati rightly observes, the TFC's scheme "fails to lay down the principles for the 15-yearly reviews to follow". This is because any principle now laid down may not be relevant in 2010. The period required for correcting the existing imbalance in the fiscal system would be 10 to 15 years. It is in this context that fixing the percentage for 15 years as recommended by the TFC acquires a rationale. That 15 years was expected to be from 1995; therefore, what it really means is that we should fix the percentage of transfers from the centre to the states up to 2010. We must fix this figure the centre and the states should now so manage their finances that a balance is restored in the system by then.

One expects that if this is done, then we may have a situation in 2010 which will be more conducive to determining a rational distribution of resources between the centre and the states. We can then redetermine this proportion taking into account, the tax capacities of the two in the economy as it would have developed by then and the responsibilities cast on the two by the unavoidable consequences of the new economic policies, given the constitutional division of functions. What can be agreed to now is that the statutory transfers from the centre to the states will hereafter be determined as a proportion of the total tax revenues of the centre and not on the basis of a division of the proceeds of any specified taxes.

A certain proportion of the gross central tax receipts that shall be transferred to the states can also be prescribed now for the period up to 2010. It would be worthwhile considering whether for this period the horizontal shares cannot also be incorporated in the Constitution, dispensing with quinquennial reviews up to 2010. In regard to the criteria for horizontal sharing, Guhan "wonders whether all this fine tuning is really worthwhile" and suggests that the same final result could have been obtained with "a simple and robust cocktail of 40 per cent for population and 60 per cent for the distance criteria". If there is general agreement on such a simple formula, then it should be possible to prescribe the

horizontal distribution also in the Constitution up to 2010. During this period then the only additional grants to states will be those that can be considered by the Planning Commission, taking into account the needs of the less developed or problem states and subject to a limiting provision regarding revenue deficit discussed above. Since there is likely to be general agreement regarding the pooling of the gross receipts of all central taxes, this can be a regular amendment to the Constitution. The other provision regarding vertical and horizontal shares can be a transitional one till 2010 when these percentages, as well as the procedures for future revisions, can be reviewed. The amendment can be so worded that, if in 2010 there is no agreement regarding the constitutional provisions for the future, then this amendment will lapse and the position as it is today will be restored, except to the extent of pooling of the receipts of all central taxes, if this is agreed to now.

In the context of the new economic policies attention has so far been focused in the fiscal field only on tax reforms. This is understandable since the existing tax system was the first hurdle to efficient fiscal management and economic reform. We have, however, now reached a stage where inter-governmental transfers' also need to be reviewed. In contrast to its imaginative and dynamic interaction with the states in the field of tax reform the centre seems to be diffident and pessimistic in this area. It seems to look upon the existing regime of fiscal transfers as a cross it has to bear for the fiscal sins of the states. Viewed against this background the far-reaching recommendations made by the TFC in its Alternative Scheme of devolution are

appropriate and timely. There are bound to be honest differences of opinion on an issue as complex and important as this. However, the above discussion shows that the basic feature of the TFC scheme, viz, the pooling of the receipts of all central taxes for the purpose of determining the share of the states, is likely to be generally acceptable. The World Bank has described the TFC report as "an encouraging sign for reforming inter-governmental fiscal relations". Therefore, what is needed now is a suitable mechanism for formally eliciting different views on the TFC scheme and examining these with a view to evolving a consensus. Under the existing constitutional provision a Finance Commission has to be appointed in June 1997. If action is not taken before then the old cycle will start once again and constitutional inertia will set in. The present opportunity is, therefore, available only till then and it is important to see that we do not lose it.

Notes

- 1 Report of the Tenth Finance Commission, December 1994, para 2.31.
- 2 Report of Commission on Centre-State Relations (Sarkaria Commission), 1988, para 10.6.04.
- 3 TFC Report, para 13.12.
- 4 I S Gulati, 'Pooling of Central Taxes for Devolution', *Economic and Political Weekly*, May 20, 1995.
- 5 'Reform of Domestic Trade Taxes in India: Issues and Options', National Institute of Public Finance and Policy, New Delhi, April 1994.
- 6 S Guhan, 'The Report of the Tenth Finance Commission', *Economic and Political Weekly*, April 22, 1995.
- 7 Reserve Bank of India, *Annual Report 1992-93*.

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Colonialism and Geography

C Ramachandraiah

"Administration and exploitation go hand in hand" – Lord Curzon – Quoted in Dutt [1983:127].

SURVEYING and mapping of distant places, along with their varied features, was an important prerequisite in the colonisation project ('Cartography in Colonial India' by U Kalpagam, *EPW*, July 29). For, "right from the beginning colonised spaces were predominantly conceived as revenue generating ones". The great explorations and voyages in the world were encouraged and funded by the colonial powers with the primary goal of conquest, rule and administration. "The European colonial powers all directed their first efforts towards India and the wealth of India: they stumbled across America and the West Indies in the course of searching for the new sea route to India: it was only in the later period that they extended their expansion to Africa, Australia, China and the rest of Asia" [Dutt 1983: 7-8]. The geographical position of India vis-a-vis west Asia, East Africa, Indian Ocean, east and south-east Asia constituted India as "the central fortress and base for the domination of this whole region, as well as itself comprising the richest source of wealth and exploitation". Between 1876 and 1900, the percentage of territory belonging to the European colonial powers (including the US) went up from 10.8 to 90.4 in Africa, 56.8 to 98.9 in Polynesia and 51.5 to 56.6 in Asia. Commenting on these figures, Lenin said: "... the colonial policy of the capitalist countries has completed the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future only redivision is possible, i.e. territories can only pass from one 'owner' to another, instead of passing as ownerless territory to an 'owner' [Lenin 1978:73].

Within the colonies, surveying was required to bring more areas and people under direct control together with more revenue generation. Thus extraction of more money – through land revenue, exploitation of raw materials, cheap labour and dumping of finished products, etc – from the colonies was the primary aim. Some infrastructure development also takes place in the process in the colonies also but only to the extent that it meets the exploitative requirements of the colonial power. The "extent of political and commercial advantages" was the main consideration in the establishment of main railway lines by the British in India. Without getting into the development of geography as an academic discipline during colonial

times, an attempt is made here to highlight how cartographic and geographic knowledge was put to use/misuse by the colonial powers to perpetuate their domination and justify their expansionist designs. The analysis is confined to only three aspects.

The Mercator's map projection developed in 1569 was extremely popular among navigators. They could travel long distances by plotting straight lines without the need for continuous adjustment of compass reading. Since shipping was the main mode of transportation for the next few centuries, this projection became very popular and continues to be popular even today. However, an important disadvantage of this projection is that, while maintaining correct shape, the size of an area gets enlarged progressively away from the equator. The countries in the temperate and high latitudes appear much bigger on this projection for a common observer. Thus India, which is otherwise 13.4 times bigger than Britain, appears only five times bigger on this projection and Greenland, which is eight times smaller, appears bigger than the whole of South America, and so on. The European powers, especially Britain, made extensive use/misuse of this projection to belittle the importance of the colonised countries and project themselves as bigger countries.

The life sciences-trained political geographer in Germany Friedrich Ratzel (1844-1904) applied Darwin's biological laws of natural selection and survival of the fittest to the States. He defined a State as an "organism attached to land" and like all organisms in nature, States also grow and that stronger States grow at the expense of weaker States in order to survive. A Swedish political scientist, Rudolf Kjellen (1864-1922), further expanded Ratzel's ideas, proposed 'geopolitics' as the theory of State as a geographic organism, and even justified wars as a legitimate means to expand territories.

The ideas of Ratzel and Kjellen provided a great fillip for post-war revival of their bruised egos for German leaders following their humiliating defeat in the first world war. They propounded a new discipline called Geopolitik and founded an Institute of Geopolitik with a soldier-turned academician, Haushaffner, as the head. A sustained propaganda was launched to mould German public opinion in favour of expansion of stronger States at the expense of weaker neighbours. Political geography as an academic discipline suffered heavily following the second world war. As Moonis

Raza put it: "The most disastrous consequences of Ratzelian environmentalism were felt in the field of *Politische Geographie* where it flourished like a weed at the hands of Kjellen, Mackinder and that charlatan who defiled Ritter's chair of Geography for a decade – Haushaffner. The seminal ideas of *Geopolitik* – this illegitimate child born out of an unsanctified wedlock between pseudo-geography and pseudo-politics – may be discovered in Ratzel's own writings – the State, as a quasi-natural organism rooted in the soil and expanding with it. This was the voice of German expansionism, which transformed the German State into an element of nature like the typhoon or the tide and gave to its imperialist designs the character of a natural law [Moonis Raza 1983:25].

The 'heartland' thesis propounded by Halford Mackinder (1861-1947), a professor of geography and member of British parliament, is perhaps the best known theory outside geography circles. Based on the physical geography of the world, Mackinder considered inner Eurasia, surrounded on the north by Arctic Ocean and the other three sides by mountains, as the 'heartland' inaccessible for sea power and crucial for world domination. The 'heartland' was later expanded to include the Baltic sea, middle and lower Danube, the Black sea, Asia Minor, Armenia, Persia, Tibet and Mongolia. The access to the 'heartland' was possible, according to him, only through the south-western Russia in eastern Europe. The landmass of Europe, Asia and Africa was 'World Island' which accounted for seven-eighths of the world population. Based on these considerations, he formulated a strategic formula for the Allied powers in 1919:

Who rules east Europe commands the Heartland;

Who rules the Heartland commands the World Island;

Who rules the World Island commands the World.

With the Soviet Union in command of the "heartland", he modified his theory and identified "Midland Basin" (comprising North Atlantic Ocean, eastern United States and western Europe) as an effective counterbalance to the Eurasian Heartland. This only highlights how geographical factors weighed heavily in the strategy for world domination by colonial powers. However, many of the 'geographical barriers' proved ineffective with the ushering in of air-warfare by the second world war.

An American professor, Spykman, however, found little substance in favour of 'heartland' theory. He considered those areas surrounding the 'heartland' – partly oceanic and partly continental – as 'Rimland' and more important for economic and strategic

control of the world with greater emphasis on sea power in global strategy. And gave a slogan

Who controls the Rimland rules Eurasia,
Who rules Eurasia controls the destinies of the World

As Dixit put it, With the emergence of the USSR as the sole master of the Heartland Spykman's prescription became the basis at least in part, of American policy of 'containment' of communist influence outside the Soviet Union. The different military alliances and treaties with the Rimland States in Europe and Asia have been a part of this American policy of 'containment' [Dixit 1988:119]

The advent of remote sensing and computer cartography has made surveying and map making a much easier exercise these days. One feels, however, sad to see that geography as a subject has not become very popular in Indian education system. Even in the premier institution in the capital, the University of Delhi, geography is taught only in a handful of colleges. It doesn't exist at all in the Central University of Hyderabad. The reasons for such a scenario may be many. In these days of media explosion, global village and shifting boundaries of 'nation-states' it is not uncommon to come across overzealous

columnists writing an obituary for geography [see Das 1993]. Just as maps are not neutral objects (i.e., they do convey a meaning, a viewpoint, often political), the TV coverages of distant places or the communication network in the 'global village' are not neutral. It has a definite objective loaded heavily in favour of richer nations in the world. With its subcontinental size, diverse physiography, climate, resource base, cultural and economic practices etc., the need for Geography is much more in India today to understand, appreciate and forge a harmonious relationship. The decisions are political and implications are wider but they have to operate on a geographic space in a geographic environment.

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On Guru's Dilemma

Tirthankar Roy

SUGATA MARJIT in an innovative article represents personalised knowledge transfer the instructional paradigm in most crafts. The guru's dilemma arises in a conflict between bequest of professional capital to the 'son', and maximising social returns to training, when a non-family disciple happens to be more talented than the son. The example here is Indian music, but the problem is general to any situation where craftsmanship is not, and cannot be, systematically coded. Needless to add, such situations have been common in India.

The purpose of this note is not to dispute that the dilemma exists, or can exist. However, an extended and nuanced analysis of personalised instruction will have to address a range of 'stylised facts' of which the dilemma is one. In what follows, I consider some of these which suggest that the dilemma was an exception rather than the rule. The context is primarily music, and the evidence inevitably in music-discourse, anecdotal. In a different context, say a more commercialised craft than music, these grounds may not hold.

(1) There is, first of all, something contrived about Marjit's problematic. His analytical tool is able only to model constrained pursuit of self interest, therefore the story *must be* one of constrained pursuit

of self interest. Yet the notion that the conduct of music is basically akin to that of a business firm just does not seem right. The belief that good musicians are motivated *as a rule* by the survival of good music, rather than survival of the species, seems to me as fair a premise as any other. After all, good music has survived an incredibly long time. I see no ground, analytical or empirical, to give up the beliefs that (a) the reason was intrinsic to music and music-teaching, and (b) the dilemma was in itself a trivial problem.

(2) Marjit sees in patronage a compensation for the insider's loss if the guru does not discriminate. Patronage surely has an insurance function. But it has other roles too. Patrons can well be seen as discerning consumers, who being the aristocracy, could inform and enforce standards of craftsmanship, discriminate the more and the less talented. In a music market, the diversity and anonymity of the consumers weaken these features - information and enforcement - and can bring on a dilution of quality. More generally, the article ignores the consumer (listener).

(3) The institutional response from within music-teaching to the dilemma was not the court but the guild, pervasive, partially at least for the reason that Marjit stresses, in all crafts. The word 'guild' has several

connotations. The one relevant here is perhaps the following. Coexisting with the continuity of family, continuity of 'gharana' can be a goal that circumscribes the 'ustad-shagird' relationship with a set of codes of conduct. These codes can be bent by individuals in case of progeny, but they are cases of guild-failures, and need to be seen as such.

(4) The guru's dilemma arises when two distinct lineages, kinship and instructional, exactly coincide in the person of the son. In practice, however, they rarely do. A typical student has multiple masters in and out of family, just as a typical master has multiple students in and out of family. A study of the major gharanas in each of which one extended family constitutes the core, would show that even here father-son training is rather exceptional. Marjit does once describe the 'insider as son and relations'. As we know from everyday experience, the difference is rather drastic, and the rarity of 'son' and ubiquity of relations dilutes the argument a great deal. The distinct bond in most gharanas is probably not kinship, but generations that transcend kinship. Further, kinship itself is not a rigid attribute but an evolving one. It can be created out of instructional lineages, e.g. when daughters are married to students (as a rule they were in Muslim gharanas, possibly a major source of the latter's strength and perpetuation). In short, the guru's dilemma seems unusual even without non-family means of dealing with it.

(5) The coefficients that convert training into accomplishment need not be constant. A talented musician can, in principle, compensate for a training seen as deficient to that of a rival. Which raises the question how crucial, after all, are inherited training and repertory to the making of a great artist?

(6) Marjit observes that payment for training, upfront in this case, can be a compensation, but that it rarely exists. In fact, it does exist. Upfront payments, usually appearing as customary gifts, are inseparable from apprenticeship. In the form of the implicit apprenticeship contract, there are, seemingly, close parallels between music instruction, and the mode of training in several other urban decorative crafts of northern India where the ustad-shagird relationship had been central and more or less formalised. There is here an interesting study in comparison awaiting its cultural historian.

Notes

- 1 Transferring Personalised Knowledge: Guru's Dilemma. EPW XXX(27) July 8, 1995 pp 1663-65.
- 2 Not to mention that patrons could be students as well. From the late nineteenth century on, it seems hard to find a patron court almost anywhere in India where some members of the royalty were not students. Several ended up highly accomplished. Music in this respect was different from other skilled crafts.

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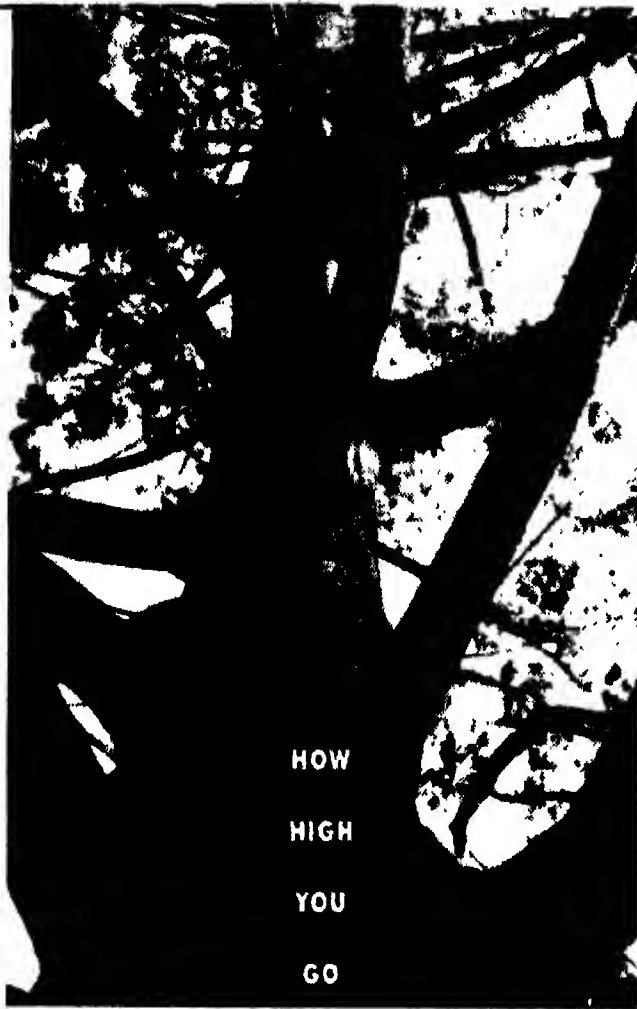
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Public Intervention for Poverty Alleviation

Although there is a high degree of uniformity in the approach and content of poverty alleviation programmes, there is great variation across states in the outcome of these programmes. The reasons for this have been explored in a set of in-depth studies of poverty conditions and implementation of poverty alleviation programmes in nine states. The results of these studies, presented in this issue, suggest that if the strategies for poverty alleviation are properly planned and implemented, even without spectacular economic growth or a major overhaul of institutions and structures, poverty ratios can be brought down significantly. **2559**

While the eradication of poverty has been a recurrent theme of the Five-Year Plans, the proportion of those living below the poverty line has not declined significantly. The explanation for this must be sought in the political and administrative environment in which poverty alleviation programmes have been formulated and implemented. **2703**

Andhra Pradesh presents a unique case of poverty reduction between 1970-71 and 1987-88, its performance being ranked the best among all the states. This performance is understandable for the 1970s, during which period agricultural growth in the state was high, it is perplexing for the latter part of the 1980s when agricultural growth had considerably slackened. **2573** Bihar is not only poor and economically backward but is also a state where institutional barriers of all types - socio-economic, political, cultural, etc - are strong. The only ray of hope is the increasing awareness and mobilisation of the rural poor whose potential can be harnessed to improve the management of anti-poverty programmes and to pressurise the state into making structural changes. **2587** The experience of Gujarat shows that it is not enough to formulate a large number of innovative programmes and schemes for the poor. What is needed is a strong political commitment on the part of the state leadership to the poor and to a sustainable and healthy development of the state's economy. **2603** The Haryana experience suggests that sustained growth in agriculture plus a deliberate policy of income and occupational diversification is the most effective cure for poverty. **2619** The case of Karnataka shows that poverty alleviation programmes need to be seen as temporary measures - their success must mean that they create conditions in which they can be phased out. This implies that the growth processes in the economy have to be reinvigorated. **2635** The experience of Kerala, where the incidence of rural poverty declined in the 1980s in spite of the slow rate of economic growth, shows that it is possible to alleviate poverty through well designed and implemented programmes and that social protection for the most vulnerable groups must be a necessary component of development policy. **2651** In spite of the limitations in its design and implementation, the Employment Guarantee Scheme has made a positive impact on the levels of living of the rural poor in Maharashtra. Any replication of the scheme in other states must, however, involve the prior establishment of decentralised district planning and assurance of adequate funds through additional taxation. **2663** Examination of the functioning of poverty alleviation programmes in Rajasthan suggests that emphasis on infrastructural development, especially watershed development and reforestation, along with programmes of employment and asset redistribution, are most needed in this state. **2677** Land reform and decentralisation of decision-making through the development of panchayati institutions are not, the experience of West Bengal tells us, mere cliches, but are the preconditions for the success of poverty alleviation programmes. Also, there cannot be a lasting solution to the problem of rural poverty within the perimeters of the rural sector; the long-term solution lies in the transfer of a significant section of the surplus rural labour to the towns and industries. **2691**

Fiscal Transfers

S GUHAN has replied in the issue of September 9 to an earlier letter of mine (July 15). I hesitate to reply to a reply, but I cannot resist the temptation.

Guhan says, "I suppose no Finance Commission likes to dilute the originality of its recommendations". Finance Commissions are not academic bodies to be judged by their originality. They have a constitutional responsibility to discharge. Any such commission will have to strike a balance between the conventional, which has the advantage of having been accepted, and the novel or original, where this can move the status quo towards greater rationality or equity. Innovation within such constraints has to be incremental and not by quantum jumps. The work of a commission has, therefore, to be judged by its awareness of the ideas available and its willingness to consider them objectively. The suggestion of Raj Krishna, which is the subject matter of this correspondence, was original but his own commission did not accept it. The subsequent commission accepted it partially, while the Tenth Commission accepted it fully. This is the course an original idea has to take when it has to contend with objective realities.

Guhan's other grievance is that Raj Krishna had not been quoted in full. Once a source has been acknowledged the extent of quotation is a matter of style much like names nowadays—you can be Vishwanathan, Nathan or Dhan! As for the commission having thereby "missed the opportunity to gain strength for its views", it can only be said that the strength of the commission's recommendation lies in that what had been a minute of dissent in the original commission had now been fully accepted and implemented.

The other issue, which Guhan calls the more substantive one, has been dealt with by me more fully in a subsequent paper of mine ('Alternative Approaches to Devolution: Implications of Tenth Finance Commission's Scheme', *EPW*, October 7). It may be a fact that "the centre has miserably failed in enforcing collection of taxes shareable with the states" but we have to deal with realities. The central forecast for the Tenth Commission showed that the centre would have a deficit even before statutory devolution to the states. The commission recast this so as to leave the centre with a non-Plan surplus after devolution. The devolution works out to about 29 per cent of the tax revenues of the centre and the non-Plan surplus left at the

end of the exercise is a little more than 5 per cent. So, my point very simply is that, given this situation, we cannot have a *statutory devolution* of the order of 40 per cent of the tax revenues of the centre. As against the 29 per cent recommended by the Tenth Commission anything up to one-third would be a more reasonable figure for debate. In my later paper I have considered a contingency where, if the centre in any case runs a deficit for the Plan, it can be ensured that the states have a share of that deficit, much as what Ashok Mitra used to argue.

I am willing to concede a charge that I am accepting existing realities too readily. I do not know, however, whether this is necessarily "pro-centrist", as Guhan puts it. If it is, all I can say is that, as I have moved towards the centre, the centre seems to have receded. So in a relative sense I stand where I was.

As for my "experience as a finance secretary in a major state", I do not know what to make of my experience after having seen, as a member of the commission, all the major states as they now are.

In the days when Guhan and I still belonged to the service, there was a controversy whether a 'good' assessment in the stringent annals of Fort St George should not be equated with an 'outstanding' one in the facile files of the Gangetic valley. Two-and-a-half cheers from Guhan is, therefore, not a mean achievement in itself. I can hope for no more. I am, however, intrigued how exactly one raises half a cheer, though many try at the Red Fort on Independence Day. But I am sure that Guhan, with his

profound knowledge of classical music, will know this better.

B P R VITHAL

Hyderabad

On Accountability

HUMANSCAPE is a monthly magazine published by Foundation for Humanisation a public trust. It has completed two years. Its editorial board consists of Nissim Ezekiel, Linesh Sheth, Govind Shahani, Meher Pestonji, Manu Kothari, Bittu Sahgal, Rusi Engineer and Raju Moray. I plans to publish a special issue in January 1996, which will focus on accountability of elected representatives and citizens. People can send in their views on the following points: What do you understand by the concept of accountability? In the Indian political and governmental context who should be accountable to whom and why? Do you think there should be a law relating to political accountability? Should accountability be expected only from elected representatives? The courage to fight, to protest, to participate and to change is fast disappearing from this generation. How do we enthuse the citizens of our country to be accountable as citizens and also demand accountability from those who govern them? Please send your opinions (not more than 500 words) before November 20, 1995 to *Humanscape*, PO Box 26922, Santacruz West, Bombay 400 054.

JAYESH SHAH

Bombay

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Public Debt in Perspective

SINCE the initiation of the stabilisation and structural adjustment programmes in June 1991, there have been repeated reminders from the finance ministry and the Reserve Bank that the level of public debt was becoming unsustainable. The latest annual report of the RBI presents a review of the domestic public debt and takes a similar line. Earlier, the government of India's *Economic Survey* for 1994-95 had presented a more comprehensive survey of the central government's internal and external liabilities. The RBI takes the centre's external liabilities as given in the annual budgets which are at historical rates of exchange – a lacuna which the *Economic Survey* seeks to correct by estimating the government's external liabilities at current exchange rates. The correction is not a minor one, for the external liabilities so corrected and converted to current exchange rates (Rs 1,32,199 crore as of March 31, 1995 or 14.5 per cent of GDP) work out to roughly three times the size of external liabilities measured at historical exchange rates (Rs 49,508 crore or 5.4 per cent of GDP). The RBI does present data on the country's total external liabilities at current exchange rates in which the figure of government borrowings from abroad broadly match the *Economic Survey* figure (Rs 1,35,252 crore). Both of these, however, are exclusive of the Russian rupee debt, in particular the defence debt, to the extent of Rs 27,603 crore as of March 1995. The *Economic Survey* also presents some estimates of average rate of interest borne by the central government on different kinds of domestic and external liabilities. In one respect, however, the RBI data have an edge over those of the *Economic Survey* in that the former cover the liabilities of the state governments as well.

What is, however, most questionable is the RBI's blatantly pro-central government position vis-a-vis the state governments. The RBI argues that phasing out of revenue deficits is central to the reform of state finances. In the last two budgets, the total revenue deficit of states constituted only 27 to 30 per cent of their gross fiscal deficit, whereas their capital outlays and loans essentially to local bodies for development purposes constituted 48 per cent and 22 per cent, respectively. In the case of the central government, on the other hand, the revenue deficit was 62 per cent of its gross fiscal deficit in 1995-96 (BE), with capital outlays and net lending constituting 25 per cent each (with the difference of 2 per cent being disinvestment of shares). The RBI does not seem to realise that with rising developmental expenditures of the states and reduced grants and other transfers, their revenue deficit cannot be reduced. The RBI is responsible besides for imposing on the states an interest burden of 14 per

cent on their market borrowings this year, a 13.50 per cent two years ago.

Dealing with domestic public debt, the RBI's annual report argues that the reduction in the debt-GDP ratio for the central and state governments together from 62 per cent in 1993-94 to 61 per cent in 1994-95 and further to 60 per cent in 1995-96 (budget estimate) "is mainly on account of the efforts of the central government to scale down the gross fiscal deficit to GDP ratio to 5.5 per cent from an average of 8.2 per cent during the second half of the 1980s". The decline in the centre's gross fiscal deficit to GDP ratio has been marginal, from 8.33 per cent in 1990-91 to 7.66 per cent in 1993-94 and 7 per cent in 1994-95 and the figure of 5.5 per cent budgeted for 1995-96 is likely to be substantially exceeded. The total internal liabilities of the central government as a percentage of GDP have in fact grown from 52.9 per cent in 1990-91 to 53.9 per cent in 1994-95 and the budgeted figure of 52.1 per cent for 1995-96 is sure to be exceeded. The state governments, on the other hand, have maintained the ratio of their outstanding liabilities to GDP at about 20 per cent throughout the period from 1989-90 (20.4 per cent) to 1994-95 and 1995-96 (20.2 per cent). If the centre's external liabilities at current exchange rates are taken into account, its total liabilities as per cent of GDP will be seen to have gone up from 65.2 per cent in 1990-91 to 70.4 per cent in 1993-94 (RE) and 67.7 per cent in 1994-95 (BE).

The RBI and the finance ministry have been apt to take an alarmist view on the issue of public debt. In the first place, many countries have much larger public debt to GDP ratios than India, even exceeding 100 per cent, whereas India's public debt of the central and state governments together, taking domestic and external borrowings at current exchange rates, will not currently exceed 75 per cent of GDP. As many studies have pointed out, it is not growth in debt *per se* that is responsible for the malaise of heavy debt service burden and inflation; rather it is the underlying fiscal situation, the purposes for which the borrowed funds are used and the debt management and interest rate policies that are pursued which determine the long-run sustainability or otherwise of a given size of public debt.

The RBI takes the view that the accumulation of debt at the current pace will have serious implications for the central and state budgets in terms of higher interest payments as well as higher monetisation. There are two aspects of this increased debt service burden which have been created by the RBI's blinkered policies. To begin with, even if market-related rates of interest had to be paid on government paper, they could have been much lower than the 14 per cent maximum

coupon rates paid on central and state government securities this year, they could have been lower all along the maturity spectrum. The average rate of interest on central government securities has shot up from 11.90 per cent in 1994-95 to 13.70 per cent in 1995-96 so far. Besides the issuing of too many shorter maturity securities in recent years has brought about a shift in the pattern of government debt towards shorter maturities which has given rise to both a relatively higher average interest burden and major humps in the projected repayment schedule. Many countries prefer to raise money through long-term bonds of 10-year to 30 years whereas the RBI has been telescoping government bond issues into shorter maturities. Having created the problem the RBI points out non-chalantly, with steep humps in the projected repayment schedule however, the government is likely to be compelled to go in for larger amounts of gross borrowings. This poses the danger of the vicious circle of higher market borrowings at a relatively higher cost (hasing higher repayments). The RBI has sought to argue that while larger repayment obligations financed through gross borrowings would not affect the gross fiscal deficit in the particular year, the concomitant interest burden would fuel the revenue deficit and the gross fiscal deficit in subsequent years. It has therefore become necessary to look at gross borrowing requirements rather than simply the net borrowing. All these complications are the fall-out of a hinkered policy framework.

Secondly and more significantly, of the total outstanding liabilities of the central government what is denoted in budgetary parlance as 'internal debt', consisting of market borrowings, treasury bills and other securities, would constitute only one-half – Rs 3,07,369 crore (or 29.3 per cent of GDP) against total liabilities of Rs 6,00,330 crore (or 57.3 per cent of GDP) at the end of 1995-96. Two other major components are small savings (Rs 84,575 crore or 8.1 per cent of GDP) and provident fund and other accounts (Rs 1,25,872 crore or 12 per cent), both of which constitute voluntary or contractual savings of the community which are required to be encouraged. A significant part of the increases in the government's liabilities in recent years have taken the form of PF accumulations, government as well as non-government. There is no reason to look askance at such debt in a society where the overall saving rate is low and where it is necessary to promote such forms of saving, particularly because post-retirement and other social security arrangements are limited. It cannot be said that the payment of 12 per cent interest on

such savings is by any yardstick high. This underscores once again that it is not the size of debt as much as its nature and, more importantly, the uses to which it is put that matter. It is time for the RBI to reconsider its very conventional notions on public debt.

PANCHAYAT CONFERENCE

Plain Speaking from Below

THE Rao government's pre-election strategy to cajole rural voters by inviting their representatives to the lavishly laid-out All-India Panchayat Adhyakshas Sammelan in Delhi recently has come a cropper. Refusing to be overawed by the hortatory speeches of the ministers, panchayat leaders from different parts of the country did a little bit of plain speaking, exposing the hollowness of the claims made by the ministers. As one woman panchayat leader from Kurukshetra put it 'this is all a big natak – a tamasha of giving power to the people'.

The steady drone of promises made by VIPs ranging from prime minister Narasimha Rao (who addressed the second day of the conference) to his mates in the cabinet like Ram Lakhan Singh Yadav, Balram Jakhar, Jagannath Mishra and others was countered by a litany of protests and complaints by panchayat leaders who narrated their own experiences at the grass roots level. Even after 48 years of independence, they said, drinking water did not reach the villages. The panchayats had no say in the distribution of water or irrigation facilities. In Andhra Pradesh, the panchayats had no role in identifying the beneficiaries targeted under the Indira Awas Yojana. Representatives from Kerala wanted that at least 50 per cent of the resources should be vested with the panchayats. The proceedings of the conference was marked by booing of ministers by some from among the panchayat representatives, indicating the process of disillusionment that must have set in already in the much-propagated experiment of decentralisation.

Despite promises of decentralisation, ruling political parties, irrespective of their hues, seem to be reluctant to give up their control over local affairs in the states they rule and prefer to continue to rely on their loyal bureaucrats to keep a tight rein on the panchayats. The Andhra Pradesh Mandala Nyaya Panchayats Bill, framed by the erstwhile NTR government, which is awaiting the president's assent, for instance, provides for the nomination of five persons to each mandala nyaya panchayat by the district magistrate. The Panchayati Raj Act

of Karnataka, which was framed by a former Congress government there and still in operation, vests the supreme authority in the government officer, the chief executive officer of the zilla parishad, a not in its elected president. Even in Bihar the self-proclaimed champion of the rural poor chief minister Laloo Prasad Yadav has not cared to hold elections to the panchayat bodies – an aberration shared by Tamil Nadu chief minister Jayalalitha who, by withholding panchayat elections all these years, continues to control rural politics and administration through the henchmen.

But, among the ruling politicians and Congress leaders beat others hollow the game of subverting all laws of decentralisation, and establishing party authority on panchayats, accompanied by hypocritical oaths of loyalty to the Gandhi dream of 'gram swarajya'. Even when Narasimha Rao was swearing by that oath at the Delhi conference of the panchayat 'adhyakshas' his own party persons ruling Orissa was busy dismantling the panchayats that had been elected during the previous Janata regime before the end of their term. The Congress-dominated state assembly in Orissa has adopted resolutions dissolving all the panchayats, panchayat samitis and municipalities in the state on the ground that these local self government bodies have been constituted in contravention of the provisions of the 73rd and 74th constitutional amendments and as such did not provide reservations for scheduled castes and scheduled tribes. Yet the 73rd amendment itself specifically provides under Article 243-N that all the panchayats existing before its commencement shall "continue till the expiration of their duration". The Congress government's decision was evidently a move to get rid of the panchayats at the village and samiti levels, the majority of which were under the control of the opposition Janadals. Besides, the plea that they did not provide for reservation for scheduled castes and scheduled tribes is also specious, since the Orissa Panchayati Raj Act passed during the previous Janata regime, under which elections were held in the past, provided reservation of seats for scheduled castes and scheduled tribes in every panchayat institution.

Rao's appeal at the Delhi meet of panchayat leaders to shun 'partybazi' in panchayat institutions therefore was a sham that was resorted to with the hope of fooling the rural audience through the projection of his image as a national leader standing above all party affiliations. But delegates at the panchayat conference, whether belonging to the Congress or the opposition, have gained enough experience by now to know that

of the Rs 4,300 crore allotted to the panchayats for rural development from 1996, only crumbs will reach the villagers – and that also after the lion's share has been appropriated and shared by the local leaders of their respective political parties in connivance with the officials who are still allowed to hold sway over the functioning of panchayats

FUND/BANK MEETING

Evading the Issue

TRUE, the financial crisis in Mexico earlier in the year would be uppermost in the minds of the finance ministers gathering in Washington for the World Bank/IMF annual meeting. It was the crisis to meet which "the IMF responded with the largest amount of financial help (\$ 17.5 billion) ever extended to an individual member country". In fact, the latest Annual Report of the IMF already articulated this concern in great measure when it underlined the need for strengthening the Fund's financial resources. The argument is that to meet such situations the Fund requires access to more resources. In this context it is relevant to note that the Fund's liquid resources, comprising as they do its total holdings of SDRs and usable currencies, had fallen from SDR 68.7 billion in April 1994 to SDR 61.6 billion in April this year. And Mexico had drawn only one-third of the amount of financial support the Fund had committed to it. The Fund's Annual Report projects a sharp decline in its liquid resources over the next two years.

But how the Fund is going to be given access to additional liquid resources is the moot question. Will the Bank/Fund meeting in Washington come to any decision on this question? It appears extremely doubtful. At the mid-June meeting of the G-7, the select group of industrialised countries, at Halifax in Canada all that was agreed upon was a doubling of the GAB (General Arrangement to Borrow) facility from its present level of SDR 17 billion. The GAB facility is based on lines of credit from 11 industrial countries and Saudi Arabia. It is interesting to recall that when this special facility was originally created in 1962 then too there was concern about the adequacy of official sources of international liquidity and the disruptive effects of short-term capital movements, particularly among the industrial countries, and the idea was that access to the special facility being created would be open to any of these countries. The concern today also derives basically from the fear of the disruptive effects of short-term capital movements whose magnitude now is several times larger than that in early 1960s. The international financial market is the fastest

growing market in the world today and with that has "greatly increased the potential for a financial crisis to spread not only across national systems but across international borders as well". But would a mere \$ 50 billion GAB facility be adequate to deal with such a crisis? Let us not forget that Mexico alone had to be extended a commitment of that order.

The problem however is that the countries who matter in terms of their voting power in Bank/Fund decision-making are not willing yet to face up this question. So any hope of a major restructuring of the Fund's financial access, at this point at least, is bound to be still-born.

The fear that the Washington meeting is unlikely to come forth with more than what was agreed to among the G-7 at Halifax is based on past experience. In the recent past hardly has any suggestion or idea made any headway if it has not been first cleared by this group of powerful countries. Take the case of the proposal to double the SDR allocation from the present level of SDR 21.4 billion, which had the support of Michel Camdessus, the Fund's managing director. The proposal was rejected by the G-7 on the ground that it would infuse excess liquidity and have inflationary consequences worldwide – a fear that was totally unwarranted considering that the suggested additional SDR allocation would have increased the existing non-gold foreign reserves of the Fund's member countries by a mere 2.4 per cent. Here was a route open that could have been resorted to without each member country having to go for parliamentary approval. The Fund's charter permits the creation of SDRs, though by allocation to member countries in proportion to their quotas. And still any such move has been rejected again and again on flimsy grounds. Also, the question of quota review has gone on being deferred despite recognition all round that the supply of multilateral liquidity has lagged far behind the growth of even the value of world trade, not to speak of the phenomenal expansion in capital transactions across international borders.

In the circumstances, to pin one's hopes on the Washington meeting of the Fund/Bank members is to indulge in wishful thinking. The most likely outcome will be agreement on enhancing the GAB facility, as recommended at Halifax, and allowing access to this facility to non-members of GAB but under the strictest of conditionality. Let us not forget the emphasis on surveillance also. Whether a crisis like the one Mexico faced early this year will be possible to tackle through such a mechanism is a question that time alone will tell. The fact is that the Fund alone could not have tackled the Mexican crisis on its own steam.

Perhaps that precisely is the idea, namely, to keep the Fund hamstrung.

KERALA

Local Election Pointers

THAT the opposition front, the LDF, has done well in the recent local body elections in Kerala is accepted all round. If there is any dispute it is with respect to the extent of the front's victory and its significance for the elections to follow in the next six to nine months to both the Lok Sabha and the state assembly.

The Left Front has captured, or is set to capture, 10 out of the 14 district panchayats, 100 out of 152 block panchayats, 590 out of 990 village panchayats, 30 out of 54 municipal councils and all the three municipal corporations. So there can be no question about the solidity of the Left Front's ascendancy in the local bodies, urban as well as rural, in the aftermath of the elections. On the other hand, there can be some questions about the present ruling coalition's hold over the electorate in the constituencies which have gone to the Left Front. These questions arise because of the emergence of forces and parties which may or may not ally with the ruling front. The reference here is not only to BJP which will, for the first time, control one municipal council in Kasargode and be also a strong force to contend with in several of the municipal wards, particularly those in north Kerala, but also to the two other parties, the PDP and the INL, which broke away from the Muslim League and have done reasonably well in these elections in terms of the votes polled and the dents they could make in the League's pocket-boroughs. Even so, despite the pressures, the Muslim League and the Kerala Congress have broadly succeeded in holding on to their pockets of influence. The real loser in these polls has been the Congress(I).

But the much more interesting question that remains relates to the chances of the Left Front regaining power next year at the state level and also about the number of seats it can capture in Lok Sabha from the state. To what extent are the local elections a pointer to the elections to the higher level bodies? One has to remember in this context that in the last district council elections in 1990 the Left Front had a majority in 13 out of 14 districts and still in the elections to state assembly and parliament, less than a year later, the front lost badly. True, the latter elections happened to come soon after Rajiv Gandhi's unfortunate assassination which could have played a major role in swinging the sympathy vote to the ruling coalition.

But for precisely that reason, one cannot ignore how crucial it is to the fortunes of the two coalitions what the wave is at the time of polling. A swing of between 2 and 3 per cent can make a world of difference in Kerala. The Left Front, if it is to win the coming elections, has to make sure that whatever the wave, its direction is in its favour. At the same time, in the few months to go it must show that in the running of the local bodies its people acquit themselves well. It is a chance it must not throw away.

UTTAR PRADESH

BJP's Retreat

THE Bharatiya Janata Party (BJP) withdrew its support to the Bahujan Samaj Party (BSP) government in Uttar Pradesh on realising that any further continuance of the support would only aggravate the discontent within the party. The intention to deny Mayawati an opportunity to run a caretaker government and to prevent a possible adverse fall-out of supporting the BSP government on the urban electorate in the forthcoming urban panchayat polls might have determined the timing of the BJP's decision. Yet the disagreements on every major issue – whether it be reservations for minorities, the Krishnajanmabhoomi controversy, the Periyar mela or the transfer of IAS officials – had given ample indication that the two parties were pulling in opposite directions.

Ever since she assumed power, Mayawati set about establishing contact with the central leadership of the BJP, bypassing the state leadership. Kalyan Singh, besides feeling humiliated at being sidelined in such a cavalier fashion, had voiced the growing disenchantment of the party's rank and file with the hasty patch-ups the BJP's central leadership was entering into on crucial issues. Yet matters had not then assumed serious proportions to call for immediate attention. Two later developments forced the issue to the forefront. For all its failure to draw crowds, Kanshiram's Periyar mela was intended to take the battle into the BJP camp. Not only did the mela emphasise the ideological distance between the two parties, it also sent a clear message to the BJP leadership that it had no right to interfere in the state government's decisions as the BJP had extended unconditional support to the BSP government. This direct snub to the BJP leadership meant that it would be a spectator to the happenings in the state. Secondly, with the turmoil in the BJP unit in Gujarat gathering momentum, it was time that the BJP's central leadership paid heed to Kalyan Singh's warnings.

Though the BSP and the BJP had come together to protect their respective electoral

bases from Mulayam Singh's advance, the BJP expected more returns in propping up the first dalit-led government in UP. By projecting itself as pro-dalit, the BJP expected to make inroads into the dalit vote-bank. But Kanshiram by shrewdly using 'anti-Ram' Periyar to raise 'atma samman' amongst dalits blotted the BJP's hopes. On the other hand, the BSP, by conducting caste rallies, aimed to extend its support base amongst the backward castes in the state. The spectre that in its endeavour to gain access to the dalits, it might lose whatever base it has among the non-yadav backward castes ultimately prompted the BJP leadership to rethink its line of supporting the BSP government.

PAKISTAN

Pressures for Change

EARLY this week the Benazir Bhutto government arrested 36 senior army officers on charges of trying to foment an Islamic revolution. Although the official announcement states that the arrests have been made for purposes of investigation, it is clear that such large-scale action against the military would not have been taken unless the government were sufficiently convinced of the evidence to support the charges. Several factors have probably combined to bring about the current action.

The relations of the Bhutto government with the army have never been easy. While the military has always been a major factor in Pakistani politics, under Zia ul Haq's Islamisation process and the resurgence of fundamentalism the army acquired close associations with some of these groups including the more extreme ones. With the ascension of Bhutto and largely under US pressure, it was forced to come to an understanding with the new regime. Politically too it was prudent for the Bhutto government to go along with much of the Islamisation to the great disappointment of the small group of her liberal supporters. The government has also used the armed forces extensively to quell the growing unrest in the tribal areas against the moves to enforce Islamic laws rendering tribal norms obsolete. The Bhutto government's first act of intervening in the process of Islamic justice – the amendment of the blasphemy laws consequent upon the Supreme Court's decision which reversed the Islamic court judgment in the case of two minor Christian boys – coincided with Benazir's visit to the US and the reopening of the debate in the US congress over Pakistan's status as a state encouraging fundamentalist/terrorist movements.

The army has also been used extensively in quelling the Mohajir movement in Sindh,

particularly Karachi. The violence is not something concocted by the external media; its impact on life in Pakistan's commercial capital has been deeply felt. On the other hand, while the Mohajir movement and its well established system of meting out private justice, its torture cells, etc, have been in existence for long and have been given encouragement by the Pakistan People's Party (PPP) for its own gains, the current phase of escalating violence is a measure of the social and economic changes in the province. For, in a sense, without ethnic colouring the Mohajir movement represents the vocal and visible section of the nascent Pakistani middle class. Directly and indirectly it demands a breaking up of the feudal landlord system which has always been at the helm of affairs in Pakistani politics, whether through civilian governments or the military. If Benazir Bhutto's efforts at the conference table are to bear fruit she will have to confront the traditional systems which are her support base. This she has been reluctant to do and, unfortunately, the Mohajir movement is today in disarray and, as always happens when the focus of a militant movement gets diffused as a result of petty trade-offs with political parties, has taken recourse to mindless violence. It is thus unable to force Benazir to begin the task of fundamental social and economic change.

Another factor in the arrests is the situation in Punjab, where the PPP is in power in a coalition of assorted parties. The crisis was precipitated by attempts by the chief minister, belonging to the Muslim League (Junejo), to seek a meeting with the Muslim League (Nawaz). In the assembly of 240 seats the PML(J) has only 34 seats while the PPP has 100 seats. The threat to PPP has always been that the two factions of the PML may get together. Bhutto pre-empted such a situation by first ensuring that the entire PPP lot resigned and then ignominiously replacing the chief minister with another member of his party. But this does not mean that the PPP is secure and there continues to be a political crisis in Punjab.

Thus the situation was ripe for a military assertion of some sort. However, the US decision to resume military aid to Pakistan undoubtedly with conditions attached, strengthened Bhutto's hands and made the army more irresolute. But whatever be the external factors involved, there is no doubt that the internal turmoil in Pakistan is more deep-rooted than ever before, and its resolution is possible only by bringing about overdue social and economic changes. While it would seem that democratic institutions are slowly gaining strength, their survival depends on changes which the process of Islamisation may not accommodate.

CURRENT STATISTICS

EPW Research Foundation

Aggregate bank deposits and advances have spurred by Rs 7,529 crore and Rs 4,238 crore, respectively, as of September 29 over the previous fortnight, essentially due to half-yearly interest crediting. Reflecting the comfortable supply position, prices of food articles have been moving down. Foodgrains output in 1994-95 is now estimated at 191.9 million tonnes, 2.14 million tonnes higher than the target and 9.8 million tonnes higher than in the previous year. The rise of 6.1 million tonnes in wheat output was especially impressive. Production of pulses at 14.6 million tonnes was also a record. Foodgrain stocks were 34.7 million tonnes at the end of July against the seasonal norm of 22.3 million tonnes.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Sept 30, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
				Latest	Previous	1995-96	1994-95				
All Commodities	100.0	297.1	0.4	8.4	8.4	4.2	6.1	10.4	10.8	7.0	13.6
Primary Articles	32.3	306.4	0.0	7.3	9.7	4.9	10.3	12.7	11.5	3.0	15.3
Food Articles	17.4	337.8	-0.3	4.5	9.0	7.6	15.3	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	325.2	0.5	12.4	12.3	0.5	3.2	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	5.3	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	294.3	0.7	10.8	8.0	4.6	4.5	10.7	9.9	7.9	12.6
Food Products	10.1	284.3	1.2	3.7	6.6	4.3	8.7	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	318.2	0.2	4.3	8.2	6.5	13.0	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Sept 30, 1995)	100.0	293.2	-	9.8	10.1	9.0	11.0	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	315 ^a	0.6	10.9	10.9	7.5	6.4	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244 ^b	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1405 ^a	1.3	14.1	13.1	8.1	4.8	10.6	11.6	0.7	21.9
* for 1994-95										

* for 1994-95

Money and Banking (Rs crore)	Sept 15, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M ₃)	544443	549 (0.1)	13641 (2.6)	17114 (3.8)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	107725	-714 (-0.7)	6936 (6.9)	5987 (7.3)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	430350	2320 (0.5)	3717 (0.9)	10432 (2.8)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	240335	747 (0.3)	17919 (8.1)	6796 (3.3)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comm'l Sector	294036	2702 (0.9)	4381 (1.5)	210 (0.1)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73349	-46 (-0.1)	-2575 (-3.4)	12688 (24.1)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money (September 22, 1995)	180591	415 (0.2)	11312 (6.7)	13354 (9.6)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	108602	-3628 (-3.2)	9689 (9.8)	-8880 (-9.2)	2130 (2.2)	260 (0.3)	4257 (4.6)
Scheduled Commercial Banks (September 29, 1995)							
Deposits	394707	8495 (2.2)	7848 (2.0)	19424 (5.8)	53630 (16.1)	52144 (18.6)	39017 (16.1)
Advances	219095	6598 (3.1)	7535 (3.6)	6886 (4.0)	40638 (23.8)	11566 (7.3)	23757 (17.5)
Non-Food Advances	206489	7494 (3.8)	7204 (3.6)	5326 (3.3)	37797 (23.4)	8875 (5.8)	21684 (16.6)
Investments	156190	655 (0.4)	6937 (4.6)	12471 (9.2)	13965 (10.3)	28641 (26.9)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Weights Production (1980-81=100)		May 1995	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages					
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
General Index	100.0	256.3	255.8(14.2)	224.0(7.4)	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)
Mining and Quarrying	11.5	251.3	241.7(14.4)	211.2(2.4)	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)
Manufacturing	77.1	243.6	245.5(14.7)	214.1(8.3)	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)
Electricity	11.4	347.3	339.1(11.5)	304.0(7.0)	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)

Capital Market	Oct 13,	Month	Year	1995-96 So Far		1994-95		End of Fiscal Year		
	1995	Ago	Ago	Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3582(-18.3)	3361	4386(61.8)	3015	3583	3233	4604	3261(-13.7)	3779(65.7)	2281(-46.8)
National Index (1983-84=100)	1625(-21.5)	1546	2069(58.8)	1482	1691	1572	2176	1606(-12.2)	1830(79.2)	1021(-48.1)
BSE-200	362(-26.6)	346	493(54.1)	336	385	360	497	368(-18.2)	450(92.3)	234(-60.0)
NSE	79(-20.2)	75	99 *	72	83	-	-	79	-	-

* For November 23, 1994.

Foreign Trade	August 1995	Cumulative for Fiscal Year So Far		Full Fiscal Year Variations				
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	8029	38676 (25.4)	30838 (13.1)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2543	12302 (25.1)	9830 (13.1)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	9236	44889 (35.5)	33135 (18.1)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2926	14278 (35.2)	10563 (18.0)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2393	11625 (42.7)	8299 (13.0)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1207	-6213	-2297	-6375	-3259	-9687	-3809	-10640
US \$ mn	-382	-1976	-732	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Oct 06,	Oct 07,	Mar 31,	Variation Over							
	1995	1994	1995	Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	64478	59573	66028	3367	4906	-1550	11947	18402	27430	5385	10223
US \$ mn	18967	18997	20816	-108	-30	-1849	3821	5640	8724	731	3383

Agriculture

Rainfall (June to September)	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Excess/Normal	32	25	31	32	27	32	29	32	14	21	26
Deficient/Scanty/Nil	3	10	4	3	8	3	6	3	21	14	9
Production (Agricultural Year)	1995-96 (Target)	1994-95 Likely	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Total Foodgrains (mn tns)	192.0	191.9	182.1	179.5	168.4	176.4	171.0	169.9	140.4	143.4	150.4
Kharif	107.5	101.5	99.4	101.5	91.6	99.4	101.0	95.6	74.6	80.2	85.2
Rabi	84.5	90.4	82.7	78.0	76.8	77.0	70.0	74.3	65.8	63.2	65.2
Total Rice (mn tns)	80.0	81.3	79.0	72.9	74.7	74.3	73.6	70.5	56.8	60.6	63.8
Kharif	71.0	71.7	69.4	65.2	66.4	66.3	65.9	63.4	49.0	53.6	59.4
Rabi	9.0	9.9	9.6	7.6	8.3	8.0	7.7	7.1	7.8	7.0	4.4
Total wheat (mn tns)	60.0	65.2	59.1	57.2	55.7	55.1	49.8	54.1	46.2	44.3	47.1
Total coarse grains (mn tns)	36.5	21.3	30.9	36.6	26.0	32.7	34.8	31.5	26.4	26.8	26.1
Total pulses (mn tns)	15.5	14.5	13.1	12.8	12.0	14.3	12.8	13.8	11.0	11.7	13.4
Kharif	-	5.4	5.5	5.6	4.4	5.4	5.5	5.6	4.4	4.2	4.5
Rabi	-	8.5	7.6	7.2	7.6	8.9	7.3	8.2	6.6	7.5	8.8
Oilseeds (mn tns)	24.1	22.4	21.5	20.1	18.6	18.6	16.9	18.0	12.7	11.3	10.8
Raw cotton (lakh bales)	123.0	117.6	107.0	114.0	97.0	98.0	114.0	87.0	64.0	69.1	87.3
Raw jute and mesta (lakh bales)	92.8	93.0	85.0	86.0	103.0	92.0	83.0	79.0	67.8	86.2	126.5
Sugarcane (mn tns)	275.0	260.0	227.1	228.0	254.0	241.1	225.6	203.0	196.7	186.1	170.7
Procurement of Foodgrains (mn tns) Up to September 11											
	1995-96	1994-95	1993-94	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Total (incl others) (April-March)	14.1	13.5	16.3	25.3	27.2	18.9	18.2	24.3	20.4	14.1	15.1
Rice (October-September)	-	13.6	14.2	-	14.3	13.1	10.2	12.7	11.8	7.7	6.9
Wheat (April-March)	12.3	11.9	12.8	11.9	12.8	6.4	7.8	7.8	11.1	9.0	6.5
Offtake of Foodgrains (mn tns)											
	July 1995	July 1994	Cumulative for Fiscal Year so Far			Full Financial Years					
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Total incl others	1.2	1.1	4.6	3.9	18.5	17.9	17.2	19.1	16.1	15.8	18.0
Rice	0.8	0.7	3.1	2.5	8.4	9.0	9.4	10.1	7.9	8.4	9.1
Wheat	0.4	0.4	1.4	1.4	10.1	8.9	7.7	9.1	8.2	7.3	8.7
Food Stocks with Govt Agencies (mn tns)											
(Apr-Mar) as at the end of period		July 1995	July 1994	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Total incl others		34.7	31.3	27.7	22.2	14.7	12.2	17.3	11.6	7.4	9.4
Rice		16.1	13.8	18.9	14.7	11.0	9.8	11.2	7.9	4.7	5.9
Wheat		18.7	17.3	8.8	7.3	3.0	2.4	5.8	3.6	2.7	3.3

Industrial Production

Infrastructure Industries	July 1995	Variation Over		Cumulative for Fiscal		1994-95	1993-94	1992-93
		Month Ago	Year Ago	Year So Far				
				1995-96	1994-95			
Coal (mn tns)	18.63	-0.24(-1.3)	2.16(13.1)	74.34(9.8)	67.76(-1.9)	253.8(3.2)	246.0(3.4)	238(3.9)
Electricity Generation (mn kwh)	30876	-42(-0.1)	3367(12.2)	124871(12.4)	111068(7.0)	351020(8.6)	323323(7.4)	300989(5.0)
Hydel	6713	388(6.1)	1626(-19.6)	24481(-0.8)	24690(6.1)	82518(17.4)	70311(0.8)	69776(-3.8)
Thermal (incl nuclear)	24163	-430(-1.7)	5003(26.1)	100390(16.2)	86378(7.2)	268502(6.1)	253012(9.4)	231213(8.0)
Crude Petroleum (000 tns)	3990	1049(35.7)	1262(46.3)	11883(23.2)	9647(11.7)	32228(19.3)	27015(0.3)	26945(-11.2)
Petroleum Products (000 tns)	5080	168(3.4)	92(1.8)	19368(7.0)	18097(1.5)	56440(3.9)	54344(1.6)	53487(10.6)
Salable Steel (main plants) (000 tns)	1126	94(9.1)	113(11.2)	4288(9.0)	3934(3.9)	12841(7.2)	11981(5.7)	11333(12.6)
Cement (mn tns)	5769	271(4.9)	736(14.6)	22508(10.4)	20383(4.8)	62353(7.8)	57833(6.8)	54140(-5.2)
Fertilisers (N) (000 tns)	720	52(7.8)	50(7.5)	2726(9.0)	2500(11.8)	7944(9.2)	7274(-2.1)	7431(1.2)
Fertilisers (P ₂ O ₅) (000 tns)	212	-5(-2.3)	-5(-2.3)	810(2.7)	789(12.3)	2493(37.7)	1810(-21.0)	2292(-10.5)
Revenue earning Goods Traffic on Railways (mn tns)	31	1(3.2)	2(5.1)	121(5.1)	115(2.9)	366(1.1)	362(3.4)	350(3.4)

Employment

Employment Exchange Statistics (000)	April 1995	Month Ago	Year Ago	Cumulative for Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
				1995-96	1994-95						
Number of live registers (end-period)	36539	36635	35925	36539	35925	36635	36039	36306	36552	34890	33249
Number of registrations	265	372	294	265	294	5931	5674	5100	6079	6404	6823
Number of placements effected	11	24	17	11	17	212	217	229	259	253	294
Placements as percentage of the registrations	4.3	6.5	5.8	4.3	5.8	3.6	3.8	4.5	4.3	4.0	7.7

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript '7' stands for July (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) - means not available.

NAGARJUNA FERTILISERS

Rise in Sales

PROMOTED by Shaw Wallace in 1976, Nagarjuna Fertilisers and Chemicals was taken over by the Andhra Pradesh government and handed over to the Nagarjuna group in 1985. The company is engaged in the manufacture of ammonia and urea. It closed the financial year ended March 1995 with a sales turnover of Rs 843 crore up by 20 per cent from Rs 607 crore in the previous year. Other income rose from Rs 3 crore to Rs 20 crore as a result of increase in dividend and interest earnings. These increases were reflected in the total income of the company which went up by 51 per cent from Rs 616 crore to Rs 928 crore. On the expenditure side, there was an increase in manufacturing expenses as also in remuneration to employees. Interest costs came down by 8 per cent. A slight increase in the provision for depreciation and a zero tax provision saw the company end up with a net profit of Rs 193 crore, up by 51 per cent from Rs 129 crore in the previous year. A dividend of 18 per cent has been recommended by the directors, against 15 per cent last year.

During the year under review, urea production was 6.75 lakh tonnes, an increase of 17 per cent. Sales stood at 12.10 lakh tonnes against 7.21 lakh tonnes in the previous year. The excess of sales over production is explained by the trading operations of the company. The company is planning to double its urea capacity to 10 lakh tonnes per annum. The Rs 900 crore project is to be financed mainly through a Euro issue, internal accruals and debts.

The company has signed a joint venture agreement with Palma India of Israel for starting an irrigation company. A company by the name of Nagarjuna Palma (India) has been incorporated for the manufacture and sale of modern irrigation and water management systems. The technology for these operations would be provided by Palma India, Israel. Nagarjuna Fertilisers will hold a 70 per cent stake in the venture.

The company is also planning to get into steel and power generation. Coming up is a two million tonnes per annum, Rs 2,400 crore export-oriented hot rolled steel coil plant at Mangalore. The steel plant would be a 100 per cent export oriented unit and the company has made marketing arrangements with German Klockner. In the power sector, the company is planning to set up a 4,400 crore, 1000 mw coal-based thermal power plant at Nandikur in

Mangalore in collaboration with EMEL, an Italian company. EMEL will plan, erect, commission and operate the plant on a turnkey basis. The power plant will supply 350 mw power to the steel plant. The balance will be supplied to the Karnataka State Electricity Board. Also on the anvil is a 2,500 tonne sugar plant in Vietnam at an estimated cost of Rs 70 crore. The plant will go on stream in the second half of 1996. The company's aqua farm at Nellore has been commissioned. The company is establishing the Nagarjuna Agricultural Research and Development Institute near Hyderabad. It has been accredited with the ISO 9002 certification covering the complete range of activities from production to marketing of urea and ammonia. In recognition of its safety record, the company has been awarded the British Safety Award for 1994.

LID PARRY

Focus on Core Business

LID Parry, the flagship company of the Murugappa group, has diversified interests ranging from fertilisers, seeds, chemicals and sugar to industrial alcohol, sanitaryware and electronic goods. For the year ended March 1995, net sales of the company stood at Rs 502 crore, up by 11 per cent from Rs 454 crore. Total income rose by 26 per cent. Operating profit rose by 39 per cent from Rs 33 crore to Rs 46 crore. The company reduced its interest costs by 29 per cent from Rs 12 crore to Rs 9 crore. Despite higher provision for depreciation and tax, the company ended up with a net profit of Rs 23 crore up from Rs 15 crore. The company has declared a dividend of 36 per cent.

Exports for the year stood at Rs 4 crore up from Rs 3 crore. Imports moved up from Rs 48 crore to Rs 66 crore.

The pesticides division increased its sale by 15 per cent to 17 lakh litres. A technology development centre for pesticides was inaugurated during the year.

According to the company, the profitability of the sugar division was adversely affected by government policies of large scale imports of duty free sugar and indiscriminate increase in sugarcane prices. Both the company's sugar factories achieved higher production, viz., 1,04,084 mt compared to 61,939 mt in the previous year. But the surplus cane situation and restrictions on the inter-state movement of molasses and spirit adversely affected realisations. Anticipating no improvement in the situation, the company

has decided on captive consumption of alcohol in the production of acetic acid.

Aided by a general boom in construction activity, the ceramic division performed extremely well. Sales of sanitaryware reached an all time high of 15,034 mt with both units at Ranipet and Alwar operating at near full capacity.

The electronics division has put up a poor performance for the year under review. The division comprises Murugappa Electronics which makes Meltrack brand audio cassettes and Hilversum Electronics which manufactures soft ferrites used mainly in the telecommunications industry. The seeds division reduced its losses during the year and is expected to improve its performance next year consequent on a sharper focus on key products coupled with a closer association with Dekalb Plant Genetics USA, its collaborators. The company is entering into a joint venture with High Value Horticulture, UK, for production of fruit crops exclusively for the export market. High Value Horticulture will provide know-how to LID Parry for crop management and train the Indian company's personnel. If the need arises, LID Parry will be provided marketing assistance by the British company. The agreement will be valid for a period of three years.

The company has tied up with IDL Technologies of Israel for setting up a captive desalination plant with a capacity of 1,560 klt/litre plant at its Fimore factory. Through this move, the company hopes to reduce its dependence on Madras metro water and groundwater for its process requirement.

The company is setting up a power plant in Tamil Nadu at an estimated cost of Rs 46 crore. The project is expected to be complete by mid 1996/97.

The company is starting a new wall tile plant at Karaikal at a cost of Rs 36 crore. The plant which is to have an installed capacity of 5,000 sq mts is expected to go into commercial production by end 1996.

The company is entering the area of chemicals and the first chemical plant of the company, coming up in Tamil Nadu, has reached the stage of production. The plant will have alcohol as its base which would be procured from the company's sugar factory at Nellikuppam. A project to make organic soil conditioner from the sugar factory seeks to convert municipal vegetable waste into organic manure and is awaiting approval by the concerned authorities.

The company completed its Euro issue during the year and raised \$ 40 million.

Expansion Programme

The automobile industry has been on the upswing in the past year. With economic growth percolating to the agricultural and industrial sectors, the market for light commercial vehicles both for transportation of goods and passengers has expanded. Bajaj Tempo, incorporated in 1958, is engaged in the assembly and manufacture of three and four wheeler light commercial vehicles and diesel engines. The Firodias and the Bajajs are the major stake-holders in the company. Daimler Benz Germany was a major shareholder until it sold its stake to the Firodias. Technical collaboration with Daimler Benz however continues. The company is one of the largest spender on R and D in the industry as per cent of sales and offers 38 models in all.

For the year ended March 1995, the company achieved a sales turnover of Rs 318 crore up by 6 per cent from Rs 452 in the previous year. Other income comprising interest and dividend earnings rose by 5 per cent. Total income rose from Rs 458 crore to Rs 495 crore. Non-operating profit rose from nil in the previous year to Rs 17 crore for the year under review. Interest costs came down by 10 per cent. Provision for depreciation and tax rose by 7 and 9 per cent respectively. Net profit rose by 25 per cent from Rs 13 crore to Rs 16 crore. Like in the previous year, the company has declared a dividend of 50 per cent.

The year saw a decline in exports by 49 per cent from Rs 9 crore to Rs 5 crore. Imports on the other hand moved up from Rs 28 crore to Rs 47 crore. There was an improvement in the orders on hand for exports as a result of the sustained efforts made by the company to develop selected export markets.

The company has embarked on a substantial expansion programme at its plants at Akurdi and Pithampur. The company is in the process of introducing the first Indian tractor to be equipped with 'syncromesh transmission'. As a part of the project, the company has entered into a licence agreement with Robert Bosch GmbH, leading German manufacturers of tractor hydraulics. The collaboration agreement has led to a special arrangement with Robert-Bosch GmbH for relocating manufacture of hydraulic equipment in India. The equipment will be produced in India by the company under a Bosch licence, for use on its own tractors and will be exported to Robert Bosch for meeting their marketing requirements worldwide.

Financial Indicators	Nagarjuna Fertilisers and Chemicals		KJD Parry		Bajaj Tempo	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	84314	60651	50225	45400	48152	45226
2 Value of production	90840	61287	55053	44489	48619	44968
3 Other income	1982	307	2414	1231	893	852
4 Total income	92822	61594	57467	45720	49512	45820
5 Raw materials/stores and spares consumed	14648	14660	32126	21861	34713	32233
6 Other manufacturing expenses	31523	6267	1666	1332	1150	965
7 Remuneration to employees	1398	844	2701	2127	3910	3239
8 Other expenses	5392	5196	16380	17090	4647	4781
9 Operating profit	39861	34627	4594	3310	5092	4602
10 Interest	13157	14251	855	1204	380	324
11 Gross profit	26705	19672	3714	2423	4779	4178
12 Depreciation	6906	6886	1013	914	2017	1856
13 Profit before tax	19289	12786	2711	1509	2712	2322
14 Tax provision	0	0	390	30	1110	1039
15 Profit after tax	19289	12786	2321	1479	1602	1283
16 Dividends	5920	4125	211	128	483	390
17 Retained profit	13369	8661	2110	1351	1119	893
Liabilities/assets						
18 Paid up capital	33093	32695	1557	1037	986	863
19 Reserves and surplus	30837	17008	2522	8560	10659	8112
20 Long term loans	61058	72398	7342	6731	160	326
21 Short term loans	6987	3786	1138	5044	184	319
22 Of which bank borrowings	6987	3786	1138	4987	37	37
23 Gross fixed assets	109750	109486	71686	14501	21181	18347
24 Accumulated depreciation	18347	11442	6865	5814	15900	13910
25 Inventories	15606	8489	13040	7961	15357	10569
26 Total assets/liabilities	151378	140001	53392	28438	31287	24404
Miscellaneous items						
27 Excise duty	0	0	2015	1975	7443	5750
28 Gross value added	39467	34202	7416	6218	8649	7857
29 Total foreign exchange income	0	0	559	381	486	486
30 Total foreign exchange outgo	15810	10780	68490	48830	47290	29060
Key financial and performance ratios						
31 Turnover ratio (sale to total assets) (%)	55.7	33.3	91.1	159.6	153.9	185.3
32 Sale to total net assets (%)	63.9	48.2	117.3	212.4	401.6	470.1
33 Gross value added to gross fixed assets (%)	36.0	31.2	34.2	42.9	40.8	32.8
34 Return on investment (gross profit to total assets) (%)	17.3	14.1	7.0	8.5	15.1	17.1
35 Gross profit to sales (gross margin) (%)	31.1	32.4	7.4	5.3	9.8	9.2
36 Operating profit to sales (%)	47.3	57.1	9.1	7.3	10.6	10.2
37 Profit before tax to sales (%)	22.9	21.1	5.4	3.3	5.6	5.1
38 Tax provision to profit before tax (%)	0.0	0.0	14.4	2.0	40.9	44.7
39 Profit after tax to net worth (return on equity) (%)	30.10	25.72	9.64	15.41	13.76	14.30
40 Dividend (%)	18.00	15.00	36.00	33.00	50.00	50.00
41 Earning per share (Rs)	5.8	3.9	14.9	14.2	16.2	14.9
42 Book value per share (Rs)	19.3	15.2	154.6	92.5	118.1	104.0
43 P/E ratio (based on last and corresponding last year's price)	4.5	10.4	9.2	18.7	24.0	39.7
44 Debt-equity ratio (adjusted for revaluation) (%)	95.5	145.7	30.5	70.1	1.4	3.6
45 Short term bank borrowings to inventories (%)	44.8	44.6	87.1	62.6	0.2	0.4
46 Sundry creditors to sundry debtor (%)	75.4	73.8	162.4	109.0	2073.7	1367.0
47 Total remuneration to employees to gross value added (%)	3.5	2.5	36.4	34.2	45.2	41.3
48 Total remuneration to employees to value of production (%)	1.5	1.4	4.9	4.8	8.0	7.2
49 Gross fixed assets formation (%)	0.24		49.55	-	15.48	
50 Growth in inventories (%)	63.84		63.80		45.30	

Gap in Busy Season Credit Policy

The resource position of banks in the coming months is likely to be very tight – a prospect which has been hardly addressed by the busy season credit policy. This has formidable implications for the money, credit and debt markets in the second half of the financial year.

I Credit Policy

A CONSPICUOUS gap in the monetary and credit policy statement of the Reserve Bank of India (RBI) for the second half of 1995-96 made at a bankers' meeting on September 29 is the absence of revised projections of likely growth of aggregate bank deposits in the fiscal year 1995-96. In the policy statement of April 1995, the RBI had placed the working estimate of the expansion of bank deposits for the year at Rs 65,000 crore (17 per cent) over the base of March 31. Contrary to the past tradition, the latest policy statement makes no mention of the possible size of deposit growth. Around this time last year, the estimate for the full financial year 1994-95 was revised from Rs 46,000 crore (14.6 per cent) to Rs 53,000 crore (16.8 per cent) and the final outcome was close: Rs 53,630 crore (16.1 per cent) on March 31 to March 31 basis or Rs 51,566 (16.4 per cent) on March 18/17 basis.

The authorities' reluctance to stick their neck out on the banks' resource growth this year is understandable, for the imponderables in the financial scene are too many and, in any case, the trends in deposit growth are far behind the targets, which has something to do with the sluggishness in the domestic saving rate. No doubt since June this year deposit growth has picked up – an increase of Rs 12,538 crore so far against Rs 13,336 crore during the comparable period last year – but, first, foreign portfolio investments seem to have played a role and, secondly, the secondary growth arising from the strong injection of liquidity in the first half may to an extent be negated, unlike last year, by the loss of foreign exchange reserves arising from the growing current account deficit on balance of payments not being matched by net inflows on capital account.

Overall, the resource position of banks during the ensuing few months is thus expected to be extremely tight – a situation which has been hardly addressed by the busy season credit policy. Implications of this on money, credit and debt markets during the second half of the year will be formidable. There is a backlog of about Rs 16,000 crore

in gross borrowings of the central government or Rs 15,000 crore in net terms.

Apart from the pressure from government borrowings, the proposed disinvestment of government shares in PSUs to the tune of Rs 7,000 crore and the demand for non-food bank credit (which has just picked up with a rise of Rs 9,151 crore between end-June and mid-September as against Rs 6,610 crore in the corresponding period last year), are likely to place considerable strain on the liquidity situation – a feature already noticed in the last 10 days of September as reflected in the firming up of call money rates, and also following the shortage of foreign exchange in the inter-bank market, a depreciation of the rupee *vis-a-vis* the US dollar and even other currencies followed by a sharp increase in the forward premia for the dollar (Graph C).

Measures of Importance to the Money Market

The freedom given to banks to fix their own interest rates for domestic term deposits of over two years maturity may help banks to augment their deposits only marginally, particularly in competition with non-banking financial companies (NBFCs) but it will further go to reinforce the image of the financial system as a high interest-cost system which seems to have begun to impinge on the growth of productive sectors, particularly the medium- and small-scale industries.

The enhancement of refinance facility against government securities and other approved securities from 0.5 percentage point to 1 percentage point over the fortnightly average outstanding aggregate deposits of banks during the base year 1994-95 (as against 1991-92 in the past) – one half against the collateral of TBs at the refinance rate of 12.5 per cent and the other half against dated government and other approved securities at 14.00 per cent – may help banks in making use of their excess holdings of investments (worth about Rs 26,000 crore); the limits have been raised from Rs 1,025 crore to Rs 3,385 crore, i.e., by Rs 2,360 crore. The withdrawal of the Rs 15 crore limit on overnight open position of banks in foreign exchange operations may also help eventually

some of the bigger banks to make use of arbitrage facilities available in a situation of high call money rates in the domestic money market.

The other changes introduced are largely procedural: the flexibility given to banks in 85 per cent CRR maintenance daily; a minimum period of three days for repo arrangements with a view to making a clear distinction between overnight borrowings and repo transactions; and a uniform system of valuation of securities for statutory liquidity ratio (SLR) and balance sheet purposes (though operational issues involved may be formidable in ensuring 40:60 ratio for the marked to market method on a fortnightly basis).

II Government Market Borrowings

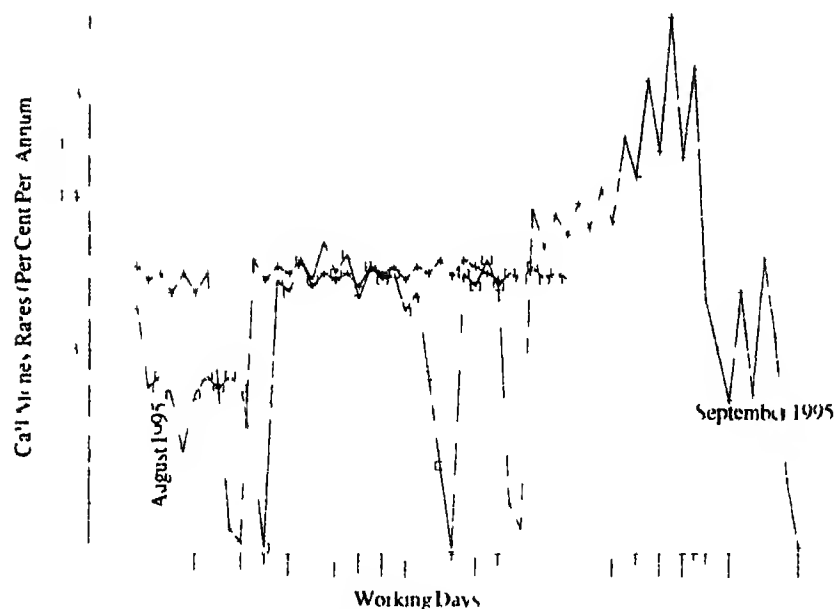
In the system of debt management, the massive borrowings in short-term debt last year have come home to roost in that the repayments have bulged during the current year. The redemption of 364-day TBs alone has totalled Rs 15,204 crore during the first half (April-September) of 1995-96, whereas the fresh collections under this instrument have been niggardly (Rs 1,397 crore). There was the redemption of another Rs 5,556 crore in respect of dated securities. Apart from these, there has been the compulsion for the government to issue dated securities in quick succession because of the agreement with the RBI for a ceiling of Rs 9,000 crore on recourse to ad hoc during the year. There have already been eleven issues of dated securities in the first half for a gross subscription of Rs 18,882 – as against 8 issues in the whole of 1994-95 for a gross collection of Rs 16,677 crore.

Since end-July the response to auctions of government paper has improved significantly but it has been mainly because of substantial injection of liquidity due to debt redemptions, particularly those of 182-day TBs, as stated above. For the next six months, the redemption of these bills will not exceed Rs 1,700 crore, of which Rs 1,365 crore will be in the months of October and November.

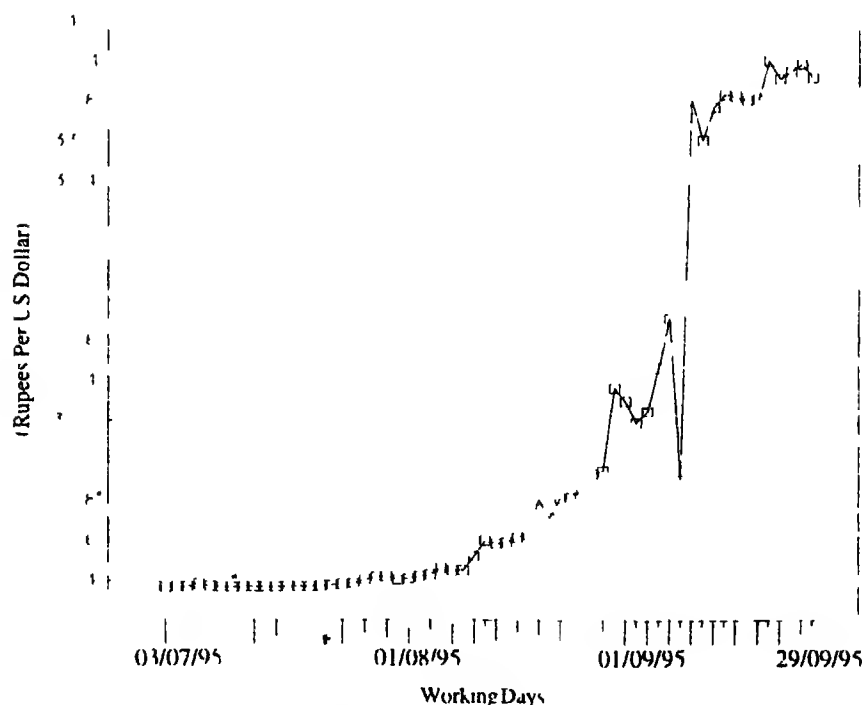
Novel Instruments

The raising of Rs 6,036.94 crore by floating new issues of dated securities during September has also meant the use of novel instruments by the RBI: a 14 per cent, 10-year government stock 2005 for which payments are to be made in four monthly instalments (September 11 to December 11); and a four-year floating rate bond (FRB) 1999 for which the interest

GRAPH A DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL MONEY RATES, AUGUST 1995 AND SEPTEMBER 1995



GRAPH B Spot Quotations for the US Dollar in the Domestic Inter Bank Market



rate for any half year period will be 1.25 per cent over the average of 364 day TBs auctioned during the preceding six calendar months. The FRB, will fetch a floor rate of 13 per cent and for the half-year ending March 1996 the actual rate has worked out to 13.73 per cent.

The security to be paid in instalments was offered on tap without any notified amount but on September 11 it fetched Rs 4,482.63 crore in one single day and the window was closed on the very day the subscribers will pay Rs 1,121 crore each in four instalments.

Reportedly the success of the issue was more on account of some persuasion by the RBI. The paper is likely to be traded in the market only after it becomes fully paid. This was the third issue of the 10-year paper 2005 with the coupon rate of 14 per cent. It was issued three earlier this financial year, and second time on tap basis. In May and June, the government had collected Rs 3,709.66 crore through three issues of this security. Of this amount the market had contributed Rs 3,304.03 while the Reserve Bank absorbed Rs 946.95 crore. This was also the second

time that security-in-instalments was issued by the government, the first being in November 1994. At that time, the government could collect Rs 2,000 crore (bids received for Rs 4,375.50 crore) through an 8-year 11.50 per cent stock. Such securities are offered at a time when the liquidity conditions are not conducive for lump sum collections. They help issuers as well as investors in better funds management but the yield offered will have to discount the prospective money market scenario so as to attract the required subscriptions. Hence the highest rate of 14 per cent offered on this paper. In general, there is no gainsaying that the auctionary system has tended to stimulate market expectations regarding yield rates in all kinds of government paper.

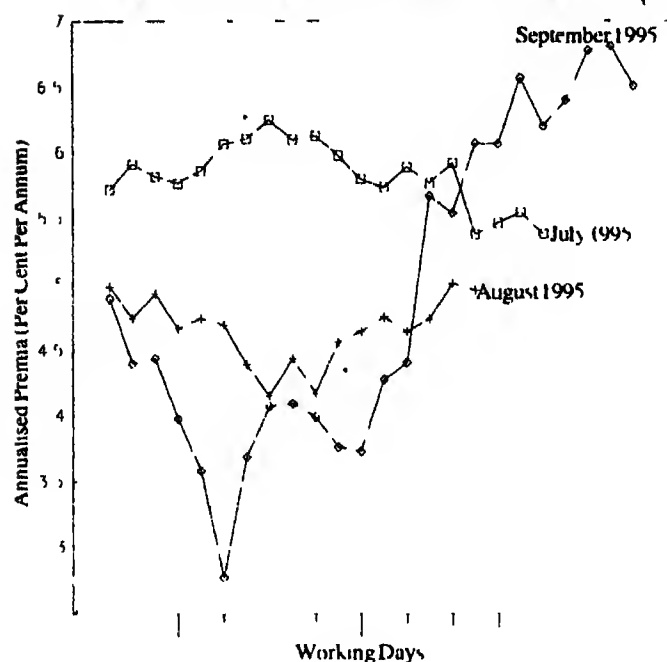
The new issue of 4 year FRB on September 29 the first of its kind fetched Rs 1,544.31 crore. With the yield rate for the first half-year period ending March 1995 fixed at Rs 13.73 per cent the RBI seems to have taken scrupulous care to ensure the relative smoothness of the yield curve in primary issues recent months.

Tenure (Years)	Yield (Per cent per annum)
2	13.50
3	13.65
4	13.73
(FRB)	
5	13.85
(ZCB)	
10	14.00

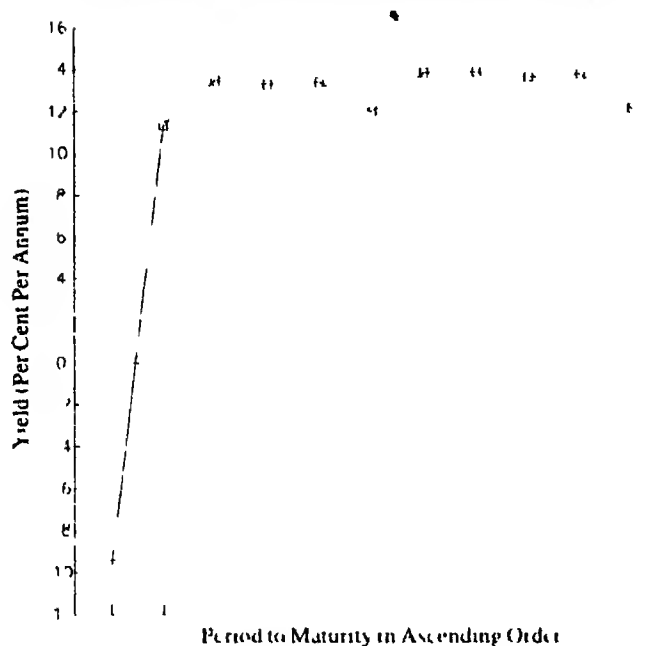
By linking the interest rate on this medium term paper with rate of return on a short-term TB and fixing a floor interest rate of 13 per cent the RBI has made the instrument attractive. Linking the rate of return on the FRB to short-term paper would reduce the possibility of capital losses on these bonds. Additionally, the paper also offers ready forward facility. In a market where the interest rate scenario is uncertain and where the market is not willing to take a definitive view about the interest rates over medium and long term, a floating rate instrument which provides a hedge against the interest rate fluctuations has some preference over any fixed interest bearing paper.

The fixing of 364-day TB rate as the bench-mark rate for the medium-term paper has reopened the question of a 'reference rate' in the Indian money market. The RBI was hoping to actively promote the 364-day TB rate as the reference rate but with the narrow differential between the cut-off yield rates on it and that on 91-day TB, the absence of widespread interest in the 364-day instrument and limited number of bidders in all of its recent auctions, it is a moot point if there is as yet any merit in using this as a benchmark rate. There are also certain uncertainties with regard to the popularity of

GRAPH C ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



GRAPH D YIELD CURVE FOR GOI DATED SECURITIES WEIGHTED AVERAGE FOR THE LAST WEEK ENDED SEPTEMBER 29 1995



he FRB in the secondary market. The uncertainty of the interest rates beyond six months on this instrument is likely to turn it into a six monthly instrument with a rollover facility. In other words, the market is likely to trade in this instrument only for the period that its interest rate is known. While during the year it may not cause much difficulties at the end of the financial year, bankers may find it difficult to properly evaluate this paper.

Treasury Bills

A noticeable development during September was the emergence of states as major subscribers at the 91 day TB auctions and a gradual withdrawal of banks in the auction process. It is reported that the implementation of the Tenth Finance Commission recommendations has resulted in larger central transfers to the states. Of the total Rs 2 500 crore raised through this instrument during

the month, non competitive bidders contributed as much as Rs 2 112.66 crore or 86 per cent, the corresponding amount last year was Rs 362 crore. In fact, the amounts actually bid by non competitive bidders this year was massively high at Rs 5 285 crore in the five auctions (Table 1). The state government along with provident funds were permitted to participate in 91 day TB auctions on August 8 1994. Earlier, the RBI was automatically placing

TABLE 1 AUCTIONS OF 91 DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered No	Face Value (Amount)	Bids Accepted No	Face Value (Amount)	Subscription Devolved on RBI (Amount)	Cut off Price in (Rupees)	Cut off Yield Rate (Per Cent)	Amount Outstanding (Rupees)* Total	With RBI	Outside RBI
1994											
September 02	500	50	665.75	34	480	0.00	98.02	8.02	4100.00	529.00	3571.00
		(1)	(20)	(1)	(20)						
September 08	500	41	701.03	26	480	0.00	98.02	8.02	4350.00	420.00	3930.00
		(1)	(20)	(1)	(20)						
September 16	500	10	18	9	13	477.00	98.94	8.41	4600.00	897.00	3703.00
		(1)	(10)	(1)	(10)						
September 23	300	7	13.75	6	12.75	0.00	97.78	9.08	4650.00	667.00	3988.00
		(1)	(300)	(1)	(287.25)						
September 28	300	16	72	9	48	227.00	97.78	9.08	4700.00	704.00	3996.00
		(1)	(25)	(1)	(25)						
1995											
September 01	500	45	706.85	21	286.2675	0.00	96.96	12.54	6500.00	1771.00	4729.00
		(5)	(1075)	(5)	(213.7325)						
September 08	500	16	179.5	7	47.53	0.00	96.96	12.54	6500.00	1771.00	4729.00
		(6)	(1450)	(6)	(452.47)						
September 15	500	19	107.42	8	29.9225	0.00	96.96	12.54	6500.00	1639.00	4861.00
		(4)	(1000)	(4)	(470.0775)						
September 22	500	13	47.75	4	19.085	0.00	96.93	12.67	6500.00	1285.00	5215.00
		(4)	(830)	(4)	(480.915)						
September 29	500	7	23	2	4.53	0.00	96.93	12.67	6500.00	958.00	5542.00
		(4)	(930)	(4)	(495.47)						

* Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total

@ Outstanding amounts are estimated for all weeks of September 1995

GRAPH E: YIELD CURVE FOR 364 DAY TREASURY BILLS AND DATED GOVT SECURITIES COMBINED - A SINGLE DAY IN THE MONTH WITH MAXIMUM TRANSACTION (SEPTEMBER 21, 1995)

Yield - Per Cent Per Annum

Period to Maturity in Ascending Order

the States surplus funds in the tap TBS fetching 4.6 per cent return. The decision to allow states to profitably deploy their short term funds was a natural corollary to the governments' centralised states - paying market determined rates on their borrowings.

As the month progressed the participation of banks dwindled both in terms of number and volumes. While on auction of September 1, 45 banks bid for total amount of Rs 706.85 crore, the number came down to 16 and Rs 179.5 crore on September 8 to 19 and Rs 107.42 crore on September 15 to 13 and Rs 47.75 crore on September 22 and finally to 7 and Rs 23 crore on September 29 auction. The cut-off yield has remained at a high level of 12.54 per cent in the first three auctions, before rising further to 12.67 per cent for the last two auctions.

In the case of 364 day treasury bills auctions, the response of the banks which continued to be lukewarm during the last few months turned very poor in the second half of the month despite a hike in the yield rate from 12.87 per cent on September 13 to 12.91 per cent on September 27 (Table 2).

Open Market Operations

The monetary instrument of open market operations (OMOs) veered towards being expansionary during September as the RBI purchased securities and injected about Rs 65.4 crore but was able to sell only Rs 0.14 crore worth of securities to the system. The RBI focused on offering long dated securities for sale and given the uncertainty on the interest rate front the market was unwilling to buy those securities. The prices at which the sale offer was made

each time were also not too attractive. As interest rates tended to firm up further, the RBI found it difficult to effectively wield this instrument without simultaneously giving an upward push to the already high level of interest rate structure. Consequently the total turnover at the OMOs was only Rs 65.54 crore as against a higher volume of Rs 430.63 crore during August 1995.

III

New Issues of other Money Market Instruments

With the signs of easy liquidity prevailing since the middle of July following the maturing of large amounts of government and also seasonal return flow of funds into the banking system, the activities relating to the primary issues of PSU bonds, CDs, CPs and such other money market instruments got an impetus. However, the ICD market on which the small and medium-size companies depend the most, has gone into a tail spin with interest rates quoted in the market shooting up from the previous month's level of 22-24 per cent to even 30-34 per cent per annum. The phenomenon

of securitisation of debt is inching forward with one of the companies getting 'A' rating from CRISIL for its Rs 9.60 crore pass through certificate (PTC) - a method of securitising receivables.

PSU Bonds

Partly as a seasonal phenomenon, the month of September witnessed flooding of primary issues by PSUs worth more than Rs 3,300 crore, mostly taxable bonds. Amongst the non-taxable bonds, the Finance Ministry has allowed the Indian Railway Finance Corporation (IRFC) to issue bonds worth Rs 500 at 10.5 per cent tax free. IRFC also tried to place an amount of Rs 293.50 crore which was the balance amount from the 1994-95 budget. The offer received only Rs 60 crore. The Konkan Railway Corporation (KRC) has been permitted to raise Rs 370 crore through tax free bonds.

In the taxable section, SAIL was reported to have entered the market with its Rs 40 crore bond issue. The five-year bond with call and put options after three years offered 16 per cent as interest which was an indication of the improving liquidity situation in the market. The offer initially was Rs 300 crore with a greenshoe option to retain an additional Rs 100 crore. The issue netted Rs 500 crore.

PSUs are apparently now targeting wholesale investors, such as provident funds, for subscription to bond issues. SAIL has been the trendsetter in this area with NHP as a close follower. SAIL offered its 16.2 per cent issue to PFs after its Rs 265 crore issue which it sought to privately place with banks and financial institutions failed, and Indian Overseas Bank is reported to have subscribed an amount of Rs 25 crore for the failed issue. National Hydro Power Corporation (NHPC) offered Rs 125 crore worth of bonds of seven-year maturity for 16.25 per cent.

Nuclear Power Corporation (NPC) was planning to issue Rs 100 crore worth of bonds with six-year maturity and 16.25 per cent interest. The investors will have a call and put option at the end of four years. NPC had raised Rs 200 crore two months ago with a similar issue.

TABLE 2: AUCTIONS OF 364 DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Bids Tendered No	Face Value (Amount)	Bids Accepted No	Face Value (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
1994						
September 14	42	536.07	14	343.07	91.40	9.41
September 28	19	105.20	7	32.00	91.39	9.42
1995						
September 13	24	116.50	4	32.00	88.60	12.87
September 27	13	86.12	5	69.62	88.57	12.91

Meanwhile, the Krishna Bhagya Jala Nigam Limited's (KBJNL) irrigation bond issue of Rs 150 crore could not even net Rs 20 crore. The issue had been rated 'A' by CRISIL on the Karnataka government's backing and was the first tranche of Rs 800 crore. KBJNL intends to raise during the second phase of the project. Mahanagar Telephone Nigam Limited and National Thermal Power Corporation have, however, preferred to wait for the success of this before entering the market.

Amongst banks and financial institutions ICICI will be in the market with its Rs 500 crore non convertible debentures (NCDs) issue on October 15. The NCDs being privately placed are targeted at high networth individuals. ICICI will issue another Rs 500 crore in January. IDBI meanwhile offered a five year on tap issue (OMNI Bond Series II) worth Rs 500 crore at 15.75 per cent. Small Industries Development Bank of India (SIDBI) issued its sixth series of bonds for Rs 150 crore on September 27. These bonds with maturity of 10 years will carry an interest rate of 14 per cent. Dena Bank was also considering private placement of its Rs 55 crore bonds with a few financial institutions. The issue will help Dena Bank achieve capital adequacy ratio of 8 per cent by March 1996.

The Rajasthan State Electricity Board was set to raise Rs 600 crore by September 30 through sale and lease back transactions at an average cost of 10 per cent. SEBs in Madhya Pradesh, Punjab and Andhra Pradesh were also looking at this option with keen interest. It was reported, however, that the government had scoffed at such transactions and had issued a directive to PSUs not to indulge in such deals. Reportedly the RBI was also looking at such transactions with disfavour though it had not issued any directive prohibiting banks from contributing to any such debt instruments.

Debt Securitisation

The phenomenon of debt securitisation has been inching forward. It has touched the Rs 200 crore mark though mostly in securitisation of automobile receivables except two pools securitised by real estate developers. Also apparently only two of the 22 automobile securitised pools comprised truck and light commercial vehicles receivables; the rest all have securitised passenger car finance. A novel development in this area has been the pass through certificates (PTCs) worth Rs 9.60 crore by Alarcity Housing Limited, a housing finance company based in Madras, which was given AA rating by CRISIL. PTCs being issued by Alarcity represent securitised undivided interest in the pool of its identified receivables.

Certificate of Deposits (CDs)

The primary CD market was dominated by the financial institutions (FIs) prominently by IDBI and ICICI, who garnered more than Rs 1,200 crore during the month by offering interest rates of 15.15-15.5 per cent, considerably higher than the rates of 13.5-14.00 per cent offered by banks. The Tourism Finance Corporation of India also offered 15.75 per cent. These have hurt the deposit mobilisation efforts of banks who are crying foul against the absence of level playing field as the banks have to maintain CRR on CDs, whereas the FIs do not have to and hence are able to offer higher rates. In the reversal of earlier trend, banks themselves have been subscribing to CDs issued by FIs as not only do they carry lower risk weightage of only 20 per cent as against 100 per cent in case of corporate lending but also earn more than the prime lending rates. Among the banks, the largest corpus of Rs 1,300 crore worth of CDs is being issued by Union

Bank (P1+ rating from CRISIL) followed by Industrial Bank (Rs 270 crore). The primary CD market also received added boost from cash rich corporates which are diverting their funds from an uncertain ICD market to a more certain CD market.

In regard to the cash rich PSUs continuing to invest in unrated CDs of banks contrary to the norms set by the Bureau of Public Enterprises (BPE), the IBA has requested the RBI and the BPL to scrap those norms themselves.

Commercial Papers (CPs)

During the month, primary CP issues worth Rs 127 crore were planned by 10 companies, the largest issue being Rs 42.5 crore by Lloyds Finance in the interest rate range of 13.50-14.00 per cent. Most of these issues were made during the first three weeks of the month when call rates remained mostly stable. However, as the call rates started soaring during the last week, providing better opportunities, the banks did not participate in the primary market, hence only one CP issue of Rs 3.37 crore was slated during that period.

Inter Corporate Deposits (ICD)

The ICD market for corporates meanwhile saw firming up of rates as payment of advance tax was expected to soak up liquidity. The rates for A rated borrowers which were 17-18 per cent were expected to firm up to 24-30 per cent. Medium size companies were reported to have even borrowed at 30-34 per cent in this market. It is also reported that there have been significant downgrading of ratings for ICDs as well as for PCIDs and FIDs.

In an interesting development, Power Grid Corporation made a proposal to the government to allow it to increase its exposure in ICD market so as to enable it to raise its return on investments. The Union government

TABLE 3 CALL MONEY RATES

(Per cent per annum)

Items	29(RF)	22	September 1995 15(RF)	8	1(RF)	25	August 1995 18(RF)	11	4(RF)
Weekly range	0.25-22.00 (2.00-40.00)	12.50-18.50 (11.00-60.00)	1.00-11.25 (8.00-95.00)	10.50-11.50 (6.00-6.75)	0.50-11.25 (5.00-5.50)	10.50-11.50 (5.50-8.00)	0.25-11.25 (6.00-8.50)	10.25-12.00 (5.75-6.00)	0.25-9.75 (0.00-1.50)
Weekend (Friday)	0.25-0.5	15.75-18.50	1.00-2.00	10.50-11.25	0.50-1.00	10.75-11.25	0.25-3.25	11.00-11.50	0.25-4.00
Weekly weighted average*	na	13.55	10.75	10.95	10.29	10.84	10.47	11.04	7.64
DFHI lending rates (range)	na	12.75-17.25	11.00-11.25	10.85-11.50	0.50-11.25	10.25-11.25	0.50-11.40	10.15-12.00	3.00-9.75

* Weighted average of borrowing rates reported to the RBI by selected banks and DFHI, weights being proportional to amounts borrowed. Figures in parentheses represent weekly range during similar period last year.

TABLE 4 DAILY CALL MONEY RATE QUOTATIONS OF HIGHS AND LOWS: SIMP

STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Five Weeks of the Month	September 1995 Week Ended					All Four Weeks of the Month	August 1995 Week Ended			
		29(RF)	22	15(RF)	8	1(RF)		25	18(RF)	11	4(RF)
Mean	10.68	9.94	14.19	9.51	11.00	8.35	8.99	10.90	8.55	10.93	6.17
Standard Deviation	4.15	5.88	1.79	3.60	0.32	4.02	2.95	0.30	3.62	0.75	2.15
Coefficient of variation (percentage)	38.86	59.17	12.62	37.84	2.91	48.14	32.81	2.93	42.34	6.86	34.86

naturally was not very encouraging given the complex and unsecured nature of the market.

IV Money Market Operations

Call Money Market

Call money rate, enjoying relative stability at moderate levels since July, continued to remain so until the first three weeks of the month but started inching upwards towards the last 10 days; the rates pierced through the 12.5 per cent benchmark on September 20. Until September 15, call rates moved in the range of 10.50-11.50 per cent, except on reporting Fridays, mainly reflecting comfortable liquidity in general and large repo deals worth Rs 3,538 crore in the first three weeks. Of late, banks had been resorting to overnight repo deals, especially on reporting Fridays, to circumvent the CRR obligation. This loophole has been eventually plugged by the latest credit policy announced on September 29.

However, call rates started firming up as money started flowing out of the system in the form of advance tax payments and meeting large corporate lending targets so as to reflect a bloated half-yearly balance sheets of banks as of September 30. That more than expected outflow of tax payments had taken place could be gauged from the very low level of ad hocs at Rs 7,650 crore on September 19. Call rates which touched 13.5 per cent on September 18 scaled higher at 18.5 per cent on September 22 and 22 per cent on September 23, also due to the impending two-day bank employees' strike,

before started subsiding to reach 8.5 per cent on September 28 and 0.5 per cent on the last reporting Friday, i.e. September 29 (Table 3). Hence the last week of the month saw increased volatility in the rates (Table 4). The Reserve Bank was reported to have injected some liquidity into the market; There was, however, no evidence of this in rates. Besides, the RBI deputy governor, S S Tarapore had, categorically stated, at the DFHI Annual General Meeting that unlike last year when the RBI had provided large support to the market, it may not be possible for the RBI this year to provide unlimited support.

Foreign Exchange Market

The most significant development during September was the sudden and sharp fall in the value of the rupee vis-a-vis the US dollar which caught the market as well as the authorities totally unawares. From a stable rate of Rs 31.37 a dollar for about 14 months, the rupee rate was edging downwards in the first week but precipitately fell to Rs 33.75 on September 14 and touched to a low of Rs 35.15 to a dollar on September 15, which took the foreign exchange market into a tail-spin. Subsequently, the market stabilised at about Rs 33.60/33.80 to a dollar and stood depreciated by about 8 per cent. With the sudden scramble on the part of importers to cover their merchandise transactions which they had not done earlier, the forward premia for the US dollar shot up towards the last two weeks of the month (Graph C).

How the newly liberalised open position for banks from next January will help the stability of the exchange rate or whether it

would facilitate the arbitrage facilities between the money market and the foreign exchange market are difficult to predict at this stage. The RBI also announced a procedural change in its buying and selling rates for US dollar. From October 4, the RBI will no put out its US dollar buying and selling rate in the morning but will quote its spot buying rate for US dollar only on specific request from any authorised dealers. One day it did quote Rs 33.50 a US dollar on such a request.

Secondary Market for Government Securities

Following the RBI's directive for the bank to maintain current portfolio at 40 per cent for the year ending March 1996 and the further threat that this was only a transient arrangement as ultimately the entire portfolio will need to be marked to market, there has been increased secondary market activity in government securities, though with continued focus on short-dated securities in the wake of uncertainties on the interest rate front. In September, the transactions in regular securities were slightly more than in the previous month, while those in converted securities were the reverse (Appendix Table). The repo transactions during September at Rs 6,606 crore were phenomenally high, in August they were worth Rs 3,962 crore.

With increased transactions, the prices of government of India securities, which began looking up since July, improved further during September 1995 thus edging down the yield rates. In July last many a paper has enjoyed YTM's of over 14.0 per cent with correspondingly lower prices; in August the

TABLE 5 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING SEPTEMBER 1995

Descriptors	Week Ending September: Amount in Crore of Rupees												Total during September @		
	29			22			15			8					
	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded			
	Buy	Sell		Buy	Sell		Buy	Sell		Buy	Sell				
1 Treasury bills															
i) 91-day bills	36.00	36.00	36.00	-	-	-	20.00	10.00	10.00	28.00	33.00	28.00	128.01	123.01	118.01
ii) 364-day bills	30.00	30.00	30.00	-	-	-	-	-	-	13.00	13.00	13.00	128.00	128.00	118.00
Sub-total: Traded value	66.00	66.00	66.00	-	-	-	20.00	10.00	10.00	41.00	46.00	41.00	256.01	251.01	236.01
2 Dated securities															
A GOI securities															
i) Converted	170.00	140.00	120.00	50.00	60.00	50.00	110.00	105.00	55.00	218.00	213.00	208.50	637.00	607.00	255.50
ii) Regular	14.94	14.94	14.94	50.80	59.32	50.80	24.11	19.11	14.11	21.51	30.26	17.01	125.39	137.66	110.89
iii) Zero coupon	5.00	5.00	5.00	35.05	35.05	35.05	10.00	20.00	10.00	20.00	20.00	20.00	73.05	83.05	73.05
B State govts stocks	-	-	-	-	-	-	0.25	0.25	0.25	2.50	2.50	2.00	6.76	6.76	6.26
Sub-total: Traded value	189.94	159.94	139.94	135.85	154.37	135.85	144.36	144.36	79.36	262.01	265.76	247.51	842.20	834.47	712.70
3 PSU bonds															
i) Tax free	0.58	0.58	0.42	5.50	5.50	5.50	8.60	8.60	5.90	8.90	8.90	8.80	32.02	32.02	29.06
ii) Taxable	2.00	2.00	2.00	2.52	2.52	2.52	1.71	8.01	4.21	2.00	5.50	2.00	16.77	28.57	19.27
Sub-total: Traded value	2.58	2.58	2.42	8.02	8.02	8.02	10.31	16.61	10.11	10.90	14.40	10.18	48.79	60.59	48.33
4 Commercial papers	-	-	-	12.00	10.00	10.00	56.00	56.00	51.00	56.00	53.00	53.00	149.00	139.00	139.00
5 Debentures	-	-	-	-	-	-	-	-	-	1.76	1.76	1.76	1.76	1.76	1.76
6 ID+IB	1.00	1.00	1.00	-	-	-	-	-	-	-	-	-	1.00	1.00	1.00
7 Certificates of Deposits	5.00	5.00	5.00	-	-	-	20.00	20.00	20.00	-	-	-	25.00	25.00	25.00
Grand total (volume)	264.52	234.52	214.36	155.87	172.39	153.87	250.67	241.97	170.47	371.67	380.92	354.07	1323.76	1312.83	1163.80

() No trading ID: Non-SLR Institutional Bonds IB: SLR Institutional Bonds @ Including the week ending 1st September.

APPENDIX TABLE: SECONDARY MONEY MARKET OPERATIONS: RBI'S SGI DATA

(Amount in rupees crore)

Description	Week Ending September 1995												Total for the Month of September 1995		
	29			22			15			8			1		
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
1 Treasury Bills															
A 91 Day Bills															
i) Sept 28 1995							2.00	9.87					2.00	9.57	
ii) Oct 21 1995	2.74	12.90		2.52	13.49		2.00	2.32	96.00	12.43			103.76	12.47	
iii) Oct 14 1995	2.39	13.71											17.99	12.97	
iv) Oct 28 1995	0.25	12.47		37.00	13.55		59.21	12.48	107.54	12.27		99.07	303.07	12.50	
v) Nov 04 1995	25.05	12.96		2.45	12.84		38.55	12.50	115.67	12.38		57.30	278.47	12.43	
vi) Nov 11 1995	22.95	12.89		37.46	12.66		54.05	12.48	20.99	12.30		20.00	172.42	12.54	
vii) Nov 18 1995	10.00	13.29		8.72	12.55				57.00	12.29		9.76	85.48	12.45	
viii) Nov 25 1995	11.20	13.21		1.00	12.96		6.20	12.32	38.14	12.38		36.88	87.47	12.57	
ix) Dec 02 1995							12.00	12.49	4.97	12.45			16.97	12.18	
Sub total (volume)	74.58	13.02		89.15	13.05		168.01	12.45	440.31	12.35		727.96	995.01	12.48	
B 364 Day Bills															
i) Sept 01 1995												19.78	14.84	19.28	14.84
ii) Sept 30 1995				12.00	13.84		12.00	10.46						24.00	12.15
iii) Oct 27 1995												10.00	12.73	10.00	12.73
iv) Aug 02 1996	15.00	13.38		5.00	13.56		16.17	12.92	44.78	12.87		111.00	12.79	191.95	12.89
Sub total (volume)*	15.00	13.38		17.00	13.76		28.17	11.87	44.78	12.87		140.78	13.03	245.23	12.84
2 GOI Dated Securities															
A Converted (Per Cent Year)															
i) 12.00 1995	715.00	9.63	11.87	75.00	1.74	96.00	0.29	265.00	2.91	11.88	122.75	4.70	773.75	1.07	11.88
ii) 12.75 1996	69.26	11.33	12.66	164.00	11.54	15.00	11.30	147.00	11.35	12.66	25.09	11.22	470.35	11.31	11.66
iii) 12.00 1999	20.00	12.00	12.00					45.00	13.36	12.48	28.75	13.38	173.25	13.11	12.34
iv) 13.75 2000											0.0	13.25	0.07	13.75	13.75
v) 11.75 2001	1.77	13.90	12.84					1.00	13.93	7.87			7.77	13.91	12.85
vi) 12.50 2004	0.25	13.93	13.44			0.50	13.68	5.85	13.85	13.39			6.60	13.81	13.38
Sub total (volume)	306.28	3.32	12.06	269.00	8.02	111.50	1.83	463.85	6.76	17.21	175.66	7.03	137.29	4.31	12.18
B Regular (Per Cent Year)															
i) 8.25 1995				52.00	16.63	10.00	7.59	16.00	1.43	8.71	19.50	3.71	97.50	3.68	8.70
ii) 10.50 1996				5.00	12.26	5.00	12.04				37.00	12.20	13.00	1.19	10.6
iii) 10.75 1996				17.50	12.76	10.00	12.66						47.50	12.71	10.97
iv) 12.00 1997				30.00	13.22						1.50	13.04	1.50	13.04	12.70
v) 13.25 1997								13.00	13.23	13.25			13.00	13.33	13.75
vi) 13.50 1997	7.63	13.48	13.50	42.21	13.50	12.00	13.50	24.58	13.44	13.49	5.00	13.45	31.47	13.48	13.50
vii) 13.00 1998	5.00	13.30	13.09					10.00	13.35	13.11			15.00	13.33	13.10
viii) 13.65 1998	4.00	13.44	13.59	13.03	13.65			7.00	13.49	13.60	0.03	13.73	24.06	13.57	13.6
ix) 11.64 2000											0.50	13.51	0.50	13.51	12.46
x) 13.75 2005	2.00	13.70	13.72	3.00	13.69								5.00	13.69	13.77
xi) 14.00 2005				1.01	13.99			1.00	14.00	14.00	0.01	13.57	0.07	13.99	14.00
xii) 14.00 2005(III)	15.36	13.82	13.88	3.32	13.83	1.91	13.83	6.62	13.84	13.88	1.40	13.82	31.71	13.87	13.88
xiii) 11.50 2009	81.16	12.17	12.03										89.16	12.17	12.03
xiv) 12.00 2011								53.50	14.05	13.79			5.50	14.05	13.79
Sub total (volume)	123.15	12.57	12.48	157.07	3.34	11.91	8.13	131.70	12.23	12.95	60.34	9.67	514.77	8.90	11.81
(A+B)*	429.43	1.23	12.18	426.07	6.29	153.41	3.55	595.55	7.97	12.37	236.60	7.71	1811.06	5.61	12.08
C Zero coupon (Per Cent Year)															
i) 0.00 1999				30.74	13.91	15.00	13.86	23.00	13.83	10.78			68.71	13.87	10.77
ii) 0.00 2000				75.80	13.87			77.00	13.84	12.39			152.80	13.86	12.48
D RBI's Open Market Operation (A+B+C+D)	429.43	1.23	12.18	532.61	7.81	168.80	4.46	695.63	8.81	12.37	246.60	7.40	2073.1	6.46	12.00
3 REPO															
i) 91 Day T Bill	4.00			72.00				65.00					70.00	161.00	
ii) 364 Day T Bill				125.35				101.00						227.35	
iii) Govt Securities	2258.75			608.00		1220.70		734.99				1396.00	6718.41		
Sub total (volume)	2262.75			805.38		1220.70		900.99				1416.00	6605.79		
4 State Govt Securities	0.13	13.11	11.74	2.40	13.96	0.10	13.71	2.57	13.55	13.63	4.13	13.78	9.33	13.75	13.79
Grand total (volume)	2781.89			1446.51		1585.78		2084.28				2070.03	9928.49		

(*) Means no trading. YTM = Yield to maturity in percentage per annum. CY = Current yield in percent per annum. * Yield rates of these sub groups of TBS and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields weighted by the amounts of each transaction. 2) Current yield has not been worked out for treasury bill.

peak YTM was about 13.90 per cent and in September generally 13.80 per cent.

Overall, the yield curves for the Government of India dated securities remained generally flat during September (Graphs D and E).

NSF Operations

The NSE operations in debt instruments (Table 5) during September were generally on a reduced scale as compared with the

past few months except for trading in commercial papers (CPs). In conformity with the renewed interest in primary issues of CPs, the secondary transactions of CPs on the screen based NSE totalled Rs 139 crore during a period of five weeks covering September as against Rs 12 crore in August and Rs 84 crore in July (four weeks each). Overall the NSF trading in all debt instruments aggregated Rs 1164 crore in September (five weeks) against Rs 1354

crore in August and Rs 1682 crore in July 1995. The decline has been particularly true of trading in government securities. A distinct aspect of the trading scenario in September was the absence of selling pressure, which is reflected in more of buy orders than sell orders.

[Statistical compilations and graphs for this note have been done by V P Prishant. Paramita Debnath has prepared background notes on private debt instruments and money market rates.]

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Enron Episode: Lessons for Power Policy

Kirit S Parikh

The Enron controversy has raised four questions. How much is high plant availability worth? Why do we offer high rates of return without competitive bidding to control capital costs? Why do we agree to high load factor guarantees? What can we do to prevent such controversies and the associated delays in future?

WHATEVER may be the final outcome of the Enron episode, there are a few lessons to be learnt from it. To do that, however, we need to understand the main issues in the controversy.

THE DEAL

When the government opened up the power sector in 1992 the Enron Corporation of the United States was the first foreign firm to offer to set up a 2025 MW power plant. This was to be at Dabhol in Maharashtra.

The plant was to be set up in a fixed time period, at a fixed cost. It guaranteed a 95 per cent availability. Enron was ready to agree to penalties for delay in construction as well as shortfall in availability. For any delay in supplying power Enron offered to pay \$ 14,000 per day for the first 180 days and \$ 100,000 per day thereafter. For any shortfall in plants performance capacity it will pay a one time charge of \$ 100 per KW. In the then government of Maharashtra, this seemed an attractive offer. Projects in India are seldom completed in time and substantial cost overruns are common. Also the availability of plants leave much to be desired. After extended negotiations, a power purchase agreement was signed between Dabhol Power Corporation (DPC) set up by the Enron Corporation and Maharashtra State Electricity Board (MSEB), the essence of which is as follows:

(i) The DPC will set up the plant in two phases. In the first phase, a 695 MW plant will be set up by 1997. In the first phase, the plant will run on imported distillate (a somewhat clean oil product). In the second phase, the capacity will be expanded to 2025 MW and the fuel will be changed to imported gas. The option to go ahead with the second phase or not rested with the MSEB and had to be exercised by July 1995.

(ii) The MSEB agreed to buy power at 7.5 cents \pm Rs 2.40 per unit in 1997 of which Rs 1.22 was towards capital charge and Rs 0.02 for operating and Rs 1.16 for fuel charges. The price agreement is in \$ terms. The capital charge and the operating charge (a total of Rs 1.24) has to be paid for 86 per cent of the time in a year whether MSEB purchases any power from DPC or not. For

subsequent years, this charge has to be escalated by 4 per cent per year.

The capital charge of Rs 1.22 per unit was arrived at to provide a rate of return that was considered satisfactory on the investment made by DPC. With the agreed price DPC expected to earn an internal rate of return (IRR) on equity of 25 per cent net of tax and 30 per cent before tax in dollar terms.

Guidelines subsequently issued on January 18, 1993 by the central government suggested a rate of return of 16 per cent on equity for a plant availability of 68.5 per cent and a bonus of 0.7 percentage point for every one percentage point increase in availability. Thus the 95 per cent availability of DPC's plant would get $16 + 0.7(95 - 68.5) = 34.5$ per cent return. The 30 per cent IRR hoped for by DPC is below this norm.

MAIN ISSUES

I had raised two main objections against this proposal. First, agreeing to a capital charge based on a rate of return without any control over total plant cost provides all incentives to overstate the capital cost of the plant (gold-plating). I also felt that the capital cost of the DPC plant was some 20 per cent too high. The second point is somewhat complex. While there was no compulsion on MSEB to buy power from DPC, the fact that capacity charges had to be paid 86 per cent of the time meant that if MSEB did not buy power for that much time the unit cost of power actually purchased would go up. Thus, suppose MSEB bought power only for 60 per cent of the time. Then the effective capital and operating charge would be Rs 1.78 ($= 1.24 \times 86/60$). To this we have to add Rs 1.16 as fuel charge. Thus the cost of power would be Rs 2.94 per KWhr. If on the other hand MSEB bought power to ensure a load factor of 86 per cent, its cost of power would be Rs 2.40 per KWhr. However, providing such a high load factor to DPC would imply that during off peak hours (at night) MSEB would be purchasing power at Rs 2.40 from DPC when it could be generating it from its own coal based plants at a marginal cost of 60 paise per unit. This would mean that MSEB would incur some Rs 180 to 270 crore per year of avoidable cost.

SOME MINOR ISSUES

A number of other objections have also been raised against the deal. These include counter guarantee given by the central government, fuel management fee, imported fuel, dollar payment, no condition for local content and environmental problems.

The counter guarantee given to Enron provides that if the MSEB cannot pay its bill to Enron, the government of India will do it and recover the money from the government of Maharashtra. This is reasonable as Enron can sell electricity only to MSEB and MSEB's finances are subject to the political influence of the state government.

The fuel price is to be approved by the MSEB and as long as MSEB is made to do this transparently there is no problem. The fuel purchase agreement provides for recovery of excess fuel charges if it is shown within 45 days that it could have been obtained at a cheaper delivered-in-time cost. This is fair.

A fuel management fee of \$ 2.5 million per year is payable to Enron. Compared to the fuel bill, it is a small amount. Some of it is justified and in any case it all comes to 1.5 paise per KWhr. It is the price of only marginal and secondary consequence.

The dependence on an imported fuel has also troubled many people, particularly that on imported liquefied natural gas (LNG). What will happen if the fuel supply is cut off? First of all, we depend on imported oil for more than half of our consumption. We will have to import fuels. So if you import some gas, that should be no additional problem. Secondly, the power plant is a dual fuel one, so if LNG supply is shut off by one supplier, we can import oil products from others and run it. Thus, as long as our exports grow and we are able to pay for imported fuel, importing fuel is not a problem.

TABLE I

(1) Date of commissioning			months
after the date of agreement			
(2) Penalty for shortfall in plant availability			
(a) for < 10 per cent 150 per cent of value of unmet energy demand			
(b) for > 10 per cent 300 per cent of the value of unmet energy demand			
Plant availability (per cent)	Load factor (per cent)	Price per KWhr	
95	60		
	70		
	80		
	90		
80	50		
	60		
	70		
	80		
70	50		
	60		
	70		

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Further details and application forms can be obtained personally or by sending self-addressed stamped Rs. 5/- envelope (25.5 cms X 20.5 cms) to Assistant Director (Doctoral Fellowships) Indian Council of Social Science Research, 35 Ferozeshah Road New Delhi 110001

Bluebird

Many people are concerned that the agreement fixes the price in dollar and thus MSEB bears the exchange risk. Exchange risk is unavoidable and perhaps least expensive if we bear it. The most likely cause for depreciation of the rupee is if our domestic inflation is higher than our trading partners' inflation rates. In such a case even domestic fuel will cost more. And if we had built the plant ourselves using funds borrowed from international markets, we would have to pay back in dollars and would have to bear the exchange risk too. If DPC is asked to bear the exchange risk, it will factor in more than adequate margin in the price, and provide more than enough of a margin. The price will be much higher as it would be conservative. All one can ask DPC fairly is for rupee-price for that portion of its costs which reflect the rupee loan obtained from IDBI. Yet another point is that over the next 20 years, one should expect the Indian rupee to appreciate (as has happened in most fast-growing countries, Germany, Japan, Singapore, Taiwan, etc).

Finally, some have argued that we should have insisted that DPC buys its equipment from Indian manufacturers, e.g. BHEL. This is quite unreasonable. We can't expect DPC to adhere to a fixed cost and fixed time-table and tie down its hands. It must have the freedom to discharge its obligations. If we want to ensure self-reliance, we should see that BHEL has the technical and financial resources to compete on equal footing with others.

Self-respect does come by self-confidence to face competition. We must see that our firms, both public and private are equal to the best in the world. This would not happen by protecting them but only by exposing them, albeit in an open, transparent and a level playing field, to international competition.

If the country is serious about swadeshi and self-reliance, we need to take some difficult decisions. The need for foreign investment for the power sector arises because our SEBs do not have the financial resources to invest. Their financial sickness is the outcome of their pricing policies dictated by politics. They must reform prices. This means removing subsidy for agricultural and domestic consumers. As I had pointed out in 1993 while opposing the Enron deal, a 20 paise increase in price per unit can earn Rs 600 crore per year for MSEB. When leveraged in the market, it becomes Rs 2,500 crore every year, enough to finance the first phase of the Dabhol project every year. Without such price reforms, talk of self-reliance would remain just that. In the enthusiasm for swadeshi, one should not forget that our national corporations can be equally predatory given half a chance. The answer does not lie in swadeshi but in competition and transparency. If we have these, even MNCs won't be able to take us for a ride. If we don't, our own public and private sectors will fleece us.

Finally, concern about the environmental problems of the Dabhol plant have also been voiced. We should recognise that a gas based plant is the cleanest plant available, except perhaps a nuclear plant which has other problems. Some of our environmentalists seem to oppose everything. Hydel is bad as it submerges land, coal and oil are dirty, nuclear is dangerous and gas is dirty too. What is the alternative? I think, we need a macro-perspective. We need power. We can minimise the need but even then we will have to build some plants and accept some environmental consequences. We can try to minimise them but cannot eliminate them. Thus, I find objections on environmental grounds not very persuasive.

Thus, when we recognise that we need foreign private power as we do not have sufficient financial resources to put up all the plants we need, some of the issues raised above become peripheral. The main issues remain those of guaranteed return without a control on capital cost and of a high load factor guarantee.

MAIN LESSONS

What lessons can we learn from this controversy? The controversy raises four questions. How much worth is high plant availability? Why do we offer high rates of return without competitive bidding to control capital cost? Why do we agree to high load factor guarantees? What can we do to prevent such controversies and the associated delays in the future?

Higher availability of plants is useful as it helps meet demand with greater certainty. But, the high rate of return particularly the bonus of 0.7 percentage points for every one percentage point availability above 68.5 per cent offered by the ministry of power is ill-conceived. One can calculate the economic worth of higher availability. For example 11 plants of 200 MW each, with an availability of 68.5 per cent, provide the same degree of certainty in meeting demand as provided by one 2000 MW plant with 95 per cent availability. Thus 95 per cent availability is worth 10 per cent in capital cost and one can justify a 10 per cent higher rate of capital charge. Instead, the central government's formulae provides 18.5 per cent additional return! So the first lesson is to change that formulae to a more realistic figure of around 0.35 percentage point bonus instead of 0.7 percentage point.

If we are to assure a rate of return then we must make sure that the plant cost is minimised. Competitive and transparent bidding is a *sine qua non* of minimising costs of plants. Without open competitive bidding, the case by case approach can easily degenerate into a 'suitcase by suitcase' approach, the costs involved have to be eventually borne by the people of the country. Only with competitive bidding we get the benefit of competition and can provide a level playing field to both domestic and foreign entrepreneurs. Sometimes, it is argued that in order to invite competitive bids, we need to prepare detailed project proposals and we do not have adequate project proposals. If we had detailed project proposals, it would be useful but I do not think we need to have project proposals in order to introduce competition in this area. We can in fact invite bids only for the terms and conditions of power purchase agreements and leave the choice of fuel, plant, etc. to the entrepreneur.

It is possible to invite competitive bids for power purchase agreements. A simple way would be to invite bids for supply of power. One may say that 'we offer site A for setting up a power plant of say 2000 MW; the site would be handed over one month after the agreement is signed. Please fill out the form given'. The form may be as shown in Table 1.

Of course, other conditions and clauses on performance, shortfalls, enforceability, etc. have to be and can be built in such a scheme. In this scheme, the SEB need not get involved in questions of plant costs, internal rate of return, fuel cost, network costs, etc.

Thus the second lesson is to change the mind-set and think in terms of competitive bids for power purchase and not necessarily for power plants.

Why did the MSEB, one of the most competent and technically sophisticated SEBs in the country, agree to what amounts to a high load factor guarantee? I think, the explanation lies in the question that was perhaps posed to MSEB engineers. Perhaps they were asked 'Could you absorb the Dabhol plant power without backing down our own plants?' But had MSEB been a private profit-oriented agency, the question would have been, 'What is the least cost with which we can meet the demand and under the optimal generation plan, what is the load factor for the Dabhol plant?' This would

TABLE 2: COST OF ELECTRICITY FROM A COAL BASED PLANT IN RS /KWHr (NET)
(ADJUSTED FOR 1997)

Load Factor	Capacity Charge	O and M Charge	Fuel Charge	Total
0.60	1.41	0.20	0.60	2.21
0.70	1.21	0.17	0.60	1.98
0.80	1.06	0.15	0.60	1.81
0.90	0.95	0.13	0.60	1.68

Assumptions: Capital cost Rs 4.4 crore/MW net.
Rate of Return 16 per cent on total capital.

have shown the true cost of Dabhol power and MSFB may have thought twice before agreeing to the deal. So the third lesson is make MSFB (and other SFRs) autonomous profit oriented non political entities.

While competition and transparency have to be encouraged one must recognise that even competitive bidding can be rigged. To guard against such bidding we must do our homework well. Only then can we negotiate better deals.

What is a reasonable price of electricity? To answer this we need to appreciate two things. First the demand for electricity varies from hour to hour and thus during hours of peak demand generating capacity is usually in critical supply. Second different types of plants have different costs of capacity and of generation. Thus a hydel plant may cost more but has virtually no generating cost. A nuclear plant has a very high capital cost but a very low operating cost. A coal based plant has a capital cost that is lower but an operating cost that is higher. An oil-based plant has the lowest capital cost but the highest operating cost.

Naturally one would have to strike a balance of how many hours each type of plant is operated. One should decide this in a way that will minimise the cost of meeting demand. Some plants are more suited for meeting peak demands and others for meeting base load. Thus one has to compare the cost of meeting energy needs for different periods of time. For a plant which is to run only four hours a day we may prefer say a gas based plant as it has a low capital cost but if we need a plant to run round the clock a nuclear plant may be preferable as its operating cost is very low. We should therefore compare the cost of running Enron plant at different load factors with an alternative source of supply.

We should first understand what is our alternative. Forgetting for the moment the environmental differences of different types of plants and the problem of raising tin mines we can consider a coal based plant as an alternative. As per the parliamentary committee report on a comparable basis a coal based plant should cost between Rs 4 crore and Rs 4.7 crore per MW. Let us take Rs 4.4 crore as cost per MW net (ie, excluding the plant's own electricity consumption). Based on the bid received for Chandrapur extension I had earlier estimated the capital cost on a comparable basis to be Rs 4.20 crore/MW net for a coal based plant.

Now if we provide a very generous return of 16 per cent on total capital we can work out how much electricity will cost us. The price of coal was Rs 550/tonne in 1994. With an escalation of 10 per cent per year in it and taking the norm of 0.75 kg/KWhr we can work out the cost of generation to be 60 paise per KWhr sent out of the power plant. To this we should add operation and maintenance cost which with escalation, would be 20

paise per KWhr at 60 per cent load factor. The cost of electricity is shown in Table 2.

One should note that by and large the assumptions are generous and the cost estimate should be an upper bound. We should ask Enron to match this. In doing so however, we should recognise that the availability of a coal based plant is only about 70 per cent and that of Enron's plant is 95 per cent and that coal is environmentally dirty with lots of emissions of suspended particulate matter and problems of fly ash disposal. We can give a higher price for cleaner plants. High availability of plants is useful as it helps meet demand with greater certainty.

Finally such controversies can be avoided by permitting the private plant operators to sell power directly to consumers. Then the government does not have to come in at all and the politicians and bureaucrats are kept

out. There is no need to sign a power purchase agreement. Competition will ensure efficient operations. Of course the private plant operators would want to supply power to the most paying customers: the industries. SEBs would be left with the responsibility of providing power to farmers, household and other not very profitable customers. This can be taken care of by imposing a surcharge on every unit sold to industry by the private plant operator equivalent to the cross subsidy provided to SFRs to their poor consumers. This surcharge can be handed over to the SEBs to meet their social obligation of supplying power to poor consumers. Thus the fourth lesson is more complete privatisation of generation and distribution.

Thus the main lesson from the Enron controversy is we need more privatisation and not less.

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Gaslitand Disaster: Accident or Murder?

A K Roy

Three distinct crimes on the part of the mines management can be identified in the Gaslitand mine disaster: the failure to prevent the waters of the river, swollen by unseasonal rains, from flowing into the mines, that to take expeditious action to rescue the trapped miners and, finally, the slow pace of dewatering of the mines which has extinguished all hope of any survivors among the trapped miners – those fortuitously saved by air-pockets – being rescued. These failures, in their totality reflect the management's long-practised callousness towards miners' lives and well-being

ONE unseasonal rain on an evening, even if enough to cause a flood in Dhanbad or to drown some mines, should not be enough to explain the deaths of so many miners in the collieries. So there is a search for an answer. According to the official figures, 64 miners are buried under water in the Gaslitand colliery. In addition, four workers died in Kairas Choutudih colliery, three in Beia, two in South Govindpur and one in Nitehitpur colliery. They all belong to Bharat Coking Coal having 1.56 lakh workers (1 lakh in underground mines) producing 27 million tons of coal through its 92 collieries. Floods have always affected life overground, as in north Bihar and Bengal, but the mines underground used to remain untouched. Even the flood of 1978 which endangered the dams of the Damodar Valley Corporation and inundated railway tracks left the collieries undisturbed. What has made the difference between 1978 and 1995 so that a single evening's downpour on September 28 could take such a terrible toll in terms of life and property?

Whatever the explanation, the dimensions of the disaster indicate gravity of the menace. With the court of enquiry already announced, many revealing facts are expected to come to light. But even without such an erudite exercise, certain things are so evident that a verdict can be pronounced even now with reasonable confidence in its correctness. The rain water did one good thing. It removed the cover that hid one big weakness – that is, the officers in the nationalised collieries do not work, a charge wrongly levelled against the workers. The deaths clear everything. Every accident contains elements of human error. But when such error exceeds a limit and that too without any explanation, it becomes a crime. So the question that raises its head is whether the Gaslitand disaster was avoidable and, what is more, whether it was an accident or a murder as many have claimed.

Before going into the special features of the Gaslitand incident some general aspects of safety in mines deserve mention. There always exist some hazards in working in mines. So the stringent Mines Act was framed and an organisation named Director General of Mines Safety (DGMS) was founded by the ministry of labour to monitor its enforcement. The DGMS has wide powers

under sections 22 and 22A of the Mines Act and conducts periodic inspections. Such inspections numbered 9,653 in 1990, 9,941 in 1991, 9,974 in 1992 and 9,900 in 1993. The number of inspections is not enough to enforce foolproof safety measures, though. In addition, seminars are conducted and safety weeks are observed in the collieries. A meeting of the CIL Safety Board on June 22, 1992 took many lofty decisions. But all of them remained on paper and the meeting was reduced to a typical officers' fair.

The nationalised coal industry employed 7,82,930 persons (of whom Coal India 6,67,704) and produced 236 million tons compared to 78 million tons in 1973. There is a claim that since nationalisation accidents have been fewer and fatalities have decreased from 2.73 per million tonnes of coal produced in 1973 to 0.69 in 1993. In the advanced countries, like US, UK and Germany, the figure is less than 0.1. Even then the figures are deceptive, showing an erratic pattern. Increase in production since nationalisation is mostly due to open cast mines (80 per cent) where there is the least chance of accidents. In absolute figures, 149 persons lost their lives in the CIL mines in 1992, compared to 120 in 1991, 130 in 1990, 140 in 1987 and 157 in 1983. The ups and downs in the curve indicate the wild play of unknown factors in the matter of safety. The fact is that the expectation that nationalisation would save the mines and miners by eliminating slaughter-mining, ensuring sand-stowing, fighting underground fires, etc., was belied. After nationalisation the independent authority of the DGMS was undermined and the organisation began to be seen as an appendage of CIL – and the position was further downgraded after the DGMS was caught by the CBI taking a bribe.

Against this black background, Gaslitand has added a new dimension – that of naked corruption and criminal negligence not by any single individual but by the entire management, from the chairman and director down to the assistant manager who is supposed to be present in the pit on eight-hour duty in the evening shift. The danger in the mines may come from all the three states of matter – solid, liquid and gaseous – in the form of roof failure, inundation and

fire, requiring comprehensive safety provisions. The Gaslitand episode has added a fourth source of danger – morality and work ethics. One could understand the accident in the Kessegirah colliery (1975) of BCCI or the Taping colliery (1957) of CCI due to sudden roof collapse which led to the development of different methods of support and stitching. The accident in the Chasnala colliery killing 375 workers in 1975 occurred as the barrier separating accumulated water burst due to faulty map. This led to a thorough checking of old underground maps and the actual thickness of the barriers separating water levels by using bore holes and other techniques. Accidents are also caused by methane gas and carbon monoxide catching fire and poisoning miners as happened in the Sudamdih mine (BCCI) in 1975 killing 48 persons and more recently in the New Kendra colliery (ICL) killing 55 persons in January 1994. This led to the fabrication of various sophisticated instruments to indicate the presence and concentration of combustible and killer gases in the mines. But in Gaslitand nothing of the sort happened in the mine. Things happened outside and people died inside as those who were to stand in between and check the effect were absent from the work place. Is there any instrument manufactured anywhere which fosters a minimum sense of duty?

By this time many aspects of the Gaslitand colliery disaster have come to light. After visiting the spot almost everyone, cutting across political lines, was shocked. There was no element of surprise or suddenness in the episode. Nothing was beyond knowledge or anticipation. The Gaslitand mine is situated by the side of Katri river in Dhanbad district, 12 km away from the town where 92 miners were working in special seam No. 10 of pit No. 6 at a depth of 540 ft in the second shift of September 26. It had been raining heavily from 5 pm to 11 pm and 331 mm of rainfall had been registered which was highly unusual. Even with much less rainfall the usual practice is to lift the workers out specially from the river side mines. Why was this not done? To prevent the waters of the Katri river from entering the mines a dam had been constructed and a watchman was posted there – which means such possibilities had been anticipated. The dam was constructed with substandard materials and there was none to report when the dam was breached at about 10.30 pm and water started rushing into the mine through the mouth of number 4 pit and inundating all the pits. Just before this 28 miners came out of the mine and were thus saved while the rest remained trapped. Even then nothing happened in a flash as in Chasnala. The water level was gradually rising flooding the inside of the mine and the desperate miners sent signals from the bottom by ringing the bell asking for the lift to come out. The bell went on ringing for an hour till 2.30 am, indicating signs of life till then, but there was none to listen at the top and to act on that. After that

the bell faded away suggesting the end of everything. Was it an accident or a murder?

The explanation is being given that the boiler became cold as there was no cover or shade over it (why not?) and the steam pressure was inadequate to operate the lift. But the rain was continuing from 5 pm, why was there no vigil to ensure that the boiler did not become cold? Moreover, bringing a boiler to the normal position of raising steam does not take more than 45 minutes, and here more than four hours time had been available. A shift consists not only of the workers but the supervisors and officers, including the assistant manager, manager and engineers. Why were they not beside the trapped miners? Where were the general manager, the directors and the chairman for whom it would have taken hardly half an hour to reach the spot from their bungalows. There is a deep rooted feeling among the workers that had any big boss been trapped inside the boiler would have been ready within half an hour and the lift would have been operated. Everyone from the chairman to the general manager would have remained present at the pit mouth to direct the safety operations and bag the president's award.

The Gasitand episode, whether an accident or a murder, would go down as the darkest spot in mining history. A heinous crime was perpetrated, maybe unintentionally, but the outcome of a long practised callous attitude towards miners' lives. It is as if the miners are not human beings and their deaths do not matter except in the form of payment of a pittry compensation. So the crimes continue and the unrepentant officers' association has been issuing provocative statements to prevent any punitive action against those guilty of gross dereliction of duty, presumably with the blessings of the top management. The first crime of negligence was compounded by that of delaying the rescue operation. It took more than 77 hours to stop the flow of the Katri river into the mines, something which could have been done within the 24 hours by mobilising the BCCL's huge fleet of earth-moving machines. The third and worst crime is being committed in the form of the slow rate of dewatering, with the water level being lowered by no more than 3 ft per day. In other words, with the depth of water in the mine being more than 300 ft, it would take more than 100 days. In the process, extinguishing all hope of some of the trapped miners — those saved by air pockets — being rescued. In the Burra Dhemo colliery in September 1956, 11 workers were rescued after 19 days due to the presence of air pockets. In the sprawling Gasitand mine there are expected to be many air pockets.

It is difficult to guess the effect, both moral and material, of the Gasitand disaster on BCCL. Stature BCCL had been losing money at the rate of Rs 1 crore per day even before Gasitand. Already a section of the top officers have been spreading the word that BCCL could not survive and so should be closed or privatised. With this attitude the officers

have failed to give the leadership in every crisis, whether in Dugdha (August 21) or Gasitand (September 26). Another section of officers had been advocating reckless use of Article 28 of the Standing Orders which gives arbitrary powers to dismiss workers without any enquiry with a view to teaching duty and discipline to the workers by terror.

But now when Gasitand has shown who are dutiful and disciplined and who are not, there should be a new start, resurrecting the good old 'halt panis culture' of the collieries with the workers and officers believing in one another and in the future of BCCL, moving hand in hand in a new spirit of solidarity, washing away the dead past.

Dalit Women Talk Differently

Gopal Guru

The independent and autonomous organisation of dalit women has the potential to counter dalit patriarchy from within and state-sponsored globalisation from without

OVER the last several decades women's issues have become a part of global public agenda. While it is due to their ceaseless struggles that women have acquired visibility at the global level, women's assertion assumes particular expression by operating on a particular terrain shaped by forces of a particular country. The scenario of the women's movement in India, particularly in the context of the Beijing conference, is characterised by simultaneous mobilisation of women by different autonomous feminist groups and by groups affiliated to formal political formations. In a situation where the organisation of politics around difference has become a major feature of feminist politics, the organisation of dalit women around the notion of difference is bound to be a logical outcome. An independent and autonomous assertion of dalit women's identity found its first expression in the formation of National Federation of Dalit Women (NFDW) at Delhi on August 11.

In order to understand the dalit women's need to talk differently, it is necessary to delineate both the internal and external factors that have bearing on this phenomenon. Some women activists apprehend that contingent factors like the upcoming Beijing conference were responsible for the national level meet at Delhi. It may be true that the all India mobilisation of dalit women, which is a culmination of such conferences previously held at Bangalore, Delhi and Pune during the last couple of years, was visualised by the dalit women activists keeping in view the representation of dalit women to Beijing conference. However, the issue of representing dalit women, both at the level of theory and politics, has erupted time and again in the discourse on dalit women. Dalit women justify the case for talking differently on the basis of external factors (non-dalit forces homogenising the issue of dalit women) and internal factors (the patriarchal domination within the dalits).

Social location which determines the perception of reality is a major factor (as we shall see in the context of argument made by dalit women) make the representation of dalit women's issues by non-dalit women

less valid and less authentic. But this claim of dalit women activists does not mean a celebration of plural practices of feminism. However, there are feminists who seek to understand the need to talk differently, keeping in mind certain external factors. For example, Gail Omvedt would link the dalit need to talk differently to a wither left force to the betrayal of the promises given to the dalits by the latter. Rajni Kothari shares the same opinion but rather differently. He says,

With the erosion of institutions, the unsettled controversies over public policies, and the growing uncertainty over ideological issues, as well as the decline of democratic functioning of the political process, faith in the capacity of the modern nation state to provide a framework of both order and equity has declined, and so too the reliance on mainstream governmental and party political process. The result has been the rise of a series of movements as distinct from the earlier gains of more specific economic movements such as trade union or co-operative movements. Kothari calls the phenomenon of 'talking differently' a discourse of descent.

But focusing on certain external factors does not provide access to the complex reality of dalit women. For example, the question of rape cannot be grasped merely in terms of class, criminality or as a psychological aberration or an illustration of male violence. The caste factor also has to be taken into account which makes sexual violence against dalit or tribal women much more severe in terms of intensity and magnitude. This differential experience was expressed by dalit women activists at the Delhi meet and also previously at a conclave organised by Satyashodhak Mahila Aghadi in Maharashtra. However, these activists lament that the caste factor does not get adequate recognition in the analysis done by non-dalit, middle-class, urbanised women activists.

Dalit women did appreciate feminist radicalism in the early phase of new peasant movements in Maharashtra. Yet, they did not approve of the ultimate subordination of the dalit voice to the dominant voice of the Shetkari Sanghatana in Maharashtra and the

Rayat Sangha in Karnataka They questioned the populism of these peasant movements, who, representing the interests of rich farmers, entered into direct contradiction with the interests of dalit agricultural labourers over the issue of minimum wages.

Secondly dalit women would not make common cause with the 'moral economy' advocated by the Shetkari Sanghatana and its feminist supporters. They are of the opinion that the moral economy of the Sanghatana offered no solution to their poverty, instead it sought to naturalise their poor living conditions. Dalit women are also not well disposed to the eco feminist call for development of environmental consciousness. In fact dalit men and women from Kannad taluka of Auringabad district uprooted saplings planted by the social forestry department. Now some environmentalists might remark that these dalit women lack ecological understanding. But the fact of the matter is that these dalits have been denied legitimate piece of land from the ceiling land which the village landlords still control. Further the dalits do not have equal access to common property resources of the village. In fact the experience of gram panchayats in Uttar Pradesh shows that an egalitarian distribution of landholding is a precondition for tension free management of forest resources.

Thirdly the claim for women's solidarity at both national and global levels subsumes contradictions that exist between high caste and dalit women. The latent manifestations of these contradictions involve subtle forms of caste discrimination as practised by upper caste/upper class women against dalit women in the urban areas and resorting to slander of dalit women in rural areas. The contradictions also take a violent form as when the Shiv Sena women attacked dalit women in Sawali village of Chandrapur district in 1988. Thus beneath the call for women's solidarity the identity of the dalit woman as dalit gets whitewashed and allows a non-dalit woman to speak on her behalf. It is against this background that dalit women have of late protested against their guest appearances in a text or a speech of a non-dalit woman and instead organised on their own terms. They consider the feminist theory developed by non-dalit women as unauthentic since it does not capture their reality. This comprehension gets clearly reflected in the 12 point agenda adopted by the NFDW and several papers presented by the dalit women at the Maharashtra Dalit Women's Conference held in Pune in May 1995. Dalit women define the concept of dalit strictly in caste terms, relating the claim of upper caste women to dalithood. Dalit women activists quote Phule and Ambedkar to invalidate the attempt of a non-dalit woman to don dalit identity.

DALIT PATRIARCHY

Besides these external factors, there are certain internal factors that have prompted

dalit women to organise separately vis-a-vis the dalit men. In the post-Ambedkar period, dalit leaders have always subordinated, and at times suppressed, an independent political expression of dalit women. This political marginalisation has been openly condemned by dalit women at the regional conferences of dalit women and at the Delhi meet.

It is not only in the political arena that dalit women face exclusion. In the cultural field for instance dalit women have criticised their male counterparts for dominating the literary scene. Dalit male writers do not take serious note of the literary output of dalit women and tend to be dismissive of it. Dalit women rightly question why they are not considered for the top positions in dalit literary conferences and institutions. This dissent brings to fore three things: (1) It is not only caste and class identity but also one's gender positioning that decides the validity of an event. (2) dalit men are reproducing the same mechanisms against their women which their high caste adversaries had used to dominate them. (3) the experience of dalit women shows that local resistance within the dalits is important. The whole situation compels us to defend the claim of dalit women to talk differently.

Firstly defended independent assertion of dalit women should not be viewed by dalit men as divisive. Instead, it ought to be seen as carrying positive emancipatory potential. It can lead to a meaningful engagement of their creative energies. Secondly, the autonomous mobilisation of dalit women can also be understood from an epistemological standpoint. This perspective maintains that the less powerful members of a society have a more encompassing view of social reality than others because their disadvantaged position grants them a certain epistemic privilege over others. It has to be noted that though there are some non-dalit women activists sensitive to the caste dimensions of women's exploitation, their stand has remained ambivalent regarding the critique of caste.

Dalit women claim to talk differently assumes certain positions. It assumes that the social location of the speaker will be more or less stable, therefore talking differently can be treated as genuinely representative. This makes the claim of dalit woman to speak on behalf of dalit women automatically void. In doing so, the phenomenon of talking differently foregrounds the identity of dalit women.

Though it is difficult at this stage to make any definitive comments on the dalit women's movement, one can question the validity of the above assumptions. There is a notable shift taking place in the location of dalit women. Dalit women from Maharashtra are better educated and employed than their counterparts from Karnataka. And it would be the former who would represent dalit women at Beijing. Thus here too a certain section of dalit women will be rendered anonymous. That is why the second point in the agenda of NFDW mentions the need to associate with grass roots dalit women. Further for challenging male dominance in politics, dalit women are dependent on the state to create a space for them. This exposes them to the danger of co-option as was the case with their male counterparts. Nevertheless the process of empowerment of dalit women makes the terrain of nation state more contested.

Also the Indian state is keen on projecting itself as well intentioned on gender issues and has sponsored the delegation of Indian women to Beijing. The state by incorporating women's movement within the jurisdiction of its apparatus intends to domesticate the movement. Hence the crucial question which arises with regard to the NFDW is whether it will succeed in evading the trap of domestication. On the basis of available evidence it is possible to argue that dalit women can challenge the state and state-mediated dalit patriarchy. This was proved when dalit women of Bodhi Gaya in Bihar who opposed the state's decision to hand over land in the names of dalit men since

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it would further marginalise them. Dalit women under the Bahujan Mihila Aghadi and Shetmajhi Shetkari Shramik Aghadi in Maharashtra oppose the process of globalisation incidentally, the newly formed NFD women also has made clear its intention to fight the Indian state's new economic policy of privatisation and globalisation.

Dalit women particularly at the grassroots level in Maharashtra are exhibiting a spontaneous and strong solidarity across caste

and region against the violence let loose by the Hinduva forces. Dalit women are participating in the ongoing struggle regarding pasture land. In this context, the anti-Hindutva campaign organised by Women's Voice of Bangalore, which is a major component of NFDW deserves mention. Thus, dalit women's perception while critical of the homogenisation of a dominant discourse, does not make a fetish of its own reality, and therefore, prevents the ghettoisation of dalithood.

LDF's Repeat Performance

Kerala's Local Body Elections

M R Biju

In spite of its pro backward class stance on the issue of reservations, the UDF failed to win majority of local bodies due to infighting and emergence of divisions within the state's Muslim constituency.

The electoral politics in Kerala has always been a topic of special interest for political scientists all over the globe. This is the fifth time since independence that polls to the local bodies in Kerala have been held. The first poll was in 1953 under the provisions of the then Travancore Cochin Panchayat Act, 1950. The second election was held in 1964 after the formation of the state in 1956 and the passing of Kerala Panchayat Act, 1960. The third time the people of Kerala exercised their franchise was after a long break of 16 years in 1979. The fourth election to the local bodies was held in 1988.

The year 1994 witnessed the passing of two historic legislations for revamping the panchayats and municipalities in the state, following the footsteps of the 73rd and the 74th constitutional amendment acts passed by the centre. The Kerala Panchayati Raj Act, 1994 officially came into force on April 30, 1994 while the Kerala Municipalities Act came into force on May 30, 1994. On the basis of these two acts elections to the local bodies were held on 23 and 25 September 1995.

The panchayati raj and municipal polls assumed greater significance due to two reasons. Firstly, the elections were held after vesting both the bodies with enormous powers. Secondly, it was the first comprehensive statewide electoral outing since A K Antony took over as the chief minister of the state. The ruling Congress (I)-led UDF considered the poll as a means to vindicate their claim that it continues to enjoy the overwhelming support in the state where is the CPM-led LDF considered the poll as a chance to ventilate their charges against the UDF rule.

Compared to the UDF, the selection process of the candidates for the LDF was a smooth affair. Both the fronts fielded several young faces. The candidates of both the fronts included district level leaders, ex MLAs and ex-ministers and ex MPs. The newly formed

Janathipathiya Samrakshana Samiti (JSS) extended their support to the UDF, while the Indian National League (INL) had some sort of electoral adjustment with the LDF, particularly in the northern Kerala. BJP too put up its candidates in a number of constituencies. The elections noticed an unprecedented increase in the number of independent candidates. Table 1 shows the number of candidates, fielded by major political parties.

The announcement of the poll stirred the people and political parties alike because these were the first elections after vesting with the PRIs and Nagarapalikas with enormous powers. Both the fronts resorted to street corner meetings and door-to-door canvassing in preference to public meetings. Due to the strict restrictions of the election commission on expenses, mass rallies and the use of electronic media were in a low profile.

Elections were held in two phases. In the first phase over 70 per cent voters in Thiruvananthapuram, Pathanamthitta, Idukki, Ernakulam, Palakkad, Kasargod and Kozhikode districts exercised their franchise, on September 23, 1995. The remaining districts of Malappuram, Kollam, Wayanadu, Alappuzha, Kannur, Kottayam and Trissur went to the poll on September 25. In this phase 72.75 per cent voters exercised their right to vote. Table 2 clearly illustrates the details of the districtwise polling percentage.

TABLE 1 PARTY WISE DISTRIBUTION OF CANDIDATES

Total no of candidates	58 089
Total no of male candidates	40 220
Total no of female candidates	17 869
Congress(I)	9 644
CPI(M)	6 566
CPI	1 894
BJP	7 542

Source: Mathrubhumi, September 23, 1995

ELECTORAL RESULTS

Just like the first district council poll in 1991, the people's verdict was in favour of the LDF. The CPI (M)-led LDF registered victory in 530 out of the 990 gram panchayats (53.53 per cent of the GPs). The LDF captured power in 90 out of 152 block panchayats (59.21 per cent). Further, the LDF routed the UDF in the elections to the district panchayats by winning 10 out of 14 DPs (71.42 per cent). The district panchayats which went to the LDF way are Thiruvananthapuram, Kollam, Ernakulam, Alappuzha, Kottayam, Idukki, Trissur, Palakkad, Kozhikode and Kannur. Moreover, the LDF established its dominance over the urban voters by capturing 29 out of 54 municipalities (53.70 per cent) and two out of the three city corporations.

The electoral statistics reveal that the ruling UDF could establish its dominance in 342 grama panchayats (34.54 per cent) and 45 block panchayats (29.6 per cent). It could win only 3 of the 14 district panchayats and 18 of the 54 municipalities. The district

TABLE 2 DISTRICTWISE POLLING (Percentages)

Districts	Panchayat	Municipality	Corporation
Thiruvananthapuram	70.0	72.0	71.0
Kollam	72.0	67.0	
Pathanamthitta	70.0	72.0	
Alappuzha	72.6	67.0	
Kottayam	70.8	75.0	
Idukki	70.0	81.2	
Ernakulam	72.0	71.0	65.0
Trissur	72.0	74.0	
Palakkad	64.0	65.0	
Malappuram	75.0	78.0	
Kozhikode	70.0	78.7	65.0
Wayanadu	73.0	75.0	
Kannur	71.8	71.6	
Kasargod	74.5	70.0	

Sources: Mathrubhumi, September 24, 1995

Kerala Kaumudi, September 26, 1995

TABLE 3 PARTY POSITION IN GRAMA PANCHAYATS

Districts	Total No of GPs	LDF	UDF	Others
Thiruvananthapuram	84	61	16	7
Kollam	71	55	11	1
Pathanamthitta	54	13	26	15
Alappuzha	71	35	24	12
Kottayam	73	25	35	13
Idukki	51	21	22	8
Ernakulam	84	50	29	7
Trissur	98	51	36	11
Palakkad	90	59	24	7
Malappuram	94	29	53	12
Kozhikode	76	48	22	6
Wayanadu	24	12	8	4
Kannur	81	56	24	1
Kasargod	37	13	14	7

(3 B.J.P.)

Source: Kerala Kaumudi, September 30, 1995

panchayats which went the UDF way are Pathanamthitta, Malappuram and Wayanadu. The UDF could not establish a clear majority even in single city corporations.

The BJP got an absolute majority in three grama panchayats – all in Kasargod. Yet, in 115 grama panchayats the voters have not given a clear verdict and things will be decided by the independents. Tables 3-8 illustrate the verdict and partywise performance.

TABLE 4: PARTY POSITION IN BLOCK PANCHAYATS

Districts	Total No. of BPs	LDF	UDF	Others
Thiruvananthapuram	12	11	1	—
Kollam	13	12	—	1
Pathanamthitta	9	1	5	3
Alappuzha	12	10	1	1
Kottayam	11	7	3	1
Idukki	8	3	4	1
Ernakulam	15	8	4	3
Trissur	17	11	4	2
Palakkad	13	9	2	2
Malappuram	14	2	12	—
Kozhikode	12	8	4	—
Wayanadu	3	—	3	—
Kannur	9	7	1	1
Kasargod	4	1	1	1 Equal 1 BJP

Source: Kerala Kaumudi, September 30, 1995.

TABLE 5: PARTY POSITION IN DISTRICT PANCHAYATS

Districts	Total Seats	LDF	UDF	Others
Thiruvananthapuram	25	19	5	1
Kollam	25	19	5	4
Pathanamthitta	15	2	13	—
Alappuzha	21	12	9	—
Kottayam	21	11	10	—
Idukki	15	8	6	1
Ernakulam	24	16	8	—
Trissur	25	16	9	—
Palakkad	25	18	7	—
Malappuram	25	3	22	—
Wayanadu	15	6	9	—
Kannur	24	14	8	No poll in 2 seats
Kasargod	15	7	5	3

Source: Kerala Kaumudi, September 30, 1995.

TABLE 7: PARTY POSITION IN CITY CORPORATIONS

	Thiruvananthapuram	Kochi	Kozhikode
Total seats	50	50	50
Election held	50	49	50
LDF	24	27	37
UDF	20	18	11
PDP	1	2	—
BJP	3	1	2
India	—	1	—
Rebels	2	—	—

TABLE 6: PARTY POSITION IN MUNICIPALITIES

Municipality	Congress (I)	CPI (M)	BJP	CPI	Janata Dal	IUML	KC (M)	Ind and Others
Neyyattinkara	1	14	0	1	2	0	0	6
Nedumangadu	6	12	0	4	0	0	0	6
Attingal	8	8	0	3	1	0	0	4
Varkala	9	9	0	1	0	0	0	5
Paravoor	8	7	1	1	0	0	0	5
Kollam	11	11	1	2	0	0	1	10
Punalur	9	11	0	5	0	0	0	3
Pathanamthitta	9	2	0	0	0	0	1	12
Thiruvalla	8	3	1	0	0	0	7	13
Adoor	8	2	0	2	0	0	0	8
Alappuzha	10	8	1	4	0	3	1	9
Kayamkulam	9	9	1	2	1	2	1	7
Chengannur	4	2	0	0	0	0	2	13
Mavelikara	8	2	0	1	0	0	1	7
Cherthala	14	6	0	3	0	0	1	4
Kottayam	11	7	0	0	1	1	1	11
Changanacherry	7	5	0	0	1	0	4	15
Vaikom	5	3	0	—	3	0	0	9
Pala	0	1	0	0	0	0	8	11
Thodupuzha	3	2	0	0	0	2	2	19
Guruvayoor	10	0	0	3	1	1	0	4
Trissur	15	3	1	3	3	0	0	7
Kodungalloor	6	5	0	7	0	1	0	5
Kunnankulam	5	8	0	0	0	0	0	1
Chavakkadu	6	9	0	1	0	3	1	4
Palakkad	14	5	4	0	0	3	0	10
Shornur	7	9	0	2	0	0	0	4
Ottappalam	10	14	1	0	0	1	0	2
Chittur	—	—	—	—	—	—	—	—
Thathamangalam	13	2	0	0	0	1	0	8
Malappuram	1	4	0	0	0	9	0	14
Thiroor	0	1	0	0	0	13	0	14
Ponnani	5	14	0	1	0	10	0	2
Aaluva	16	0	0	0	0	0	0	4
Moovattupuzha	2	6	0	1	0	1	0	10
Kalamassery	13	10	0	0	0	2	0	7
Kothamangalam	8	3	0	0	0	0	3	10
Thrippunithura	13	9	0	2	0	0	0	8
Angamali	10	8	0	0	0	0	1	5
North Paravoor	9	2	0	2	0	0	0	7
Perumbavoor	9	4	0	0	0	0	0	7
Chalakkudy	8	5	0	1	1	0	0	13
Irinjalakuda	4	3	0	2	4	0	0	7
Perinthalamanna	1	6	0	0	0	8	0	9
Manjeri	4	5	0	1	0	12	0	10
Vadakara	4	12	0	2	1	8	0	5
Koilandi	4	12	2	2	1	9	0	2
Kalpatta	3	5	0	0	3	4	0	5
Thalipparampu	6	4	2	0	0	11	0	1
Kannur	10	4	0	0	0	10	2	6
Thalassery	3	13	0	2	1	4	0	9
Koothuparampu	3	10	1	2	1	1	0	2
Payyannoor	9	16	0	1	1	3	0	2
Kasargod	0	2	11	0	0	9	0	10
Kanjangadu	8	7	4	0	1	8	0	4

Source: Kerala Kaumudi, September 29, 1995.

TABLE 8: POLL RESULTS IN NUTSHELL

Name of the Body	Total Seats	LDF	UDF	BJP	None
District panchayat	14	10	3	—	1
Block panchayat	152	90	45	1	16
Grama panchayat	990	530	342	3	115
Municipality	54	29	18	—	7
Corporation	3	2	—	—	1

Source: Malayala Manorama, October 1, 1995.

In spite of winning majority of the local bodies the results however do not show a wave in favour of the LDF unlike in the 1991 district council polls. But the UDF no doubt has much cause for concern. That its leaders are drawing satisfaction from the not so bad verdict shows to what level the party has sunk from the heady days of 1991 when it swept to power in the state with a powerful mandate. One of the wishful thoughts in the UDF camp was that since the front had adopted a stance in favour of the creamy layer section of the backward communities, the step would endear it to the voters of backward communities. Such ambitions were specially focused on the Ezhavas usually seen in the traditional vote bank of the CPM and its allies. But the results belied these hopes as the LDF remained triumphant where the Ezhavas have a dominant presence.

Districtwise poll analysis shows that the LDI got more than 3.75 lakh votes than the UDI. In the district panchayats out of 298 divisions the LDI got 171 (57.38 per cent) whereas the UDI captured 127 divisions (41.27 per cent). In the last civic poll held in 1988, the UDF had won 455 panchayats and the LDF 469. This time the figure is 342 and 530 respectively. In 1988 polls for municipalities the LDF had absolute majority in 15 but now it is secured 29 municipalities.

But a noticeable contradiction of these polls is that though the LDI has won more seats than the UDI, the latter has secured more votes than the former. For instance, in Kottayam district panchayat the LDF winning 11 of the 21 divisions, came to power. But the UDF has got 27,511 votes more than the LDF. Similarly in Alappuzha the LDI got 12 of the 21 seats but got 20,305 votes less than the UDI.

In Kasargod the story reverses. Here the UDF which got 11,150 votes less than the LDI is in power. The UDF got 9,851 and 25,416 votes more than the LDF in Wayanadu and Pathanamthitta respectively. In Malappuram district the LDF lagged behind the UDF by more than one lakh votes. But the LDF established a clear lead in six district panchayats. The margin of victory for the LDF over the UDF in Kannur was 1,14,000. In Trissur it was 63,842. In Thiruvananthapuram 75,429. In Kollam 97,811. In Palakkad 63,842 and in Kozhikode 93,392.

As far as the performance of other parties is concerned it is quite difficult to reach a reasonable conclusion. All these parties concentrated their attention on grama panchayats and block panchayats rather than on district panchayats.

Though the BJP has increased its strength in Kozhikode area, in Kasargod, Palakkad and even in Thiruvananthapuram, it could not muster enough strength. The party won 76,000 votes in Kasargod, 46,000 in Kannur, 1,00,000 in Kozhikode, 66,000 in Malappuram, 75,000 in Palakkad, 87,000 in Trissur, 47,000 in Pathanamthitta, 45,000 in Alappuzha, 94,000 in Kollam and 94,000 in

Thiruvananthapuram. Altogether the BJP candidate won 7.5 lakh votes all over the state.

The People's Democratic Party (PDP) was formed by Abdul Nassar Madani in 1993, after a fundamentalist organisation Islamic Sevak Sangh (ISS) led by him was banned. PDP bagged 33,000 votes in Kollam, 45,000 in Malappuram and 20,000 in Palakkad. It shows that the PDP has emerged as a strong contender to the IUMI. The IUMI is certainly the worst sufferer in the poll as it got a dribbling even in its traditional areas. Both the PDP and the INL of Ibrahim Sulaiman Sait played a key role in it. Lastly, the ISS, a new party formed by K.R. Gowri Amma could not make much impact even in her home district Alappuzha.

Though the overall performance of the ruling UDF in the poll may not add up to a rout, it certainly amounts to a setback. But compared to the 1991 elections to the erstwhile district councils the UDF has shown a better performance by capturing three district level bodies in addition to Malappuram. The UDF leaders are in a way right when they point out that the CPM's success in the Muslim League bastions in the north was made possible by its open electoral understanding with the INL led by Sulaiman Sait. Yet it is equally true that a large number of Hindus who used to vote for the BJP in the past voted for the CPM this time. Moreover, the forward caste people who used to vote for the Congress or the BJP this time either chose not to vote or voted for the left. This could be mainly due to the CPM stance in support of the exclusion of

creamy layer among the backward classes, from the reservation benefits.

The INL, a splinter group of the UDF, IUMI, and the PDP led by Abdul Nassar Madani did bag a lot of votes that would have otherwise gone to the UDF. Even where the candidates of these parties lost, they indirectly helped the LDF candidates.

The poor performance of the UDF in some of the Syrian Christian dominated areas in Ernakulam and Kottayam districts also indicates a small but perceptible shift in their political allegiance, though it need not be merely on account of the reservation issue. The UDF calculation that its pro-backward class sloganeering might help it to consolidate Muslim votes and win over the Ezhavas to its fold did not succeed. The Madani led PDP equally cut into both CPM and IUMI vote banks in the central and southern districts and the LDI did not lose the Ezhava votes.

Voters in the smaller towns of the central and southern districts have not rallied in support of the left on such a scale ever since the ousting of the Namboodinpad ministry. Nevertheless, the UDF could have registered a better performance had its house been in order. The Congress rebels played havoc with the ruling front fortunes in a number of constituencies. The two factions of the Kerala Congress led by K.M. Mani and T.M. Jacob fought against each other to the advantage of the CPM in Kottayam and Idukki districts. Lastly, though the IUMI has managed to retain the Malappuram district panchayats, its urban base has been severely eroded and there is little to suggest that the threat from its rival formations has receded.

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Tanzania on Election-Eve

People Want Change

Amrit Wilson

With polling day close at hand, Tanzania is witnessing the remarkable phenomenon of the emergence, almost overnight, of an opposition party which has mass popular support and has been holding rallies the like of which have not been seen since the days of the anti-colonial struggle

TANZANIA is gripped by election fever. It is the first multi party election since 1962, and Dar es Salaam, its capital, is resounding in its own peculiar and varied ways.

At the British Legion, a plush club in the heart of town, they are telling jokes about Tanzania's international debt and how Nyerere got the Pope to intercede with God. God, the Pope asked, when will priests marry? Not in your lifetime, came the answer from above. God when will women become priests? not in your lifetime, said God, then the Pope popped the real question: When will Tanzania get out of debt? there was a pause then God answered: not in my life time. The table full of well dressed male civil servants and the odd lecturer or two from the University of Dar es Salaam roar with laughter. But today there is a distinct unease, because despite the jokes and civilised cynicism, almost all of these men are supporters of the ruling party, the Chama Cha Mapinduzi (CCM), set up by Nyerere in 1977. And the CCM is in deep trouble, challenged by a new opposition party, the National Convention for Construction and Reform Mageuzi (NCCR). Mageuzi means

transformation in Kiswahili.

On the streets outside in a minority of areas the green flags of CCM vie with the blue of NCCR Mageuzi, but mostly the green has been swept away in a tide of blue. In the markets and kiosks selling mainly second hand or substandard goods from France, the traders and the large numbers of unemployed youth are outspoken - they want a change of government. They want jobs and basic services. They are tired of the corruption of their leaders. They tell you that the hospitals have no equipment and few medicines, women giving birth have to provide their own gloves for the delivery. Injured people should bring their own needles and case stitches are required. One young man comments bitterly, that is the policy of the CCM, that is what they mean by 'the people must be self-reliant'.

In fact Tanzania is now the second poorest country in the world, next to Mozambique. According to the 1995 World Bank *World Development Report*, the GNP per capita is 30 dollars, half of that of neighbouring

Uganda which has experienced far more strife in the last 20 years.

So how did this come about? Tanzania was once a comparatively well off African country. In 1965, for example, one year after the union of Tanganyika and Zanzibar into Tanzania, there was 7 per cent agricultural growth (mainly in cash crops), industrial production (mainly textiles, meat canning and beer and soft drinks) was getting going, villages were thriving and people were enthusiastic enough to build 10 000 km of road in a voluntary nation building programme.

Ironically things began to go badly wrong in the wake of Nyerere's attempt to impose socialism - through the Arusha Declaration. Unfortunately this African socialism as he called it, turned out not to be socialism at all but a kind of welfareism based on foreign aid. After this, Tanzania's first five year plan was abandoned along with all attempts to develop the productive forces. Whereas socialist policies would have required productive forces to be developed with the modernising of agriculture, the development of new industries and new lines of production, what actually happened was that peasant production was left as it was and merely reproduced itself. At the same time three new policies were set in motion. Firstly, free welfare services were established based mainly on foreign aid; secondly, there was planned nationalisation of key industries which would help develop other industries, for example textiles which would develop cotton growing, and meat packing which would develop dairy farming; thirdly, there was a villagisation programme in which people were encouraged to move into new 'villages' where social services would be available to them. The early years of this policy brought slow but steady development of the economy. But by 1972, Nyerere grew impatient. He drastically reshuffled his cabinet and took power into his own hands. People were driven out of their villages by the army, dumped in the bush and ordered to set up new villages from scratch. This meant that with the existing villages wiped out and the new villages unable to begin production, there was no agricultural production. It resulted in the famine of 1974.

At the same time Nyerere decided to nationalise the wholesale trade. In Tanzania most trade had been based on families, mainly Asian families. They would import consumer goods, clothes, groceries and other essentials which were not locally produced, using their own capital and expertise, distribute it on their own transport system to their own networks - often extended family members. When this was nationalised the entire trading system collapsed. The government did not have either the capital or the expertise to import enough goods; it had no transport system to supply all the distant parts of the country and no distributive network. This led to a disastrous shortage of food and commodities. The economy went into a downward spiral and poverty began to intensify. The remedy for this was seen as foreign aid.

By this time, because of the oil crisis and the domination of petrodollars, borrowing had become easier. Tanzania began to borrow indiscriminately, firstly from the World Bank whose then governor, Robert McNamara, a long term admirer of Nyerere, poured in money to set up essentially neo-colonial, export oriented village schemes for the production of cash crops, and also from international financial markets, western governments and so on. The result was the emergence of corrupt debt fixers - the proverbial Mr Ten Per Cent. The Tanzanian economy sank deeper into debt. Borrowed money did not go into production to pay off debts but was consumed by this parasitic group. White elephants abounded like the ultra modern airport at Dar es Salaam built at a cost of 120 million dollars from France to replace the more modest but adequate existing airport.

With the advent of the Reagan era, the IMF and World Bank started cutting back on loans and urged Tanzania to implement structural adjustment policies. Nyerere tried to resist these but was hardly in a position to do so, because by now industrial production was down to a third of capacity. The Tanzanian shilling was devalued and while Nyerere resisted, the IMF pressurised all western countries including Scandinavian countries to stop giving aid to Tanzania.

If things had been bad in mainland Tanzania, on the island of Zanzibar they were even worse. Once a dynamic and thriving centre of trade, Zanzibar had been ruled by a puppet Sultan as a British protectorate till 1964 when the Sultan was overthrown by a popular uprising spearheaded by lumpen youth. This uprising was partially transformed into a social revolution by the radical left wing Umma Party led by Abdul Rahman Babu. But the government which took over was a mixture of political forces with Babu as foreign minister and Abeid Karume of the right-wing Afro-Shirazi Party as president.

The US, afraid that Zanzibar might turn out to be the Cuba of Africa from where communist revolution would spread to the rest of the continent saw Tanganyika under Nyerere as a more easily controllable and 'stable' country which would neutralise these influences. The CIA under Frank Carlucci, later deputy director of the CIA, got to work and within three months of the overthrow of the Sultan Zanzibar and Tanganyika had been united to form Tanzania. Babu was transferred to mainland Tanzania as a cabinet minister while Karume subjected Zanzibar to a cruelly authoritarian government locking up, torturing and killing political opponents while the economy deteriorated. Eventually in 1972 Karume was assassinated in a revenge attack by a man whose father had been killed by the regime. Karume's murder was used as an excuse to arrest Babu and other Umma Party activists who were locked up for six years without trial - many being tortured brutally. Eventually after an international campaign they were released. Meanwhile the Zanzibar economy all but collapsed and by the 1980s there were increasingly loud demands for Zanzibar autonomy.

Faced with these multiple problems - the collapsing economy, mass discontent in the mainland and Zanzibar, the international debts mounting to impossible levels - Nyerere resigned gracefully, leaving Ali Hassan Mwinyi the strikingly uncharismatic and comparatively inexperienced Zanzibar vice-president of Tanzania to take over. Mwinyi totally surrendered to the IMF and World Bank. At the same time he capitulated to the corrupt but increasingly powerful politicians who had emerged in the heyday of foreign aid. For example, the 'leadership code' one of Nyerere's ideological creations, under which government servants and political leaders could have only one salary was abolished. Politicians can now do business. At the same time the village social structure became increasingly distorted. In the 1970s, every 10 houses in a village had a leader and every ward (kata) had a secretary or katibu. These leaders and particularly the katibukatas began to extort money and gradually emerged as fully fledged tyrants.

At the same time the level of violence against women, in and outside the home escalated - not only in the villages but in towns and even in Dar es Salaam University where rape began to be seen by male students and lecturers as something quite normal.

Meanwhile the winds of the new world order were sweeping Africa. With the decline of the Soviet Union the US began to see the maintenance of unpopular client regimes as unnecessary because after all popular resentment and uprisings hardly provide a stable climate for investment. Under pressure from the IMF and World Bank, and demands from their own people one African country after another held multi-party elections.

Finally in 1992, the CCM announced that Tanzania would do the same.

Now with polling day (October 29) close at hand, Tanzania is witnessing another remarkable phenomenon - the emergence almost overnight of an opposition party (the NCCR Mageuzi) which has mass popular support and has been holding rallies the like of which have not been seen since the days of the anti-colonial struggle.

Formed in 1992 by a group of human rights lawyers who had distinguished themselves by fighting for the rights of the Barotse people whose land was being taken over by a Canadian funded wheat farm, the NCCR is still in the process of evolution. In March this year it was joined by Augustine Mrema who had been home minister in the CCM cabinet. A charismatic speaker, Mrema had been one of the most popular ministers partly because he had consistently spoken out against corruption and some say that it was this that cost him his job in the cabinet. He was also unique amongst Tanzanian leaders in taking a position on domestic violence and urging women to report their violent partners to him. When he left the government his popularity increased; he was seen as someone who with the best of intentions had been unable to work within the CCM. As the editorial of *The Express* one of Tanzania's few independent English language newspapers, commented at the time: "Mrema's problem was that he believed he could best serve the country by working through the cabinet - as such he is one among very few Tanzanians who has tested out the theory to his chagrin". In September this year with Mrema's populist message about fighting corruption, police brutality and youth unemployment already pulling huge crowds, NCCR was also joined by Abdul Rahman Babu - returning to politics after an absence of 16 years. Always hugely popular, Babu was greeted with an overwhelming welcome from the masses. Not only was Dar es Salaam airport packed but despite heavy rain, thousands of people poured out on to the streets all along the route shouting slogans such as 'Babu is back and Nyerere is scared', 'They are frightened of him they are frightened of him'.

Since then NCCR has formed an alliance with another smaller opposition party Chadema and many CCM stalwarts have defected to join it. Far more striking however is the level of popular excitement. In villages, peasants have mobbed the NCCR team complaining bitterly about the katibukata and looking forward to the day when it will be 'bye bye CCM'. Unemployed youth tear off their shirts and wipe the Mrema-Babu team's car as a gesture of appreciation, old people bless them and want to touch them, and young people shout 'We want jobs, liberate us from poverty'. In contrast the CCM campaign has aroused embarrassingly

little enthusiasm. The presidential campaign is led by Ben Mkapa, a journalist who edited the CCM party paper and then the government-sponsored *Daily News*, and is now minister of science and technology.

The elections themselves are funded by western governments and monitored by a host of foreign observers but how free and fair they will be is still an open question because CCM not only controls the press and state apparatus but also the judiciary and the election commission. The effects of this can be drastic as was shown by the farcical events surrounding Babu's candidature. Initially put forward by NCCR as Mrema's vice-presidential running mate, Babu was ruled unfit to run by the election commission because they alleged he had been sentenced to death 23 years ago. NCCR tried to challenge the decision in court, armed with an affidavit from Wolfgang Dorado, the prosecutor in 1972 case declaring that Babu had never been charged, much less found guilty. However when the election commission asked for more time to research the case, the court delayed judgment, robbing the NCCR of valuable campaigning time. Babu then decided to withdraw his candidature, remaining however an active campaigner on the NCCR team. As for the masses of peasants and unemployed workers it does not seem to have made any significant difference. The NCCR manifesto drafted by a team chaired by Babu is continuing to produce euphoria. It promises the people among other things, the individual right to own land - something Africans (but not foreigners) have been denied in all these years of independence. It also promises an end to indiscriminate privatisation and a more internally integrated economy with production geared to creating an internal market and meeting essential internal needs.

Meanwhile in Zanzibar, the outlook for CCM seems equally bleak, a Zanzibar nationalist party the Civic United Front (CUF), seems poised to win the election. Their policies, beyond opposition to the CCM, are not widely publicised but the party leader, Seif Sharif Hamad has links with Oman and the Gulf and the presidential candidate Ibrahim Lepumba is said to be a committed supporter of IMF policies. Whatever CUF stands for, and irrespective of whether it wins, one thing is clear: Zanzibar is heading inexorably towards greater autonomy.

The presidential race is now between four candidates representing CCM, NCCR, CUF and the much smaller United Democratic Party (UDP). Currently, Nyerere, the 'Father of the Nation' is limbering up to begin the last stage of campaigning supporting the desperate Mkapa. If the NCCR wins despite this, it will be the end of an era - the beginning for Tanzanians of a conscious struggle against neo-colonialism.

Structural Changes and Tax Reforms

Mahesh C Purohit

Economic Policy and Tax Reform in India edited by K Puttaswamaiah; Indus Publishing Company, New Delhi, 1994; pp 237, Rs 300.

THE last two decades have witnessed restructuring of tax systems in most developed and developing countries. The revolutionary changes attempted include broadening of the tax base, reducing the number of rates, curtailing tax incentives, bringing down the import tariff and introducing value added tax to replace internal commodity taxes. More importantly, there has been a change in the traditional goals of tax policy.

India has followed the path of planned economic development. Its tax policy was assigned the goals of accelerating growth with social justice based on a socialist pattern of society. Within the framework of mixed economy, tax policy was aimed at fulfilling the following goals:

- (a) to help accelerate the rate of savings and investment;
- (b) to mobilise resources through budgetary surplus and surpluses of public enterprises;
- (c) to direct investments into most desirable channels according to plan priorities;
- (d) to reduce economic inequalities; and
- (e) to contain inflationary tendencies.

With the structural adjustment programme leading to changes in economic policy the existing goals relating to equity and social justice have been replaced by the objectives of neutrality and efficiency. Evasion and consequential parallel economy have been given increasing importance and redistributive aspects have been given a low profile. The latter aspect has of late been assigned primarily to expenditure policy.

In the context of the changing economic policy and the concomitant tax reform, *Economic Policy and Tax Reform* edited by K Puttaswamaiah is a timely and useful contribution highlighting some of the important aspects. It contains six papers and a Foreword by M S Swaminathan, all of which are related to the economic policy and tax reforms.

One of the papers is on 'Tax Reform in India'. It is a joint study of Robin Burgess of the London School of Economics and Nicholas Stern of the European Bank for Reconstruction and Development. Both the authors were at the Suntory-Toyota International Centre for Economics and Related Disciplines, London School of Economics, when the study was conducted. The study traces the evolution of the tax structure in India since independence and

provides insight into the way the structure has evolved over time. It presents a comparative analysis of the tax-GDP ratio with other countries. An important conclusion emerging from the comparative analysis suggests that the tax-GDP ratio for India is comparable to that of other developing countries. Initially, in 1950-51 the tax ratio in India was 6.7 per cent of GDP. However, it increased 16.2 per cent in 1988-89. As compared to this, the average ratio for the developing countries at present is 14 per cent of GDP. Also, the authors give cognisance to the fact that the tax structure is influenced by the federal polity of the country.

There are two other important features of the study by Burgess and Stern. First, it traces evolution of the tax system with the help of all the available important research papers/studies as also the official documents (reports of government committees/commissions). Secondly, the evolution of the tax system is backed by an excellent data base on tax revenue of the centre and the state governments. It suggests various policy imperatives related to reducing the fiscal deficit and recommends further areas of research.

Two of the studies in the volume relate to public debt. The paper by N S Bhat on 'Development Expenditure and Public Debt in India: An Empirical Analysis' examines the application of the Wagner's Law. It tests the hypothesis that increase in public expenditure raises public debt in India. The results of the regression analysis covering a period of 15 years (i.e. 1969-70 to 1985-86) support the hypothesis. The study suggests ways and means to reduce public debt for the posterity. The author prescribes that the government should reduce its developmental role to give way to the private sector. Another study on 'Debt-Tax Ratio and Government Spending: What Causes What?' by K Sham Bhat and V Nirmala examines the issues related to debt and economic activity. Covering the period of 1955-1990 and employing Granger and Sims tests the paper supports the hypothesis that an increase in public expenditure enhances the debt-tax ratio.

Regional aspects of the changing economic policy have been analysed in a paper on 'Regional Economic Change and Development Policy in India' by Ashok Mathur. It concentrates on analysing the

trends in inter-state disparity, examining the aspects of output, employment and structural changes in regions, and estimating spatial equity in the context of the economic policy. The paper highlights some of the key infrastructural variables and the trends of devolution of resources from the centre. Also, it aims at giving suggestions for bridging the gap in the levels of development between different regions.

P R Brahmananda stresses the need for recasting the development and planning profile in his paper 'Towards a New Adjustment and Reform Rationale'. He strongly argues for high savings, wage goods, productivity-based foundation. The paper also explains various facets of Indian economic planning and presents an examination of the structural adjustment process. In addition, it presents implications of full convertibility and other financial reforms. It goes on to giving its future perspectives on the contours of the new economic policy.

A topic unrelated to the title of the book is presented through a paper by D Varatharajan and K K Saxena on 'Consumption Behaviour and Demand Projection'. It analyses the consumption and demand behaviour for fertilisers using Tobin's model.

The volume is a timely contribution covering a large area of the new economic policy. It would, however, have augmented the usefulness of the book if the editor had provided readers with an Introduction enlightening them about the contents, coverage and the relevance of the book.

Since there are various facets to tax reform and economic policy, any collection of papers may not have a complete coverage. However, the author has done a good job in bringing many useful papers of diverse aspects together. One, however, wonders whether it would have been useful if the editor had avoided the restricted selection. At least some more papers covering broad areas of structural adjustment programmes in relation to the new economic policy as well as tax reform could have been included. The restricted choice of the editor to papers from the *Indian Journal of Applied Economics* has diminished the importance of the volume. It would have added to the usefulness of the work if some other papers were also included to have complete coverage.

In regard to tax reform, it would have been useful to point out that in the context of the new economic policy some of the reforms are not in the requisite direction and various other reforms are still needed. Some of the aspects have been touched upon by Brahmananda but there are various areas where a lot has to be done. There is a need

to rationalise the capital gains tax and the corporate tax in the country. Presumptive taxation is required to be extended and strengthened. The taxes have to be geared to help us have environmental-friendly production system through proper pricing of utilities or a carbon tax (or tradable permits).

In the context of new economic policy some rethinking is definitely necessary in regard to custom duties. A rational tariff policy for India may be to reduce custom duties gradually. Also, it is essential to have adequate anti-dumping legislation such as those pursued in the US.² It is also important to emphasise that the development strategy is based on the domestic savings to avoid the Mexican type crisis.

Interestingly, a recent paper by Robin Burgess and Nicholas Stern with Howes could be useful additional reading which recommends further policy prescriptions for reform of commodity taxes to introduce value added tax.³

However, to have a balance, it would have been necessary to replace some of the existing papers. The papers on fertiliser market and regional economic development, although useful, do not seem to connote direct relevance to the subject of the volume. These could have fruitfully been replaced to give place to some directly related papers.

Notes

- 1 There are some good papers on public debt having macro perspective and long-range view. See in particular R J Chelliah, 'Growth of Indian Public Debt' in Bimal Jalan (ed), *Indian Economy: Problems and Prospects*, Viking, 1992.
- 2 See Mahesh C Purohit, 'An Analysis of the Recent Tax Reforms in India', *Asia Pacific Tax Bulletin*, Amsterdam, July 1995, pp 196-203.
- 3 The paper is included in an edited volume. See Mahesh C Purohit and Vishnu Kanta Purohit (eds), *Commodity Taxes in India: Directions for Reform*, Gayatri Publications, Delhi, 1995.

Anarchic Politics in Jammu and Kashmir

Gopal Singh

Jammu and Kashmir at the Political Crossroads by P S Verma; Vikas Publishing House, New Delhi, 1994; pp 296. Rs 350.

SINCE the beginning of militancy, terrorism and state terrorism in late 1980s, particularly after the resignation of Farooq Abdullah as the chief minister in protest against appointment of a governor, there has been virtually a flood of literature on the crisis in Kashmir in terms of books, research papers, and newspaper articles. However, quite a large number of these works are stereotypical in the sense that these are generally based on secondary sources and the vision and perception of authors seem to be vitiated by the mass media and propaganda blitz of government of India (GOI) or for that matter of Pakistan.

P S Verma's book is in stark contrast to this general monotonous trend. It is refreshing and enlightening. The author has strived to be as objective as possible. Verma's book bears the stamp of originality and authenticity because he has conducted field study in three regions of the state, has interacted with a large number of people and politicians of different shades, and, above all, has consulted original documents rather than relying on secondary sources for the purpose of understanding and analysing the problem. However, the book also suffers from weaknesses, both major and minor in nature, about which I shall talk towards the end of this piece.

I

To begin with, I would like to highlight three basic achievements of the author which happen to be a net contribution to the existing literature – first is his understanding of the genesis and growth of militancy, terrorism and state terrorism, particularly what he calls the "internal-external dimension" and the related question of violation of human rights, the second is his analysis of all the assembly elections held in the state after signing of the instrument of accession and the third is tracing the history and consequent political developments in Jammu and Kashmir from medieval times, till the beginning of 1990s. These are the three important threads which are interwoven throughout the book, at times implicit, at times explicit.

MILITANCY

Militancy, terrorism, state terrorism and the question of human rights form the dominant mode of Verma's discourse. He constructs the theme with great pains (pp 203-96). The author makes a significant observation, "The collapse of civil society has thus surfaced in a big way.. As a consequence of the current crisis, all political parties... have become dormant in the valley. Many of their leaders have fled the valley or announced retirement or dissociation from

politics and some of them have taken a pro-militant stand" (p 260). Going a step further I would say that as of today, all socio-political processes have come to a grinding halt. Verma has discussed in detail the genesis and growth of militant violence and its internal-external dimensions thereof. Whereas the local conditions prepared the ground, the ISI of Pakistan took charge of financing, training and sheltering the militants of all groups ranging from JKI to Jamat-e-Islami. The TOPAC plan allegedly masterminded by Zia ul-Haq in mid-1980s to create conditions of chaos and anarchy in Kashmir leading to ultimate annexation of the territory to Pakistan has been discussed in detail. The nature and ideology of different militant organisations – most of which are pro-Pakistan (JKI being an exception) – and their umbrella body, All Party Hurriyat Conference (APH) have also been discussed.

While preparing the profile of militia leadership, as also of the cadre, the author has brought out two broad differences between Kashmir and Punjab militancy. Firstly, the Kashmiri militants by and large are highly educated, most of them being graduates which is not the case with the Punjab militants. Secondly, most of Kashmir militants belong to urban areas as against the rural background of most of the Punjab militants. But Verma does not say a word about mercenaries, their SES, particularly Afghans and Pakistanis who are present operating in Jammu and Kashmir, controlling and co-ordinating the activities of local militant organisations.

However, there are couple of points which the author should have highlighted: (1) terrorism and state terrorism are mutual reinforcing phenomenon, one feeding the other and the main casualties of which are generally the lives of innocent people, the property and their human rights above all. (2) militant violence and state terrorism are the consequences of the politics and economy of the ruling classes, both at the centre and in the state. Add to it another bitter truth that a disturbed Jammu and Kashmir always serves the vested interests of the ruling class of both India and Pakistan. It is the easiest tool in their hands to divert the attention of the people from their basic problems, sabotage the mass democratic movement for better life, and above all to perpetuate their exploitative rule. If the crisis within one or both the countries deepens where their rule is threatened, a small war is ruled out. After all, India and Pakistan have fought three wars in less than 50 years.

The author is highly critical of Human Rights Organisations (HROs) particularly of London based Amnesty International (AI) and US based Human Rights Watch (HRWA). He laments that these HROs are politicised and give biased reports. For

instance, the atrocities committed on militants and others by para-military forces are given prominent coverage whereas atrocities committed by the militants on innocent people are not even mentioned. Two points need to be mentioned with regard to this. Firstly, India's official National Human Rights Organisation (NHRO) gives one-sided version of violation of human rights by militants whereas non-governmental organisations focus on the acts of omission and commission by para-military forces and the police-bureaucracy nexus. But it is heartening to note that the Brussels based International Relations and Human Rights Research Centre (IRHRCC) has given a fairly balanced report. Its representative Claire Galez spent six months in 1994 visiting Kashmir on both sides of Line of Control (LoC). He has given adequate space to human rights abuse in Pak-occupied Kashmir (PoK) as well as in Indian Kashmir. However, PoK is beyond the purview of Verma's book. Perhaps for him, like the GOI, the PoK is an integral part of India on paper only.

ELECTIONS

Verma, a psephologist of international fame, has conducted election studies in almost all the four north-western states – Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir. Naturally, the second and third chapters entitled, 'Electoral Politics: 1951-1989' and 'Political Leadership: A Profile of the Legislative Elites and Party Leaders' are the best chapters. Verma traces the origins of militancy in Jammu and Kashmir in electoral malpractices and rampant corruption in leadership and bureaucracy. In the third chapter, the author has taken great pains in reproducing all possible data regarding elections (1951-89) and analysing the performance of the parties. The author has explained the minutest details of electoral malpractices such as rigging, unopposed elections, corruption, use of money power, the unholy and opportunistic electoral alliances.

Verma is of the view that elections in Jammu and Kashmir, (except that of 1977) have been rigged. Elections by and large have not been 'fair and free'. Indira Gandhi-Sheikh Abdullah accord was followed by 1977 assembly elections when Morarji Desai was heading the Janata party government at the centre. In spite of Sheikh Abdullah's illness, who could not canvass for his newly revived National Conference, his party got 47 out of 76 seats with 46.2 per cent of popular votes. However, the 1987 assembly elections which were held after signing of the Rajiv-Farooq accord, played a catalytic role. There was mass scale rigging and the main opposition party Muslim United Front (MUF) felt cheated and betrayed. The faith of party supporters in the 'ballot' was badly shaken and when rigging was repeated in

1989 parliamentary polls, some organisations started using 'bullets'. Besides many other causes, this perhaps was the most important cause of the emergence of militancy.

In the same chapter, the author gives a profile of political leadership based on information collected by him through personal interviews (and other sources) with various MLAs, MPs and other important leaders belonging to different political parties.

HISTORY

In the first chapter, Verma focuses on the composite culture of Kashmir, popularly known as 'Kashmiriyat' a product of sufi saints and their preachings of universal brotherhood, equality and justice. The dynamic interaction of all religious faiths, particularly Islam, Hinduism, Buddhism and Christianity, has been analysed.

It is the politics of post-independent India which slowly but surely destroyed the composite culture. The author basically holds Hindu chauvinism and Muslim fundamentalism responsible for it. In the pre-partition and partition days when the plains were afire with communal flames, there was complete harmony in Kashmir. The author rightly gives credit to Sheikh Abdullah for maintaining peace. But the attack of the raiders supported by Pakistan's regular forces, signing of the instrument of accession and the unilateral and incomprehensible declaration of cease fire by the Indian government leading to vivisection of the state and creating an artificial line of control set the stage for what we are seeing today. Sheikh Abdullah's arrest in the early 1950s and his imprisonment for more than two decades with brief but strange interludes, sealed the fate of composite culture and communal harmony. I agree with the author that by now the process of cleansing of ethnic groups, purely in terms of religion, not in terms of language and culture, is complete. The Kashmiri pandits have left the valley either out of choice or because of fear and terror. So the valley is almost 100 per cent comprised of Muslims. Jammu, Udhampur, Kuthua are preponderantly Hindu whereas Leh is Buddhist, and Kargil being Muslim. There are serious differences bordering on hostility between the three regions of the state – the Kashmir valley, the Jammu area and Leh-Ladakh. The worst sufferers however are the Kashmiri pandits who have left their homes in the valley and are living in inhuman, miserable conditions in refugee camps in Jammu, Chandigarh, Delhi, etc. Yet, the constant conflict of interests between the three regions contributes to the emergence and sustenance of militancy. Does this mean the end of politics in the state? Is anarchy responsible for it? Or is it politics which is responsible for anarchy?

To me, it appears that anarchy in Jammu and Kashmir on both sides of LoC is an outcome of vicious politics of India and Pakistan. The anarchy is much more visible in the Indian part of Kashmir because of the 'proxy war' unleashed by Pakistan's powerful ISI through massive infiltration of foreign mercenaries in the name of 'Jihad' and through local Kashmiri youth for 'azaadi'. The question which often arises in my mind is as to whose 'azaadi' Pakistan wants, for whom, from whom and for what purpose? How much 'azaadi' Pakistan has given to the people of so-called 'azaad Kashmir' (PoK)? Or for that matter how much 'azaadi' Pakistan's federal government has given to the Mohajirs in Karachi, Hyderabad and Sukur in Sindh? A very pertinent question to be raised is: how peace and normalcy can be restored in Jammu and Kashmir? Given the gun battles between the Indian forces and Pakistan-backed militants, the bombings and kidnappings, not only of local dissenters denounced as traitors but also of the foreign tourists, a forced, fake, forged, fictitious and rigged elections will surely further deteriorate and worsen the situation. What is the way out? What can be 'done to recreate' the civil society out of the wreckage of the 'jungle raj'?

II

Verma has thrown fresh light on available information and adds his own both in terms of explanation and analysis of the crisis. Yet one discerns glaring, and at times startling and serious, lapses and weaknesses, both technical and substantial in nature.

Methodological shortcomings, which otherwise can be ignored in a monumental work of this type, are really irritating, to say the least. The book begins with geography, history, society, etc. These details could have been given in the second chapter. The author has not made any effort to locate the problem nor has he talked about various perspectives, including his own, to analyse the problem. There is hardly a word about methodology. Fact is that almost every south Asian state is facing problems, Pakistan in form of Mohajir Qaumi Movement and Sri Lanka in form of LTTE. How is the problem in Jammu and Kashmir different from or similar to the problems other states are facing? An introductory chapter identifying the problem and specifying the available perspectives, or at least elaborating his own perspective, would have added to the academic content of the book.

Verma is seriously concerned with the miseries of the innocent Kashmiris who are bearing the brunt of militancy, terrorism and state terrorism for no fault of their own. But he falters towards the far end of the book when he floats some suggestions in form of conclusions as solution to the complex problem. And this is the major weakness of

the book. He makes the oft-repeated suggestion that the process of development be accelerated to eliminate poverty and unemployment, particularly among the youth, and that the "minds and hearts of the people of Jammu and Kashmir should be won over." These suggestions in today's context, in my opinion, have no relevance. However, two of his suggestions merit serious consideration. One is, "sincere efforts should be made to persuade all groups and sections of people, including the youth in revolt, and bring them to the negotiating table" (p 287). This is a worthwhile idea because violence, or for that matter war, does not solve any problem. But given the active involvement of Pakistan and her obdurance and obstinacy, negotiations cannot be held either with the militants or with Pakistan, even under the clauses of Shimla agreement, because Pakistan is not interested in peace but in 'proxy war' to avenge the defeat of 1971, a point which the author has repeatedly asserted and the whole world, particularly the US, knows it. Verma makes another suggestion, about which a debate has been going on for almost a decade among the academics without making any impact on the politicians. Verma says, "Grant of more internal autonomy with greater emphasis on balanced development of all the three regions along with decentralisation of politico-economic power may help the state in reviving the political process" (p 286). I would like to make two comments in this regard. Firstly, enough autonomy has been given to Jammu and Kashmir under article 370. Secondly, most of the regional political parties, particularly the Shiromani Akali Dal (SAD) in Anandpur Sahib resolution (1973), have articulated the demand for greater autonomy but it has not been accepted by the centre. What, then, does the author mean by 'more internal autonomy' to the state of Jammu and Kashmir? Is it restoration of the pre-1952 status? Verma should have elaborated the constitutional arrangement for it. Further, will such step restore peace and normalcy and revive the political process? I am quite sceptical about it because all militant organisations, invariably supported by Pakistan, want nothing less than 'azaadi', which in any case means secession from India. I am not against 'more internal autonomy' being granted to all the states and the union territories in India but the crucial question is - will it help in resolving the crisis in Jammu and Kashmir or will it further aggravate the worsening situation?

Verma also forwards an interesting advice: "keeping in view the existing crisis, the security arrangements along the border should be tightened and the state administration streamlined to become responsive to the people's problems. The people will then respond in the manner of the Sikh peasantry in Punjab during the years 1992-93 and Kashmiris will hopefully return to normal

political process" (p 287). This statement deserves two comments: one, the major mistake of Beant Singh's government was its failure to follow the restoration of peace and normalcy with amicable resolution of socio-political problems. The regional demands raised by SAD during Dharam Yudh Morcha (1982-85), the various assurances given in Rajiv-Longowal accord, and above all the factors which gave birth to militancy and sustained it for more than a decade were dumped in cold storage. Violence of the militants was dismissed as a law and order problem. What has been the result? Beant Singh was assassinated in Z-plus security zone at Chandigarh secretariat on August 31, 1995. The confidence of the people of Punjab in security arrangements was badly shaken. Very surely, this is not an isolated incident. I have been arguing all through my writings on Punjab over past decade that state terrorism is no solution to the terrorism of militants, that political problems need political solution, and I still hold this position. As for Kashmir, no security arrangements can be perfect. The governor of Jammu and Kashmir had a narrow escape in a bomb blast at Jammu and hundreds of people are dying daily. By now, it must be clear that Pakistan's powerful ISI has spread its tentacles not only in Jammu and Kashmir, Punjab and other parts of the country but also in Afghanistan where its military outfit, the Taliban, is virtually at the point of overthrowing Kabul government and the president of Afghanistan has written to the security council to restrain Pakistan from interfering in its internal affairs. So there is no hope of 'Punjab pattern' emerging in Jammu and Kashmir. In fact, the problem in Jammu and Kashmir is much more complex because of PoK and Pakistan. The author himself concedes this point and closes his discussion on a pessimistic and despondent note. "The situation as it obtains today, and as long as Pakistan remains involved in the subversive activities, does not appear to hold out prospects of a durable solution in the near future" (p 284). Does it mean that the people of Jammu and Kashmir, on both sides of LoC, are condemned to live in chaos, anarchy and bloodshed forever because Pakistan will continue its activities and India will respond the way it has been doing so far?

The book ends thus: "if the problems of rampant corruption, nepotism, unprincipled politics, inter-regional conflicts, uneven development, etc, are tackled, it will help a lot in winning the minds and hearts of the Kashmiri people" (p 287). The question is who will do it? And, nothing is further away from objective reality than this type of wishful thinking. The author himself has pointed out at many places in the book that developmental funds and subsidies given to Jammu and Kashmir were pocketed by politicians and bureaucrats, to the extent that payment for

"constructed roads" were made when these roads actually did not even exist. Scams and scandals are now a routine affair. Then, how does he defend his purely utopian formulation?

Coming to the substantial lapses, I would like to point out two uncovered areas, quite important to comprehend the dynamics of the current crisis: (i) the PoK and (ii) the LoC. In a work of this type, a chapter on PoK was essential. What is the constitutional and political status of PoK? Is it an integral part of Pakistan or is it really 'azaad' because the Pakistani government calls it 'azaad Kashmir'? What is the ethnic composition of people in different parts of PoK? Is there any provision for them like article 370 in Indian case or has it been colonised by Punjabis and Pathans? Since, most of the training centres of the militants are in PoK its study is all the more important. A chapter was essential particularly when lot of material is available on PoK. Secondly, the line of control (LoC), now called line of actual control, because of variations caused by 1965 and 1971 wars has always baffled me. The author says that the raiders were pushed back after signing of the instrument of accession and cease fire was declared at a particular geographical place. What were the compulsions of Indian government to halt the advancing forces, particularly when the commander just wanted 24 hours to clear the entire territory of raiders (of course, supported by Pakistan's regular armed forces in raiders' dress)? And why take the issue to the UN? There are many versions of this eventuality but I have found none of them convincing. Was it under the pressure of Sheikh Abdullah that Nehru did it? Was it because the Sheikh suspected loyalty of the people beyond the LoC? Or was it because Nehru feared a full-fledged war with Pakistan? A chapter on this issue could have made the work academically much more sound. The text of the instrument of accession and of Shimla agreement as appendices would have helped the reader to know what actually transpired. Some western scholars have recently challenged the authenticity of the instrument of accession and the spokesperson of Clinton administration about South Asia believes that Kashmir is a disputed territory. Recently she remarked that Al-Faran (which has kidnapped five foreign tourists, executed one and has kept the other four as hostages for more than two months) is not an outfit sponsored by any government. But the whole world - particularly the US, the UK and Germany whose nationals are hostages - knows that Al-Faran is an outfit of Harkatul-Ansar based in the capital of Pakistan.

Since the present edition of the book has already been sold out, the author will render yeoman's service if he adds to the revised edition of the book something which he finds worthwhile in my review.

Public Intervention for Poverty Alleviation

An Overview

V S Vyas
Pradeep Bhargava

Although there is a high degree of uniformity in the approach and content of poverty alleviation programmes (PAPs) in India, there is great variation across states in the outcome of these programmes. The reasons for this have been explored in a research project in which nine states were selected for in-depth study of poverty conditions and implementation of PAPs, the results of which are presented in this issue. The organisation and general findings of the project are summarised in this introductory paper.

MUCH before poverty alleviation was put on the development agenda of the developing countries and multilateral and international aid agencies, leaders of the independence movement in India had accorded it the status of one of the primary national objectives. There are various reasons for India's commitment to poverty eradication. The most important among these is the nature of the national struggle which led to independence. The mainstream political movement in India was profoundly influenced by the Gandhian approach which emphasised the need to uplift the social and economic status of the poorest of the poor, or 'antyodaya'. Emphasis on an egalitarian social order was reflected in the policy documents which were produced by the Indian National Congress. Most notable among these was the report of the National Planning (Kumarappa) Committee. The committee was constituted at the instance of Jawaharlal Nehru.

Immediately after independence, in November 1947, the president of the Congress Party appointed the economic programme committee comprising some of the senior and most respected leaders of the party. This committee and its various sub-committees reiterated the national objective of economic justice. While stating the aims and objectives of the economic programme for independent India, the first recommendation of this committee was: "A quick and progressive rise in the standard of living of the people should be the primary consideration governing all economic activities and relevant administrative measures of the central and provincial governments. *The achievement of a national minimum standard in respect of all the essentials of physical and social well-being within a reasonable period must be pursued as the practical goal of all schemes for economic development*" [All India Congress Committee 1948:3; emphasis added].

The ideological commitment to poverty alleviation was supported by pragmatic considerations. Unlike several other countries which gained independence in

the 1940s and 1950s, the freedom struggle in India was by and large a mass movement. Large sections of the poor participated in the struggle for national independence with the hope that they would be given economic wherewithal once the country attained independence. The fact that the rich and the powerful sections, especially in the rural areas, sided with the British government made it easier for the nationalist forces to denounce the concentration of assets, particularly land, in a few hands.

The basic orientation of economic policy did not change after independence. In fact, it was further reinforced with the introduction of universal suffrage and a multi-party political system. Under these circumstances the slogan of poverty eradication, 'garibi hatao', was adopted by all political parties in one form or another. It was also possible to build a consensus on this objective, as on several others, as the core of the political system notwithstanding different party labels was characterised till the end of the 1960s by one or the other variant of democratic socialism. The Nehruvian approach to lifting the economy by its hootstraps by using science-based, capital-intensive industries as the lead sector, and public sector enterprises acquiring the 'commanding heights' in the industrial sector, had its adherents among a whole variety of groups and parties.

It is now well recognised that the translation of professed national goals into economic programmes and policies was fractured, deliberately or due to ineptitude, and that the objectives of economic and social justice remained largely unrealised. Before pointing out the failures and inadequacies of the poverty eradication programmes (PAP) pursued in India, we would like to emphasise the importance of the national agreement on the goal of poverty alleviation, since it is not a common feature among most of the developing countries; also, because such an agreement on the principle of poverty eradication blunted the edge of opposition to the measures for poverty alleviation. Such

measures as are discussed in the following paragraphs were, at least in the initial years of independence, aimed at far-reaching structural changes, e.g. land reforms. Yet none of these generated any active, overt opposition except by groups or parties at the periphery of the political system. The national consensus on poverty alleviation provided the *necessary* condition for launching various schemes and programmes aimed to achieve this objective. But the persistence of poverty during all these years suggests that the national consensus on objectives did not, and could not, provide *sufficient* conditions for poverty alleviation.

APPROACHES TO POVERTY ALLEVIATION

Drawing from the experience of a large number of experiments in rural development involving local communities, the government of India soon after independence launched the Community Development Programme (CD) to rejuvenate economic and social life in the rural areas. The emphasis was on infrastructure building at the local level and investment in human resource development through the provision of education and health services. The programme was implemented in well-defined geographical areas, or blocks. During the pilot phase of the programme, in a number of CD blocks remarkable results were obtained. Once the programme was expanded to cover the whole country, the weaknesses of the socio-economic system – of the administrative structure geared to targetry, of the social structure dominated by caste hierarchies, of an economic system characterised by rent seeking tendencies – came to the surface. The programme was not supported by appropriate technological and institutional reforms. Its impact on poverty alleviation was not conspicuous in any part of the country. The inadequacies and failures of this initiative, as well as some of its achievements, have been widely commented upon by Indian as well as foreign scholars [Dey 1969; Dore and Mars 1981].

The frontal attack on poverty was pursued in three successive phases. In the first phase,

lasting from the beginning of the 1950s till the end of the 1960s, the major emphasis was on redistribution of land and improving the plight of poor tenants: on abolition of functionless intermediaries, on tenancy reforms culminating in the principle of 'land to the tiller', on imposing ceilings on large holdings, sequestering surplus land and redistributing it among the landless agricultural labourers and marginal farmers. Apart from the anti-zamindari legacy of the freedom movement, uprisings of the poor farmers and landless labourers (the most notable example of such uprising was the Telangana struggle) also spurred the move towards radical land reforms.

However, by the time these structural reforms were introduced in different states, usually after lengthy legislative and legal procedures, the wealthier sections of rural society had consolidated their position and a middle peasantry was making its presence felt. The latter did not align itself with the poor farmers but identified its interests with those of the rich peasantry. Unfortunately, the launching of redistributive measures coincided with a growing deficit in foodgrains. Soon after the government had to assign a higher priority to the "grow more food" campaign and more or less abandon far-reaching structural changes. The net result was that redistributive land reforms could make a dent only on very large holdings and that too in a few states. It could directly benefit very few marginal farmers or landless labourers. Similarly, tenancy reforms benefited mainly the middle size tenants. The position of the small tenants deteriorated in many areas where the land was resumed by the landowners on the plea of 'self-cultivation', thus reducing small tenants to the status of tenant-at-will.

A parallel and complementary movement to state-sponsored redistributive land reforms was started by the leading spokesman of Gandhian thought, Acharya Vinoba Bhave. This movement believed in 'change of heart' of those who owned large resources to induce them to share some of their assets, notionally one-fifth, with their poor brethren. This movement, the "bhoodan" movement, achieved remarkable success in its initial phase, but soon degenerated into "targetry" and got diverted from its original purpose. Lack of sufficient effort to support the beneficiaries of the "land-gift" further weakened its contribution to poverty alleviation.

By the late 1960s the second phase of PAP started with measures that promised to address directly and exclusively the poor in the rural areas. This target group oriented approach started with the programme for backward regions, graduated to the programme for the development of small and marginal farmers, landless labourers, etc. and finally culminated in the Integrated Rural Development Programme and National Rural Employment Programme. Serious

efforts for poverty alleviation were initiated only during this phase. The distinguishing feature of the poverty alleviation programme during this phase was the emphasis on creating employment opportunities and distributing renewable assets among the poor. This was in sharp contrast to the intentions in the earlier phase, i.e., redistributing existing, non-renewable, assets. Similarly, heavy emphasis was placed during this phase of PAP on transfer of income to the poor in indirect ways, e.g., through food subsidies and 'dual pricing' of essential commodities. Recourse was taken to soft, non-confrontationist measures.

An important implication of this approach was that efforts at poverty alleviation were not conditioned by the political labels of the ruling parties in different states. The success or failure of these efforts were independent of whether a state was ruled by a rightist, centrist or leftist party. If poverty alleviation efforts were to concentrate on the redistribution of non-renewable resources such as land, the political base of the ruling parties would have made a significant difference.

In the third - the latest - phase starting from the beginning of the 1990s, emphasis has shifted to measures aimed at accelerating economic growth and on creating an environment for ensuring a 'spread effect'. In keeping with Indian traditions, lip-service is continued to be paid to structural change, as much as to target-group oriented programmes, but the dominant thought is to create more wealth and to enable the poor to benefit from the secondary effects of growth which, it is presumed, will percolate down and reach the poor.

Although over time relative emphasis has shifted from structural interventions, to a target group oriented approach, to market oriented policies, all states have acted in all these phases, more or less, in unison. If one finds different achievements in terms of poverty alleviation in various states, it is not because the major thrust of the programmes were dissimilar or the strategies were unique. Such differences have to be explained in terms of the initial social and economic conditions, specific geographical and demographic features, the pace and composition of economic growth, the relative emphasis placed on different poverty alleviation programmes, and the processes of and competence in programme formulation and implementation.¹ The studies in this issue examine many of these, and quite a few other, aspects of the poverty alleviation efforts in different states in India.

I

Design of Study

There is a uniformity of approach and, to a large extent, of content, of poverty alleviation programmes in India. The

implementing agencies for these programmes are the states. The outcome of poverty alleviation efforts, as is well known, differs from state to state. The dent in poverty in different states of the country can be explained only in the socio-economic, political, geographical and demographic context of the states; states' capabilities to implement such programmes; and institutions that exist at the ground level to support the disadvantaged sections of society. These assumptions were to be tested in the present study, titled 'Public Interventions for Poverty Alleviation: Experience of Indian States'. For this project nine states were selected for in-depth study: Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Rajasthan and West Bengal.² The temptation to include more states had to be resisted because of the paucity of time and resources.

The selection of states was mainly, though not solely, governed by the availability of scholars who have conducted serious studies of poverty related questions in their respective states. But once the states were selected, certain important characteristics of each state could be identified and related to its poverty alleviation programmes. For example, the selection of Haryana facilitated the study of the poverty situation in a dynamic rural economy. As against this, Bihar could represent similar initiatives in a stagnating economy with weak rural institutions. West Bengal and Kerala, both governed by leftist political parties, could illustrate a concerted move towards structural change in the rural economy in one case, and the impact of investment in human resource development in the other. Karnataka is one of the few states where decentralised development was tried out without initial political mobilisation. In Andhra, the intriguing feature was a favourable impact of PAPs on the poverty situation in the context of a stagnant economy. Maharashtra provided a unique example of guaranteed employment, virtually on the doorstep, to anyone who offers him/her for a job. Gujarat qualified for such a study because of its vibrant grass roots organisations, the co-operatives and NGOs. Finally, Rajasthan's inclusion could illustrate the nature of transient poverty which arises because of sharp weather-induced fluctuations in agricultural production.

There are several states with other distinctive features which could have been included for such a study. However, the paucity of resources and in some cases lack of serious studies in the area of poverty alleviation, inhibited inclusion of more states. At the same time, the states selected present a cross-section which highlights some of the major determinants of the success or failure of poverty alleviation programmes. While the main focus of the study was on the policies and programmes at the state level, it was realised that the importance of macro-

economic policies as well as overarching political processes for poverty alleviation programmes at the state level should not be missed.

The group identified to conduct this study along with a few other scholars met for the first time in Udaipur in July 1989. In this meeting the objectives and methodology of the study were discussed in detail. It was also decided that the major output of the study will be the nine state-level case studies. A format for these case studies was agreed upon. To examine national policies as they influence state level PAPs, a paper on Political Processes and Poverty Alleviation (by Kuldeep Mathur) was added.

Principally, each case study was to include:

- (a) discussion of social, economic and geographical features of the state as these impinge on poverty alleviation efforts;
- (b) discussion of rate and composition of economic growth and its impact on poverty alleviation;
- (c) a critical review of national PAPs (IRD, JRY, etc) in the state;
- (d) discussion of any major initiative taken by the state with the objective of poverty alleviation; and
- (e) suggestions for future directions to accelerate the pace of poverty alleviation in the state.

It was understood that the above format was only a suggestive one, and each case writer was free to amend it.

The same group with some alterations met in Jaipur in October 1991 and again in August 1992. In the latter meeting five of the nine case studies which were more or less in finished form were discussed in detail, and the outlines of four more studies were elaborated. It was also decided that the authors of those case studies which were more or less complete should take into account the comments made in this meeting before finalising their papers. The remaining four studies were also to be completed on the lines of the agreed format. It was further decided that one more meeting of the group will take place to take a final look at the case studies as well as to critique the overview paper. Unfortunately this meeting could not take place. But the remaining case studies were submitted to the chief co-ordinator of the project. Mainly on the basis of the case studies, but also using other relevant literature, the co-ordinator of the study, V S Vyas, in collaboration with Pradeep Bhargava, prepared the overview paper. The overview paper discusses:

- (i) the nature and extent of rural poverty and the trends in poverty alleviation in the country in general and in the selected states in particular;
- (ii) a critical examination of the general strategy as well as specific programmes for poverty alleviation; and

- (iii) a discussion of future directions on the basis of the above.

II

Extent and Nature of Poverty

There is no agreement among scholars on the extent of rural poverty in India. Estimates on the proportion of poor households among the total number of rural households for the year 1987-88, which is the last year for which country-wide reliable data from the National Sample Survey (NSS) are available, vary from 25 to 45 per cent. Some scholars have come to the conclusion that poor households constitute as little as 25 per cent of the total rural households [Dev et al 1992], while other scholars maintain that the proportion is as high as 45 per cent [Minhas et al 1991]. The official sources, i.e., the Planning Commission, place the rural poverty level at around 33 per cent of the rural population. An expert group appointed by the Planning Commission which included several distinguished economists placed the figure of rural poverty at around 39 per cent.¹ Even if some highly optimistic or highly pessimistic estimates are excluded, the figures on rural poverty given by different scholars vary significantly. Why should there be such a difference in the extent of poverty when the basic source of data used by all scholars is the same, i.e., various rounds of the NSS?

The starting point for estimating the number of households below the poverty line is a normative nutritional requirement per person per day at some base point. There is a debate on the minimum caloric requirement, and whether it should be the same for all parts of the country. Most acceptable figures are 2,400 calories per person per day in rural areas, and 2,200 calories per person per day in urban areas. The next step is to translate the nutrient requirement into monetary terms. The expenditure level of households which are able to spend the requisite amount to obtain the desired calories serves as the cut-off point, or the poverty line. To adjust the poverty line over a period of time, price variations have to be considered and an appropriate price deflator has to be selected. The problem arises in deciding upon such a deflator.

Thus, the following elements mainly affect the magnitude of the poverty ratio: (i) the nutrition norm (translated into monetary terms) in the base year; (ii) price deflator used to update the poverty line; and (iii) pro rata adjustment in the number of households in different expenditure classes to determine the number of households below and above the poverty line. Different assumptions and methods are used for these three purposes, which accounts for the different estimates provided by scholars.⁴

The assumptions made and methodology adopted by the expert (Lakdawala) group of

the Planning Commission appears to be the appropriate one. As mentioned above, the expert group has estimated the number of poor households in rural India at around 39 per cent of the total in 1987-88.

Over time a few noticeable changes have taken place in regard to the extent of rural poverty. First, in the last two decades there has been a continuous reduction in poverty. In 1973-74 the proportion of rural households below the poverty line was around 55 per cent (54.3 per cent to be exact). It went down to 52 per cent in 1977-78 and to 45 per cent in 1983, and now it is around 39 per cent. Thus, there has been a marked decline in the proportion of poor households in rural areas. Second, this decline is witnessed practically in every state of the country, although the magnitude of decline has differed. The important fact to be emphasised is that there has been a decline in poverty practically in every state.

Third, and it is important to note, even in the poorest states the pervasiveness of poverty has been reduced to a remarkable extent. For example, in 1977-78 in two states of our country, Orissa and Bihar, the proportion of rural households below the poverty line was 65 per cent and 75 per cent respectively. By 1987-88 there was not a single state which recorded such severe and pervasive poverty. On the other hand, in 1977-78 there was only one state, Punjab, which had less than 20 per cent of its rural households under the poverty line. By 1987-88 there were three states viz., Punjab, Haryana and Himachal Pradesh, where poverty was less than 20 per cent. More importantly, there are many more states which have made remarkable progress, from all-pervasive poverty to a rather manageable extent of poverty.

Fourth, there has been a noticeable improvement in the nutritional status of the poorest households as reflected in calorie intake. As mentioned earlier, the normative base for estimating poverty in our country is an intake of 2,400 calories per capita per day in the rural areas (plus an additional expenditure on other necessities), and 2,200 calories per capita in the urban areas (along with additional expenditure). Compared to these high norms of calorie intake, in a number of states the average per capita per day calories intake has come down. But inequality in food consumption has been reduced, and to that extent it can be reasonably assumed that malnutrition among the poorest deciles has come down to a considerable extent. These developments should be appreciated before asking the question why we could not do better.

Experience in poverty alleviation has varied in a significant manner among the states. We may divide the 18 year period from 1970-71 to 1987-88 into two sub-periods, the first between 1970-71 and

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1977-78 and the second between 1977-78 and 1987-88 the first period may be called the pre poverty alleviation programme period and the second the post poverty alleviation programme period. In the first period the target group approach to poverty alleviation was absent. It was presumed that changes in agrarian structure and overall economic growth were the factors which would help poverty alleviation. As noted above during the second period roughly beginning from the late 1970s the target group oriented approach was accepted. Poverty alleviation programmes such as the Integrated Rural Development Programme (IRDP), National Rural Employment Programmes (NRELP) etc. were emphasised. Although these programmes were started earlier it was only from the late 1970s that these various schemes gathered momentum.

For the country as a whole the poverty ratio declined in the first period by less than 1 per cent. The decline in the poverty ratio was slightly above 9 per cent in the second period. We have observed above that there had been a fall in the poverty ratio over the period of time. It has to be noted that the decline in the poverty ratio was precipitated during the second period when deliberate targeted attempts were made to alleviate poverty. This outcome is of considerable significance.

The state wise picture of poverty reduction in the two periods is quite interesting. Decline in poverty was uniformly distributed between the first and the second period in Andhra Pradesh, Haryana and Tamil Nadu. West Bengal on the other hand observed a fall of nearly 15 per cent in the proportion of poor households in the rural areas in the second period as against only 4 per cent decline during the first period. This was also the experience of Karnataka and Kerala. It is significant to observe that states such as Karnataka, Kerala and West Bengal have better records in the implementation of PAP. What is observed at the state level does not necessarily hold true for all the regions of a state. There are sharp intra state variations in the incidence of poverty as well as extent of its decline over time. In most of the states there are high as well as low poverty regions. In Andhra Pradesh for example the backward regions have significantly higher incidences of poverty. The ratio of poor households to total number of households is increasing. There is growing concentration of poverty in the backward and poorly endowed regions of the state (Ramaswamy).⁴ Similarly in Maharashtra the inland eastern region has the highest incidence of poverty and the inland western on the lowest (Dev). In both Karnataka, Gujarat the regional disparities in this respect are remarkable and the regional concentration of poor households is widening (asalu Hirway). Unfortunately enough

data on poverty at the regional level are not available to allow for a meaningful analysis. The results of the 27th round of the National Sample Survey (NSS) (for the year 1983) were presented for various NSS regions. The base year poverty differences in these regions could be highlighted with the help of these data. The 14 agro-climatic regions of the country could be ranked in terms of level of poverty. These regions however cut across state boundaries and therefore are not very helpful in understanding intra-state differences. In any case no such region specific estimates are available from the later rounds of NSS.

A few sporadic efforts are being made to understand the intra state poverty situation by researchers. The Centre of Economic and Social Studies (CESS) has developed district and regional level poverty estimates for Andhra Pradesh for the years 1977-78 and 1987-88. The only other effort of this nature that we are aware of is the regional delineation of the poverty profile for Gujarat done at the Sardar Patel Institute Ahmedabad. During the course of this study a similar attempt was made at the Institute of Development Studies, Jaipur to obtain poverty estimates for different regions of Rajasthan (Vidya Sagar). Apart from these few exercises there are hardly any other systematic efforts to assess the poverty situation at the regional level. As noted above poverty has declined over time in practically every state of the union but the states are large units. What is happening within a state i.e. in different regions is not carefully analysed. This is one of the major gaps in our understanding of the poverty situation.

CHARACTERISTICS OF POOR HOUSEHOLDS

As is well known it is largely the assetless among the rural households e.g. agricultural labour households who account for the most substantial block of poor households. According to the 38th round of the NSS at the all India level in 1983 agricultural labour households in the rural areas constituted 30.7 per cent of all rural households but their share in the poor rural households was 42.0 per cent.⁵ Nearly half of the rural poor in Andhra Pradesh, Bihar, Gujarat, Karnataka and West Bengal are agricultural labour households. These households are landless or have very small land holdings. Self employed agriculturists, mostly small and marginal farmers, form another major constituent of the poor households. As the case studies in this issue report, at the state level the difference in the incidence of poverty between agricultural labour households and those self employed in agriculture is relatively small in Andhra Pradesh, Haryana and Rajasthan while it is greater in West Bengal and Bihar. The relative importance of agricultural labour households versus marginal farmer households among the rural

poor reflects employment opportunities on the one hand and land holding structures on the other in the selected states.

Another distinguishing characteristic is the caste composition of the rural poor. The scheduled castes and tribes contribute disproportionately to the poor households in rural areas. For example in Kerala they constitute 10 per cent of the total population but 23 per cent of all poor. In all the states these groups (i.e. ST and SC) account for a disproportionately large share of the rural labour households i.e. the households who do not own productive assets.

The lesson is clear that rural poverty is directly related to lack of access to productive assets. It is for this reason that poverty alleviation strategies ought to focus more on providing productive assets to the poor. After the earlier phase of reforms in agrarian structure we did not make any serious effort in that direction. The reasons for the relative neglect of redistributive land reforms will be briefly alluded to below. However if we were to enlarge the definition of assets and include not only land but skills and capabilities and also physical stamina as the assets of the poor, the programme of asset redistribution takes on another more manageable dimension. In fact the states that concentrated on asset generation for the poor understood in wider terms did much better than other states in terms of poverty alleviation. Before we narrate the experience in this regard it is important to understand the role which economic growth *per se* plays in poverty alleviation.

III

Economic Growth and Poverty Alleviation

Among various factors contributing to poverty alleviation economic growth has always been recognised as an important one. A view is gaining ground in the country that the money spent on PAP can be better utilised as investment in developmental activities and that the ensuing economic growth will be a better contributor to poverty alleviation. Assuming that all the money diverted from PAP will be fully and effectively used for development purposes and that such investment will generate growth (two rather heroic assumptions) – let us examine the role of economic growth in poverty alleviation.

The evidence from the experience of a large number of countries is that while the impact of economic growth on reduction in inequalities is mixed, its impact on poverty reduction is unambiguous [World Bank 1990]. However the benefits of growth are observed to be accruing to different economic groups approximately in proportion to their initial incomes. Further, the composition of growth appears to be important in explaining its impact on poverty alleviation. It is

generally agreed that growth propelled by an increase in agricultural output has a more pronounced effect on poverty alleviation.

In recent years the positive relationship between growth in agricultural production and poverty alleviation seems to have weakened [Gaiha 1991]. Even then the positive impact of agricultural growth on the income of small farmers, and more particularly on the wage income of agricultural labourers, cannot be denied. The latter is important. In the face of inequality in the distribution of land-holdings, the positive impact of agricultural growth on poverty alleviation depends more on the capacity to generate employment. A fall in elasticity of employment with respect to agricultural production, as observed in many areas, explains the weakening of the relationship noted above.

In this context, growth in the non-farm sector in rural areas assumes importance. This is clearly brought out in the study of poverty alleviation in Haryana (Bhalla). A significant reduction in rural poverty in Haryana in spite of a marked reduction in employment opportunities in agriculture could be explained by a remarkable increase in non-farm employment. The study of Andhra Pradesh has also brought out that poverty declined more rapidly in the districts adjoining Hyderabad city compared to those in the interior, mainly because of growth in non-farm employment on the periphery of this city (Parthasarathy).

Besides sectoral composition of growth, another factor which affects the 'trickle-down' of the benefits of growth to the poor is the availability of infrastructure, physical as well as institutional. Apart from the direct effect of the development of infrastructure on enabling a faster pace of trickle down, it also enhances the mobility of the poor, and with it the potential areas for employment opportunities.

A cross-section analysis of the 17 Indian states to explain fall in the ratio of poor households in rural areas between 1977-78 and 1987-88 [Vyas and Sagar 1993] suggests a significant and positive impact of the development of infrastructure and access to assets on the fall in the poverty ratio, while the impact of growth *per se* is, at best, weak. It is also observed that when there is a significant investment in human development (as reflected in an index of human development) and greater equality in the ownership of assets (as reflected in low concentration ratios) the 'trickle-down' effect of growth becomes more pronounced. In other words, growth is important but growth by itself will not ensure a 'spread effect'. The latter will be facilitated to the extent that there is (a) a developed infrastructure and (b) low concentration of assets, i.e., the poor also have access to productive assets. Once these two conditions are fulfilled, growth

will reach the poor. These findings have been corroborated by the case studies reported in this volume.

IV Strategic Intervention for Poverty Alleviation

As a general strategy for poverty alleviation, an emphasis on more equitable distribution of ownership and access to land, reforms in the credit delivery system to enable the poor command over productive resources; and a public distribution system (PDS) for foodgrains to contribute to improvement of nutritional standards of the poor by bringing down the real cost of foodgrains, have all played an important role in poverty alleviation in this country. These are all pro-poor measures. However, their less than satisfactory impact warrants a closer look at the efficacy of these programmes.

LAND REFORMS

The process of impoverishment of the rural masses in India is very well documented. There is a consensus on the role of colonialism, of the penetration of market forces and of the iniquitous social structure, on the widening and deepening of poverty in the countryside (Dasgupta). It is also commonly agreed that in the post-independence era, the pressure of population on land leading to sub-division and fragmentation of agricultural holdings, and lack of employment opportunities in the non-farm sectors worsening the plight of agricultural labourers, have further swelled the ranks of the poor. The emergence of a class of rentiers protected by the state and legitimised by the social system hastened this process. The bulk of the poor households in India are located in rural areas and among these, the vast majority are landless agricultural labourers and marginal farmers. More equitable access to land, therefore, would be an important poverty alleviation measure.

Land reforms as a programme for ushering in a just social order was an important item on the national agenda even before independence. The popular governments which took power in different states for a brief period in the late 1930s lost no time in legislating land reform measures. These reforms became more extensive and coherent after independence. An interesting aspect of land reforms in India is that although this is a state subject – only recently have some of the provisions of land reforms been brought under the concurrent list – the content as well as the timing of land legislation have been broadly similar in all states. Rather minor variations in the content or timing are easily explained due to special circumstances in the concerned state.

Land reform legislation broadly follows the following sequence throughout the country:

- abolition of functionless intermediaries;
- protection to tenants;
- imposition of a (rather liberal) ceiling on land holdings;
- ownership right to tenants;
- more stringent ceiling legislation.

There are a number of penetrating studies on the legislative content, implementation processes, and impact of land reforms on productivity and equity in different states in India. Some of the collaborators in this study (Dasgupta, Parthasarathy, Sharma) have documented the impact of land legislation on poverty alleviation in their respective states.

There are a few facts which need to be highlighted in the context of the present study. As a poverty alleviation measure, the main emphasis of land reforms until recently was on redistributive policies. The success in lowering of the ceiling on agricultural holdings (which was first introduced in mid-1950s) in the early 1960s and again in the early 1970s was aimed at sequestering the surplus land and redistributing it among landless rural households or those with cultivated marginal holdings. Except for one or two states, e.g., West Bengal and Kerala, this programme did not make any remarkable impact on poverty. For the country as a whole the picture that obtains suggests that the land declared surplus was much less than what was anticipated; land acquired was much less than the land declared surplus; land distributed among landless labourers and marginal farmers was much less than the land acquired; and land which could actually be cultivated was much less than the land acquired. Leakages at every stage were glaring, and the reasons for this are well known.

The concentration ratio of landholdings did decline. In particular, the share of large holdings in total holdings went down in every state of the country. But the changes were mainly due to factors such as (a) demographic pressures leading to sub-divisions of holdings; (b) opportunities to increase agricultural output on medium size holdings by investment of capital rather than expansion of land; and (c) increased risk in further expansion of holdings in the face of ceiling legislation. The lowering of concentration of land among the large land holders was not because of effective implementation of land reforms by state bureaucracies, or the organisation of the intended beneficiaries. However, redistributive land reforms did contribute directly or indirectly to stopping the process of proletarianisation, in halting further expansion of large holdings, and contributing to the emergence of a middle peasantry [Vyas 1986].

In regard to the impact of tenancy legislation, after the initial 'shuffle' in the countryside, when a large number of tenants were evicted from land by landowners on the plea of resuming land for self-cultivation, things have started settling down. Even when allowance is made for concealed tenancy, the area under tenancy has declined, but those tenants who could formalise their tenancy agreements could be assured of legislative protection against eviction and enhanced rents. After the initial unsettling phase, most of the states have had a better record in tenancy protection compared to their performance in implementation of ceiling legislation. West Bengal has the most creditable record in this respect. State legislation on 'Bargadars' and its effective implementation with popular support at the village level ensured that share-croppers could not be evicted from their land and were assured of continuation of tenancy and a fair share of the produce (Dasgupta). In a few other states it is becoming difficult to evict share-croppers due to popular and radical organisation of the small peasants and landless labourers. For example, in parts of Andhra Pradesh and Bihar several groups known by the generic name of 'Naxalites' are protecting the rights of tenants, at times by violent means. In these areas the state machinery is also becoming more conscious about the implementation of land reforms and the plugging of various loopholes.

A question is posed in different fora as to whether land reforms are at all relevant in the present circumstances. According to some scholars, the urgency for implementation of land reform measures has been enhanced because of the re-emergence of a class of rentiers among the large landholders in some parts of the country. This in a way is a reversal of what happened during the phase of the 'green revolution'. The latter was characterised by a convergence of management and ownership of land, even in medium and large holdings. In the present circumstances, the affluent landlords find it more profitable to invest in non-agricultural occupations and assume the role of rent seeking absentee landlords rather than that of capitalist farmer (Parthasarathy).

Effective implementation of existing land reform legislation is important for more than one reason. Apart from the disruptive social implication of non-implementation of land legislation, such failures are also depriving the poor of participation in the development process. Second, land reform which assists in defreezing the lease market will be in the interests of the poor. A properly functioning lease market enables the poor to acquire land for cultivation to supplement their meagre holdings, or facilitates search for a non-agricultural work opportunity without the risk of losing land. This type of land

legislation will be a logical extension of 'Operation Barga' type reforms.

With the preoccupation of policy-makers with privately owned agricultural holdings, sufficient attention was not paid to the common lands till very recently. The disappearance of the commons or their pre-emption by the rich and powerful of village society has blocked opportunities for income generation for the poor from the products of the commons, apart from doing irreparable ecological harm. The damage done in this respect is more severe for the poor, whose dependence on the products of the commons is proportionately larger. It is only recently that steps have been initiated to rejuvenate degraded village commons and protect the rights of village communities, especially the poor, in the use of the commons. NGOs more than state functionaries are spearheading such activities.

Also, the exclusive attention paid to land has meant that the equitable access of the poor to forests, fisheries and water resources has not been appreciated. Only in recent years some steps have been taken to provide the poor access to forests, particularly the tribals living in or around forests. But in this respect legislation is probably at a stage where land legislation was in the 1950s. In regard to equitable access to water, in spite of several ideas being floated, hardly any effort has been made at the state level. Some voluntary organisations such as 'pani panchayats' in Maharashtra, have taken the lead in this direction.

ACCESS TO CREDIT

Availability of credit to the poor on affordable terms can create the preconditions for access to productive resources. With this objective in view, far-reaching changes have been introduced in the credit delivery mechanism in this country. These include expansion of the network of rural branches of the commercial banks, mandatory lending to priority sectors, discriminatory interest rates in favour of the poor, and the like. The objective of access to easy credit has been thwarted to a large extent by lack of proper response from the financial institutions. The credit institutions see lending to the poor as a burden rather than a good and feasible investment. Their approach to credit supplies for the poor have been developed without a fuller understanding of the poor's needs and aspirations.

By definition, the rural poor have few assets, but in many instances they do have some skills. One of the major constraints they face in making productive use of their assets and skills is access to credit. There are several limitations at their end – illiteracy and lack of awareness and experience with formal credit institutions. For women it may be especially difficult to obtain credit: the types of work women engage in may not be

recognised as productive enough to be creditworthy, and on many occasions social disapproval and family pressures discourage them from economic activities outside the home.

The poor generally need small amounts of credit. The credit requirement at times is a series of small, short-term loans for working capital which may ensure, for example, the supply of raw materials to carry out small-scale activities. They invest in activities with a quick cash turn around. Activities revolve around frequent marketing such as petty trade, food preparation, handicrafts using local raw materials, or services with a local demand. Some of the poor who make it to the external market need a higher amount of credit.

The big financial institutions generally find the proposed business of the poor to be too small to justify their efforts. They may impose unreasonable service fees for smaller loans and first time borrowers. Processing and/or administration of loans may take too much time away from the poor. Collateral requirements may be too rigid and repayment schedules inappropriate for the types of business pursued by the poor.

An important innovation in credit delivery systems has been the establishment of regional rural banks (RRB). These institutions are designed primarily to meet the credit needs of the poor. They do make small loans, mainly to the beneficiaries of the Integrated Rural Development Programme (IRDP); these are of fixed amounts and generally lack flexibility. There is no service fee but the loan application moves through a number of channels, increasing the transaction costs of both the poor borrower and the bank. The borrower still spends a lot of time chasing his or her application. The collateral condition for the poor borrower in the IRDP has totally been done away with, and the interest rate is lower than the market rate, but the loans are linked to a direct subsidy by the government. This erodes the authority of the banks (Parthasarathy). Repayments have been subjected to external political interventions. These, together with motivational and organisational handicaps, have impaired the effectiveness of the RRBs. The regional rural banks are too happy to see an IRD account closed when all repayments have been met. No attempt is made, rather no thought is given, to the needs of the IRD beneficiary after the loan has been repaid.

The opportunities given by IRDP, as will be discussed below, favour activities that promote redistributive (as reflected in the subsidies) rather than productive activities, and restrict opportunities rather than expand them. They seldom induce investment in education that increases productivity (TRYSEM is an exception). The organisations that develop in this institutional milieu could become more 'efficient' over time –

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but more 'efficient' in making the poor even more dependent, and hence unproductive, with the basic institutional structure even less conducive to productive activity.

In the above context, some of the challenges that the credit delivery systems face are:

- (i) to create or expand the financial markets without distorting product or factor prices;
- (ii) to evolve a lending design that reaches the poor while minimising the transaction costs;
- (iii) to minimise the cost of lending operations while keeping the interest low enough for the poor to ensure participation;
- (iv) to design cost effective methods to scale up the service delivery mechanism both horizontally (among a larger number of poor or in a larger geographical area) and vertically (more investment opportunities for the poor who have already been successful in increasing their income);
- (v) to incorporate schemes which finance human capital formation so that the productive capacity and hence the creditworthiness of the poor enhances, and
- (vi) to meet the above challenges and ensure that credit programmes are being cost effective and are not dependent on external subsidies.

In other words, what is needed is a strategy that gives sustained livelihood to the poor as well as ensures the sustainability of the credit institutions. So far we have not been able to evolve such a strategy.

It is in this context that we should make conscious efforts to learn from the successful experiments in this country and abroad. Credit programmes such as the Grameen Bank of Bangladesh, the Action projects in Latin American countries, and the BKK in Indonesia have been successful in increasing the incomes of the poor while ensuring loan repayments. They have also been successful in varying degrees in empowering the poor. The major plank of the strategy of such credit programmes is to break the entry barriers for the severely disadvantaged sections who do not have the conventional prerequisites to entitle them to the services of the formal credit institutions. No economic collateral, no enhanced technological knowledge, no literacy, no money management experience and no social pull is necessary to start a project. Small loans are advanced, and once repaid, further loans are sanctioned. This is expected to initiate a creative process in which better know-how is developed, skills are honed and the confidence of the poor in themselves and in the credit management system develops. Women, who are marginalised in terms of acquiring and controlling assets, now have

access to formal credit and are being paid for their labour. They are able to gain control over their own lives, and most important, are able to organise better lives for their children, an activity for which they alone are responsible in a poor family. The financial principles are based on a form of social collateral as against economic collateral. In the Grameen Bank, a lot of emphasis is given to group formation with well laid out procedures. Larger amounts of credit are advanced if a loan is repaid. This incentive, plus pressure from the peer group, strong and decentralised management systems, the collection of repayments in small amounts suitable to circumstances in which the poor earn and live, together result in net repayments to the tune of 90 to 95 per cent in all these schemes. Transaction costs are kept low by a minimum of pre-loan screening and paperwork as well as by technical assistance. The poor have been able to increase their incomes and also accumulate some capital.

The design of these credit programmes has been singularly successful in not distorting credit markets by lending at the market rate of interest. Besides, the programmes pay the poor in cash and exercise no control over what they buy. Any control over their buying would have decreased the value of commodity for the poor and set distortions in the product and factor markets. With a continuous flow of credit, the programmes have successfully intervened in the interlocked markets where the poor borrower was tied to the local moneylender to buy inputs at a higher price and sell his output at a lower than market price. In the process it is reported that as the households have improved their economic position, the demand for consumption loans has declined.

The other major achievement of the successful programmes has been that the poor are able to 'voice' Co-operative behaviour has become possible with individuals' repeated interaction, which enables them to have a great deal of information about one another. The challenge in our country in the field of credit, as in other fields, is to devise co-operative solutions to problems without the intervention of a coercive state.

PUBLIC DISTRIBUTION SYSTEM

Poor households spend nearly 80 per cent of their income on food. Therefore an effective way of enhancing real income and ensuring food security to poor households is an assured delivery of adequate quantities of foodgrains and other essential commodities at favourable prices, i.e. prices which are lower than the market prices. In India this has been attempted through the public distribution system (PDS) since second world war. Public distribution of essential commodities gathered momentum

in recent years. Between 1971 and 1989, the quantity of foodgrains distributed through the PDS has increased four-and-a-half times. The ratio of release of foodgrains through PDS to total foodgrains production has remained around 10 to 13 per cent of an expanding output base. Its coverage has expanded regionally as well as in terms of number of households. Probably because of the public distribution system, inter-state inequality in per capita consumption of cereals has declined in the 1980s, in spite of the fact that inter-state inequality in production of cereals has increased.⁸

A number of studies on the functioning of PDS and accounts given by participants in the PAP project have revealed several weaknesses as well as strengths of this system.

Taking the country as a whole, the system cannot be faulted for discriminating against the rural areas, although its contribution to the satisfaction of the foodgrains requirements of poor households is not substantial. Less than 16 per cent of rice and wheat and, even worse, less than 5 per cent of the coarse cereals (the staple foodgrain of the poor) of the total quantities purchased by poor households, are obtained through PDS. The picture at the state level is very dissimilar. There are states such as Haryana where PDS was never designed as "an instrument for ameliorating the rigours of rural poverty" (Bhalla). For altogether different reasons, PDS in Bihar also touches the lives of the poor only marginally (Sharma). On the other hand, there are states like Andhra Pradesh, Gujarat, Kerala and Maharashtra where the PDS plays an important role in ensuring food security to rural households. Accessibility to the PDS by the poor in rural areas of these states was much better than in many northern and the eastern states.

A well administered PDS can make a significant contribution to the welfare of the common people. This is illustrated by the experience in Kerala, where the PDS covers approximately 95 per cent of the population; there is a pro-rural bias in terms of outlets; there is a pro-rural bias in prices of the commodities distributed through PDS; and PDS is the main source of purchases of the principal staple foodgrains by the poor. Nearly a quarter of the lowest fractile group purchased rice exclusively from PDS. The same is the case, by and large, for sugar and for standard clothes.⁹

However, the success of PDS in Kerala, as in Andhra Pradesh, is achieved at a huge and unsustainable cost to the public exchequer. This is mainly because the states seek to cover a large population, deliver a large number of commodities, and keep stable prices for these commodities. There is confusion in the basic objective of the system. PDS could be used as an instrument for achieving any of the following objectives

or a combination of these: rationing of scarce commodities; stabilising prices of essential goods by augmenting supplies; providing effective competition to private trade through alternative outlets for distribution; and ensuring adequate supply of essential items to vulnerable sections of the population at reasonable prices. In our present circumstances it is only the last objective which can be effectively fulfilled by PDS, as other objectives either place severe strain on the bureaucracy which is the principal agency for administering PDS, or huge quantities of procurement or imports of foodgrains would be needed involving large sums of domestic or external resources. Due to these attempts to achieve various non-viable goals, the one achievable objective, i.e. ensuring adequate supplies of essential goods to the poor, is also jeopardised. Progressively the centre and the states are realising the scope and limitations of achieving food security through this policy instrument. In spite of this realisation, the coverage of the population under PDS remains unwieldy and the number of commodities included are large and not necessarily 'essential' from the point of view of poor households.

A serious objection to PDS has been voiced, that due to PDS prices of commodities in the open market would be higher than in a situation where PDS is not operating. As a consequence, the poor are the *net losers* if they have to take recourse to the market for the bulk of their purchases. The weighted average price for purchases from PDS and from the open market would be unfavourable to them. The implication of this finding is *not* to dispense with PDS, but to enable the poor to obtain all, or nearly all, of their requirements of essential commodities from PDS and to rely on the open market to the least extent for such commodities. A corollary to this strategy is to discourage universal coverage by the PDS.

The difficulty lies in targeting the right population. A number of PDS schemes meant exclusively for the poor – Andhra's Rs 2 a kg rice scheme is a classical example – founder because it has not been possible to target the benefits to the genuinely poor households. The non-poor also get included and coverage becomes too wide. This, coupled with a fixed supply price, make the draft on the state's resources unmanageable. The different methods of targeting (including the income criterion, the location of the household and the type of grains to be distributed) have not succeeded in achieving the objective. It seems that if PDS has to be used as a device to contribute to the food security of the poor, it may have to be linked with employment generating programmes – in other words, to make only workers on public employment schemes entitled to PDS. As a second best alternative, only (or mainly)

the staple cereals consumed by the poor need to be procured for and distributed through PDS outlets. It was shown in the case studies (Andhra, Kerala, Maharashtra) that the reliance of the poor on PDS for coarse cereals is marginal, whereas they could obtain a sizeable proportion of their supply of wheat and rice from PDS. The other handicap which the poor face *vis-a-vis* PDS, which prompts them to take recourse to private traders, is the lack of credit to make the purchases in bulk as are offered by PDS outlets. The traders are prepared to sell commodities in small quantities, and as frequently as the customer desires, and also to advance credit to their customers. The PDS will also have to simulate similar conditions. In particular, arrangements for consumption credit will go a long way in fulfilling the objective of PDS to assist poor households.

Evidence from a number of states suggests that even with the existing limitations, the availability of essential food items through PDS has ensured equity in access to foodgrains to a significant extent.

V

Targeted Programme for Poor

PROVIDING ASSETS AND SKILLS: IRDP AND TRYSEM

The poverty problem is one of too small a quantity of assets owned by the poor, too low a volume of demand as well as supplies while transacting in the factor and product markets, and too low a market price for their products and services due to high transaction costs, attendant risks and institutional factors. It is generally agreed that improving the access of the poor to assets and increasing the productivity of assets owned by them is a viable strategy for poverty alleviation. Redistribution of a major asset, land, has been discussed in the earlier section. The productivity of another major asset of the poor, namely, their labour, can be increased through investments in human capital including skill enhancement. We begin with an analysis of access to physical assets and enhancement of the productivity of these assets.

The survival base of a very large majority of the rural poor continues to be agriculture. They may own a small landholding and/or work on others' lands as agricultural labour. In areas like Haryana where an 'agriculture first' growth strategy has worked, even small farmers have gained in income and output terms. They have gained equally from public investments in infrastructure and easier access to factor and product markets (Bhalla). This may not be true for other areas, e.g., Andhra Pradesh, where a majority of the marginal farmers and agricultural labourers are outside the purview of state-sponsored

delivery systems (Parthasarathy). The least desired scenario is presented by the example of Gujarat where not only has agriculture been deemphasised, but mismanagement of land and water resources has led to environmental degradation.

Schemes such as SFDA and DPAP have been designed to benefit both marginal farmers and landless labourers by strengthening their activities in sectors like agriculture, animal husbandry and other allied activities. Similarly, marginalised groups were the main beneficiaries of the Backward Area Development Programme, which was also to contribute to protection of the environment and ecological regeneration. The experience of these programmes has been far from satisfactory (Hirway). It has been the general experience that the assets distributed among the poor sections would be put to better use if the infrastructure and market support is good. Otherwise the returns to these assets could not be assured.

Access to assets other than land – the distribution of which as we have seen is becoming difficult – could provide additional income to the poor. A very wide range of such assets can be listed. They may include livestock, raw material for arts and crafts for artisans, small implements or even a better means of transport (a bullock cart or bicycle). In some cases these assets may provide substantial income even to those households which primarily depend on land. The most important programme which is aimed at providing additional income to the poor by giving them productive assets of the type listed above is the Integrated Rural Development Programme (IRDP).

The case studies reveal that IRDP has been successful in very special circumstances – where the asset and employment base of the poor is less insecure. IRDP has done well mostly in developed and prosperous areas, but its performance in backward and remote areas has been poor (Hirway). Even in the relatively prosperous areas, IRDP has benefited those of the poor who are nearer the poverty line. For the very poor the scenario is mixed. In Gujarat, for example, those at the bottom have either not been reached by the programme or have not been able to use the assets made available to them productively (Hirway). However, in Andhra a good number of the very poor could retain the assets given to them under the programme and also show an appreciable increase in income, though not to the extent that would enable them to cross the poverty line (Parthasarathy). In Rajasthan, too, because of IRDP small and marginal farmers have done better than landless labourers (Sagar). The same is true in Karnataka where the programme has benefited the poor who have land, but not so much the landless poor (Vyasulu).

The strategy of IRDP has been questioned on the ground that it is isolated from the main growth process in terms of resource allocation, technology as well as sectoral development strategy. It is not planned along with other programmes of area or sectoral development, it is a household based programme, and the schemes are not integrated with the development needs or resource base of the area. The design of the schemes is also an important drawback as they generally reflect inadequate financial assistance for inadequately planned activities (Kannan). Besides, IRDP expects too much in terms of the entrepreneurial capacity of poor households (Hirway). The management of IRDP has come under severe criticism: poor co-ordination among the multiple agencies involved, and a major weakness in the areas of finance and credit, marketing, raw material supply, training, technical assistance and follow up. Other limitations are too much bureaucratisation and centralisation in planning and implementation of the programmes by the officials, who have limited faith in implementing the programmes; inefficiencies and corruption at all levels; and lack of participation by the people (Hirway).

A few suggestions emanating from the case studies for improving the programme are: a cash disbursement scheme which is expected to minimise leakages (Sharina); group approaches and integration of beneficiary development for reaching benefits to the poor (Parthasarathy); Grameen Bank type of credit disbursing agencies (Vyasulu); the selection of beneficiaries and implementation of poverty alleviation programmes with the involvement of local people, as in the Karnataka panchayati raj institutions; and setting up of marketing organisations to help micro-enterprises (Kannan). To sum up, when a large-scale transfer of assets to the poor is envisaged through programmes like the IRDP, the necessary backward and forward linkages have to be strengthened and risks to the households have to be minimised.

Another crucial aspect of asset distribution is the development of skills to use the assets productively. Capital investments in improvement of the skills can be a major step in poverty alleviation. Similarly, investments in the nutrition, education and health of the poor enhance their capacities for productive labour. One of the major programmes for skill development is TRYSEM. The objective of this programme is to provide youth with some skills so that they can be self-employed. None of the states reviewed by the authors of the case studies have reported success in TRYSEM, and the basic reason is the absence of linkages, especially with the demand system, i.e., a proper assessment of the opportunities where the skills could be gainfully used, TRYSEM

is neither linked with industrial policy nor with the rural industrialisation process. The trades in which skills are to be developed are identified on the basis of *ad hoc* considerations. Frequently the skills imparted are of low levels. Since the needs are not identified after any systematic review of demand, the training does not always help the poor to improve their levels of living. TRYSEM has failed to impart modern skills for employment in the non-farm sector. Instead of supporting the mainstream industrialisation process, it could at best support the informal residual sector (Hirway). Trysem is not well integrated with ongoing development programmes. To strengthen the programme, better linkages in consultation with the agricultural university, krishi vigyan kendras and voluntary organisations are necessary. There is a need to link up the programme more closely with the growth of the area (Parthasarathy).

Some relevant questions can be raised: Is it possible for trained rural youth to sustain a self-employment enterprise in a severely competitive market with the poor technological base that TRYSEM provides? How does he manage his credit needs? Is he creditworthy? What will make him creditworthy – better technology, or better organisational support? Who will provide him with all this? The problems are more serious for the rural artisans. Some successful experiments in organising rural artisans in non-farm sector projects with technological and organisational support from voluntary agencies have been undertaken under the promotional schemes of NABARD.¹¹

EMPLOYMENT GENERATION: EGS AND JAWAHAR ROZGAR YOJANA

Wage employment programmes are expected to provide relief to the unemployed poor and have an impact on aggregate unemployment as well as on the labour market. They are also expected to increase labour absorption capacity through investment in durable and income generating public assets. They may also provide social infrastructure such as school buildings. Such programmes can help in creating public goods and externalities, e.g., through social forestry. In this context some of the relevant issues are: the extent of employment generated and its impact on unemployment and poverty levels; the level of wages and its impact on the labour market; and the organisation of the programmes. The other set of issues pertain to the nature of assets created and whom they benefit.

Employment programmes were not perceived as major instruments of poverty alleviation until the beginning of the 1980s in most states of the country. They were expanded in the Sixth Plan period under the National Rural Employment Programme (NREP) and the Rural Landless Employment

Generating Programme (RLEGP). These programmes were modified combined into the Jawahar Rozgar Yojana (JRY) in 1989-90. In Maharashtra, through the enactment of the Maharashtra Employment Guarantee Act 1977 which has been brought into force in 1979, the government has given statutory support to the guarantee of employment, which has manifested in the Employment Guarantee Scheme (EGS).

The extent of employment generated through these programmes in most of the states is not enough to enable a sizeable number of poor households to cross poverty line. In 1988-89 in Gujarat, NREP and RLEGP together generated full employment for 2.2 per cent of the poor, which is equivalent to 100 days of employment for 5.9 per cent of the poor. The employment generation per beneficiary was around 30 days per annum. Thus the programme had made no significant impact on the incidence of unemployment in the state till 1988-89 as its size was too small compared to the needs. The average amount of wage income received through the programmes have not made much impact on the levels of living, savings or on assets of the families. (Hirway).

Even the EGS scheme could eliminate approximately no more than 7 per cent of unemployment among landless wage labourers in one year, namely, 1987-88. The estimates on expenditure show that there should be almost a 20 times increase in the EGS expenditure if unemployment has to be removed through public works (Dev). Some micro studies indicate that the employment provision of person days per person in a year varies between 25 to 160 days. The share of income from EGS for those employed in the EGS has ranged between one-third and two-thirds. However this has only reduced the intensity of poverty rather than achieving success in terms of the number crossing the poverty line.

There are other instances which put the programme in a better light. For example, in Andhra the employment generation programme provided seven man days on an average per usually employed casual labourer in 1989-90. Assuming 45 days of unemployment per casual labourer, the employment under JRY in a particular year covered slightly more than 15 per cent of the unemployment. This should be considered a significant creation of employment (Parthasarathy). The person day unemployment rate based on NSS data declined considerably over time in Andhra. In this state, poverty reductions have continued despite a downward phase in the agriculture cycle. This is, presumably, due to the impact of rising expenditure on public intervention programmes of which employment programmes, contribute more than one-third (Parthasarathy).

In the above context, we are faced with



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Regd. & Admn. Office
KARUR - 639 006

EXCERPTS OF THE SPEECH DELIVERED BY SRI. G.V. RAO, CHAIRMAN, AT THE SHAREHOLDERS MEETING HELD ON 15TH SEPTEMBER, 1995 AT KARUR.

DEAR SHAREHOLDERS,

I take pleasure in extending you all a warm welcome to this 68th Annual General Meeting. I am extremely happy to address this august gathering fourth year in row, a notable event repeated after a gap of almost two decades. The Bank's Accounts for the year ended March 31, 1995, alongwith Directors' Report have already been circulated to you in advance.

ECONOMIC SCENARIO

It is four years since the Narasimha Rao Government initiated economic reforms which were aimed at regenerating confidence on India, building the Foreign Exchange Reserves and stimulating private investments, both domestic and foreign. The liberalisation measures started yielding results from the second half of 1993-94. With a sustained revival in the industrial activity coupled with a high level of agricultural production for the seventh successive season, the gross domestic product in 1994-95 has risen by 5.6% compared to 4.3% in 1993-94 and the Inflation Rate was pegged down to 8.5%.

The industrial sector witnessed remarkable recovery after the lull trend noticed in the year 1993-94. The liberalised licensing procedures and incentives have aided faster growth in exports in spite of keener demand for various goods in the domestic segment. The Balance of Payments position has been highly comfortable, with foreign exchange reserves rising to an all time high of 20 billion dollars, in spite of stoppage of fresh inflows by way of GDR issues.

With inflation getting well under control and favourable prices in the world market aiding exports, the rupee can be stable against all major currencies of the world. The liberalised corporate sector and the reforms carried out so far would provide the engine of growth and we should aim at double digit growth in GNP to address the remaining issues effectively.

BANKING SCENARIO

By the year 2000, the people of the world will be drawn much closer. This will result from genuine revolution in telecommunication, transportation and expansion of international trade, cutting across the intercontinental contours. This development paves way for change in the banking. The forces of change in the banking are globalisation, deregulation and technological change and innovation. These forces crumbled the edifice built over 2 decades by quality of service rendered than on the volume.

Banks are necessitated to adorn large capital consequent on the requirement of Prudential Norms.

With the emergence of new Banks in the private sector, the competition will be severe and at times may lead to adverse conditions. Banks will have to choose a strategic position in which they can build on their strength. The moot point will be accurate identification of the markets and understanding and anticipating the customers needs. The most promising key to success in the retail market in the years to come will be the strengthening of cost competitiveness.

In spite of the fact that the future Indian Banking to be indeed exciting, challenging and highly competitive dynamic banking organisations with a visionary leadership will profit immensely in a situation of this kind.

HIGHLIGHTS OF OUR BANK'S PERFORMANCE

Your bank has earned a Net Profit of Rs. 18.32 crores for the year 1994-95. The spurt in the profit strengthened the Reserves of the bank to reach as high as Rs. 41.33 crores.

The Deposits of your bank touched a all time high of Rs. 1037.27 crores in 1994-95 from Rs. 584.39 crores in 1993-94.

Your bank has shown sustained growth in Foreign

Exchange business turnover at 271.32 crores in comparison to Rs. 226.18 crores in 1993-94.

Your bank recorded a voluminous growth in Investments by reaching an aggregate of Rs. 417.18 crores in 1994-95 from Rs. 214.37 crores in 1993-94.

As a SEBI classified category I Merchant Banker the Bank has made giant leap by mobilising Rs. 1246.85 crores encompassing 325 capital issues as compared to Rs. 249.85 crores from 231 issues in the year before. Your bank plays a dominant role, ranking second amongst the private sector banks in India according to Prime Data Base by extending underwriting support for 199 capital issues covering an amount of Rs. 2415.12 lacs as against Rs. 1956.69 lacs for 192 capital issues in the year before.

The bank has opened 6 more branches viz. Mettur, Valasaravakkam, West Tambaram (Tamil Nadu), Chitradurga (Karnataka) and Gandhi Nagar, Anand (Gujarat).

To enlarge the acceptability base of our credit card, the bank has entered an arrangement with Visa International.

The bank's emphasis is to employ advanced technology to the mutual benefit of both customers and bank and in line with it, our on-going investments are being made to enable the bank to render speedier service and also to sharpen the Internal Control Mechanism.

In a Service Industry like ours, one of the raw materials is human resources. Appreciating its criticality, the bank is constantly training its staff at various levels in the bank's own Staff Training College as well as other outside institutions such as NIBM, SIDTC.

ACKNOWLEDGEMENT

I would like to thank the members and also the Bank's Staff and Executives for their dedicated service.

Note: This does not purport to be the proceedings of the Annual General Meeting of the Bank.

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questions such as what should be the extent of the programmes? What is the rationale for extending these programmes? And how should the programmes be budgeted among different regions? These questions can be answered satisfactorily only in the context of the respective states. Some of the studies in this volume have attempted to throw light on the issues raised here.

One of the important measures taken by the state in favour of the disadvantaged sections is the institution and implementation of minimum wages. There has always been some controversy about the impact of minimum wages on the labour market. The consensus of opinion is around the view that where market imperfections are rampant and interlocking of markets not very uncommon, state intervention in terms of the declaration of minimum wages helps in rationalising market processes. However, the rationale of minimum wages in rural markets is challenged on another ground. If the objective is to extend employment to as large a section of the population as possible, the insistence on minimum wages may detract from this objective. On the other hand, if the state itself is not honouring its legislation, for whatever reasons, the creditability of such legislation is seriously impaired.

This discussion is highly relevant in the context of the employment programmes sponsored by the states. The debate in Rajasthan was manifested in a strong movement launched by the workers on 'amine relief' type activities in the state, some of these covered by the Jawahar Rozgar Yojana, to obtain minimum wages. In many instances government officials took the line that giving minimum wages to these workers would mean a trade off between employment on a few of the provision of a safety net or many.¹

There is a similar controversy in Maharashtra. In the EGS the wage rates have been kept more or less at the subsistence level. There is controversy regarding wage rates under the EGS. The dilemma is between paying the minimum wage rate or the market wages (which are above minimum wages); some others argue that lower wages should be maintained in order to have wider coverage. In Andhra, minimum wages are non-operative in most regions for most operations because market wages are higher. There is need for identification of areas and seasons in which minimum wages are lower than market wages. Real wages are on the rise in Andhra. Similar trends as in Andhra are observed in some districts in Rajasthan. The contribution of NREP to the phenomenon of missing wages is complemented by the increase in agricultural growth rate in some areas, a shift to labour intensive crops in semi-arid regions and the spread of peasant movements, e.g. the naxalite movement in Telangana. There are instances where employment programmes have proved

ineffective in influencing agricultural wages. For example in Kerala the impact on the rural labour market in terms of raising the minimum wages, reducing cyclical fluctuations in employment and reducing the gap between men and women is minimal (Kannan).

Another related problem is that of paying minimum wages to rural workers. In Gujarat the stipulated minimum wages were not paid in a majority of cases examined by the scholars. However, the Gujarat government at its own initiative started special unemployment programmes known as Zero Unemployment District in 1990-91 and Minimum Unemployment Scheme in 1991-92 respectively. Some distinguishing features of these two programmes are that they are restricted to carefully selected areas and that the households are carefully selected and divided into two categories, i.e. those going in for self employment and others for wage employment. These programmes have not been systematically evaluated so far. However, it was found that the funds required for zero unemployment in the selected districts were far too large and the availability of such funds did not seem likely (Hirway).

The employment programmes are not meant only to transfer income to the poor. The objective is to create productive assets or to strengthen the production base. Quantitatively, the achievements in the generation of productive assets are too low to make much impact. The primary objective of employment generation gets neglected in most states as concentration is on assets that require more capital such as construction projects like panchayat ghar, housing, etc. These works benefit the rich more than the poor. Works like soil conservation, minor irrigation, watershed development and afforestation which create more employment presently and create opportunities for employment in the future as well have been neglected. Even in EGS, public pressure was for construction of roads. Only lately is the integration of EGS with schemes for optimum utilisation of water, sericulture plantations, and dug wells for small and marginal farmers being envisaged. It was pointed out, for example in the case of Andhra Pradesh, that greater emphasis needs to be placed on development of irrigation and the efficiency of its use. In locating the programmes adequate weightage is not given to communities with poor water base and dependence on low employment intensive coarse cereals (Parthasarathy). On the other hand, projects for creating private assets, e.g. setting up dug wells for small and marginal farmers, proved to be more successful.

One of the major failings of both the self-help and the wage labour programme is a weak organisational base, including weak linkages between different programmes. Various studies point out the weaknesses such as inappropriateness of the choice of

projects, use of contractors, inappropriate timings, higher material costs and unauthorised deductions by engineering staff. Generally the implementing agencies take up ad hoc projects and get them executed at the minimum possible wages. Payments to labour are inordinately delayed thus failing to provide immediate relief to the unemployed. The shift from NREP to JRY seems to have contributed to the involvement of elected representatives and widespread participation. The need for competent district planning as a backdrop for employment planning is yet to be fully met.

VI Summing Up

The major programmatic thrusts for poverty alleviation were more or less common throughout our country. Strategies and programmes were initiated by the central government and were accepted by all the states. With a large degree of common measures undertaken to alleviate poverty, the studies in this issue attempt to examine why some states have been more successful in reaching this objective than others.

In a developing economy there are essentially four ways by which poverty can be alleviated. The first is the 'trickle down' or the 'spread effect' of growth. It is now well known that it is not the rate of growth but the composition of growth which determines the pace of the 'spread effect'. The pace is significantly affected by the existence of infrastructure which helps in the 'trickle-down' of the benefits of growth. But what is generally not appreciated is that in order to receive the impact of growth, poor households should have the capacity to respond to growth stimuli. Growth might have created the opportunities, but if people are not in a position to respond to these stimuli, poverty alleviation cannot take place. What are those conditions which permit poor people to respond to these opportunities, thus, becomes an important question.

The second approach to poverty alleviation is to create income earning opportunities for the target group of the poor. The states which could create not only employment opportunities but also infrastructural facilities to sustain them had a better record in poverty alleviation. Equally important is access to assets, understood in the wider sense to enable poor households to take advantages of these various programmes. Poverty alleviation measures like IRDP have made some impact in a few states. But if we examine the type of households that have been able to cross the poverty line, which is the objective of these schemes, we find that those households, which are closer to the poverty line, presumably the households which had some assets to start with, have been able to reap the advantages of these programmes to a larger extent.

Third, a policy on relative prices can influence the economic well-being of the poor. The public distribution of foodgrains at lower than market prices, i.e. dual pricing of essential commodities, is the type of measure which illustrates such an approach. Finally, the economy of poor households can be favourably affected by direct income transfers. In the developing countries there are not many examples of direct income transfers to the poor. Usually such transfers take place, indirectly, by 'dual pricing' for the essential products. Except in times of natural calamity, and then also to a small group of households, direct transfer of income to the poor is the exception rather than the rule.

It is not suggested that a country like India or the states within the country should opt for only one or the other type of measure for poverty alleviation. Practically in all states all these various approaches have been tried simultaneously. The first three approaches, namely, growth inducing measures, direct poverty alleviation programmes and indirect subsidisation, have been practised with varying degrees of importance attached to them. Why, then, has the outcome differed from one state to the other in such a significant manner? The significant lessons learned from the studies include:¹²

(1) Success in poverty alleviation efforts was not significantly affected in our country by the professed political ideology of the ruling parties in different states. Poverty alleviation has been adopted as a legitimate political objective, and the poor as an important constituency, by parties of every colour and composition. This was mainly because poverty alleviation efforts in our country comprised 'soft' measures, e.g. the distribution of renewable resources, subsidies, dual pricing, etc.

(2) Faster economic growth by itself does not guarantee a significant impact on poverty alleviation. At the same time slow economic growth is generally associated with low impact on poverty alleviation. Even with faster economic growth targets of poverty alleviation could be missed; with slow economic growth there is little chance of alleviating poverty.

(3) Practically all successful states, i.e. successful in better performance on poverty alleviation, have made sizeable investments in poverty alleviation programmes. This needs to be emphasised in the context of the recent economic reforms. One can easily find instances when funds earmarked for poverty alleviation programmes are not well spent, or the funds are not spent in a manner that ensures sustainable growth. But even with a poor record in programme implementation, generally the states which have invested heavily in programmes such as IRDP or Jawahar Rozgar Yojana, or in the earlier employment generation schemes, have distinctly better records. So long as

poverty alleviation continues as one of our important economic goals, irrespective of the tenets of structural adjustment, emphasis on investment in these programmes has to continue.

(4) Larger investment in infrastructure has helped the states in their quest for poverty alleviation even when the rate of growth in the state domestic product was low. This was mainly because better infrastructure facilitated the 'spread effect' of growth.

(5) Concentration of ownership of assets, which may reflect lack of access or inadequate access of the poor, is generally associated with a slower pace of poverty alleviation. But there are a significant number of exceptions. Based on available evidence, one can conclude that if the poor have access to assets – to be interpreted in broader terms, i.e. including skills and capabilities – there are better chances for poverty alleviation even with slower economic growth.

(6) In some cases, as in Kerala, high investment in human development could compensate for slower economic growth, and could even negate the effects of a skewed distribution of physical assets.

(7) In some rare cases, such as in Gujarat, a state can make satisfactory progress in poverty alleviation in spite of several unfavourable factors, with more efficient implementation of PAP and involvement of grass roots organisations in programme formulation and implementation.

To conclude, the experience of several Indian states suggests that if the strategies for poverty alleviation are properly planned and implemented, even without spectacular economic growth or a major overhaul of the institutions and structures, the poverty ratios among rural households could be brought down to a tolerable limit.

Notes

- 1 For a different view see Kohli (1987), wherein the author emphasises the importance of the regime-in-power to explain the existence of political capacity to initiate effective poverty alleviation measures. He gives the example of West Bengal to prove his thesis. However, as the case studies in this volume will show, there are states such as Haryana or Himachal Pradesh where the political regimes could not be called radical and yet where, because of the factors we have enumerated above, the performance of PAP was better than that in West Bengal.
- 2 The case studies of the selected states were prepared by G Parthasarathy, Alakh Narain Sharma, Indra Hirway, Sheila Bhalla, Vinod Vyasulu, K P Kannan, Mahendra Dev, Vidya Sagar and Biplab Dasgupta.
- 3 All these estimates pertain to year 1987-88, the latest year for which detailed householdwise consumption data are available from NSS.
- 4 For a detailed discussion on various aspects of methodology for enumerating poor households in rural areas, see Planning Commission (1993).
- 5 The names in parentheses are those of the case study writers.

- 6 The estimate of poverty is as made by Mahendra Dev in his case study in this issue.
- 7 For a review of the Bangladesh experience see the World Bank working paper by Islam et al (1994).
- 8 This finding is attributed to T N Krishnan as presented by him in an unpublished lecture delivered on the same subject.
- 9 This is not true for wheat and kerosene, to which middle fractiles depend more on PDS. This is because in the consumption pattern of the poor these items do not figure prominently, and the higher income group take greater recourse to the open market to obtain these items.
- 10 In one such scheme known as the Artisan Guild, traditional artisans have been exposed to new technology with the help of a voluntary organisation to produce commodities of a identified and viable product line. For detail see Bhargava (1994).
- 11 At the Institute of Development Studies, Jaipur, in a consultation exercise between NGOs, policy-makers and some academics there was a consensus of opinion towards the end of the discussion that minimum wage be paid to famine relief workers. See Gianchandani (1991).
- 12 These findings were also reported in an earlier paper by Vyas and Sagar (1993).

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Public Intervention and Rural Poverty

Case of Non-Sustainable Reduction in Andhra Pradesh

G Parthasarathy

Andhra Pradesh presents a unique case of poverty reduction, its performance between 1970 and 1988 being the highest among all the major states. This trend is not surprising for the 1970s, a period of rapid agricultural growth, but is perplexing for the latter part of the 1980s when growth had slackened. These trends point to the significance of public intervention for poverty alleviation, in particular the Rs 2 a kilo rice scheme, which is evaluated here. However, the most effective measure that could be taken to reduce poverty is land reform, without which other schemes cannot have much impact

ANDHRA PRADESH presents a unique case of poverty reduction between 1970-71 and 1987-88, its poverty performance being ranked the highest among all the major states of India [Minhas et al 1991]. Such a performance is understandable for the 1970s, during which period agricultural growth in Andhra Pradesh was high, but is perplexing¹ particularly for the latter part of 1980s during which agricultural growth performance had considerably slackened. Such developments lend particular significance to an examination of the role of public intervention and its implications for a sustainable reduction of poverty.

The main objective of this paper is to evaluate public intervention programmes for the rural poor against the background of the socio-economic context, trends in growth and rural poverty in Andhra Pradesh. The first section of the paper outlines the rural socio-economic scene, examines the growth processes and trends in rural poverty, and outlines the changing profile of the rural poor. The second section presents an evaluation of alternative public intervention programmes for the rural poor. The third section reviews the 'two rupees kilo rice' programme, widely acclaimed to be the most popular among the interventions. The final section discusses selected issues in public intervention and outlines directions for the future.

I

Rural Socio-Economic Scene, Growth and Rural Poverty

The state of Andhra Pradesh, constituted in 1956 in its present form, is comprised of three distinguished regions, viz, (1) drought-prone Rayalaseema, (2) Telangana, formerly part of the princely state of Hyderabad, and (3) Coastal Andhra, comprised of the Godavari, Krishna and Pennar deltas in the south, and the former zamindari areas of the north coast, bordering Orissa. As of 1991 the population of the state was 66 million. Of this, the rural population comprised 48 million forming 73 per cent of the total

population. Within the rural population, 69 per cent were engaged in agriculture. Within agriculture, persons occupied as labourers exceeded the self-employed. The female participation rate in agricultural labour is high and female agricultural workers exceed male agricultural workers. Land distribution continues to be unequal in all the regions. For Andhra Pradesh as a whole, in 1986-87 around 10 per cent of the medium and larger farmers held 44 per cent of the area, while the bottom one-half of cultivators held less than 15 per cent of the area. The bottom one-third of the holders possessing less than 0.5 hectare or 1.0 acre held only 5.0 per cent of the area. The main occupation of the large majority of the sub-marginal cultivators is agricultural labour. Most of the marginal cultivators and agricultural labourers are drawn from backward castes, scheduled castes and scheduled tribes. Of the total population, backward castes formed 38 per cent,² scheduled castes 16 per cent and scheduled tribes 7 per cent.

Medium and large landowners generally belong to upper caste groups, who continue to wield power in co-operatives, panchayats and other rural institutions, though the 'politics of accommodation' [Rami Reddy 1989] has resulted apparently in some diffusion of power to other groups in recent years. The sharp division among rural communities, particularly in the affluent deltas, into landowning upper castes and landless dalits, creates conditions under which the struggles of the dispossessed for civil rights, land and wages are turned into violent caste wars against dalits, and brutal massacres of scheduled caste workers have not been uncommon in recent years. Alienation of tribal lands to non-tribals and deprivation of tribals to access to minor forest produce have also been sources of conflict leading periodically to Naxalite movements, in Srikakulam district in northern Coastal Andhra in the late 1960s and in Telangana in the 1980s [Subba Reddy 1988; Parthasarathy 1992]. The high degree of landlessness and growing casualisation of labour have been associated

with growing market dependence of rural communities.

GROWTH OF AGRICULTURE AND ALLIED SECTORS

The continued predominance of the rural sector, and within that, the agricultural sector, lends importance to the growth of foodgrain and agricultural production for the improvement of the living conditions of the mass of people. In regard to foodgrain production, the first decade since the formation of Andhra Pradesh was marked by a low rate of growth, much less than the rate of growth of population and of the labour force.³ This was also the pre-green revolution phase. As we shall see below, there was no significant improvement in the incidence of rural poverty during this phase. The second decade was the first phase of the green revolution. The shift to HYVs, spurt in the use of modern inputs such as fertilisers, and shift in acreage from low yielding coarse cereals to high yielding rice following irrigation, stepped up foodgrain yields. As a result, rates of growth in foodgrain production during the second period showed a marked rise, much above the rates of growth of population and of the labour force. The incidence of rural poverty during the period showed a sharp fall. What is worth noting is that all regions of Andhra Pradesh participated in the benefits of growth, and regional imbalances in foodgrain production recorded a sharp fall as compared to the first period. The third decade after the formation of Andhra Pradesh was marked by a setback in the rate of growth of foodgrain production. The rate of growth was slightly less than the rate of growth of population and only slightly higher than the rate of growth of the rural labour force. Severe land constraints, slowing down of the green revolution, and shifts of cultivated area from coarse cereals to oilseeds, have been responsible for the downslide. What is noteworthy is that the poverty-prone regions recorded a sharper decline in the rates of growth. Rayalaseema showed a negative growth and the rate of growth in

Telangana was less than half the rate recorded in the earlier period. Available evidence from the data base of CESS does not suggest that the rate of growth of total agricultural production was higher for this period. The agricultural output index computed by the CESS recorded a rate of growth of 2.53 per annum for the period 1979-80 to 1989, while for the earlier period, 1971-72 to 1978-79, it was 3.26 and statistically significant. Yet as we shall see in the next section, the incidence of rural poverty continued to fall, calling for an examination of public intervention programmes and their bearing on the observed decline in the incidence of rural poverty. Such an examination becomes all the more relevant in the context of the growing numbers and proportions of marginal and small cultivators, declining proportions of regular salaried employees, and rising numbers and proportions of casual labour within agriculture. According to the NSS 43rd round, 1987-88, agricultural labour households formed around 40 per cent and total labour households around 49 per cent within the rural area. This figure was 10 per cent more than what is observed for all-India. Certainly, the case of Andhra Pradesh presents a paradox of high and growing proletarianisation, lower rate of agricultural growth, and reduced pauperisation, as we shall see below. The fall in rate of growth of agricultural production in the 1980s was associated with a fall in the rate of growth of allied products such as milk, fish, etc., in the 1980s.

The decline in the rate of growth of irrigation in the 1980s, as compared to the rate of growth in the 1970s, explains in part the fall in the rate of growth of agricultural production. The rate of growth of net irrigated area for the 1970s was of the order of 1.0 per cent. But in the 1980s the entire period was marked by stagnation in overall irrigation, except for a peak in 1983-84 under good weather conditions. The most affected source of irrigation was tank area under this source showed a continual decline except for 1983-84. Even other sources of irrigation showed near stagnation except for the area under tube wells, which formed less than 3.0 per cent of the total area under irrigation in 1981-82, and around 5.0 per cent in 1987-88. The decline should have affected the employment and incomes of the agricultural labour class. Yet, as we shall see in the next section, the incidence of poverty was less in 1987-88 as compared to 1983-84. The puzzle gets more complex and needs to be resolved.

ABSORPTION OF RURAL LABOUR

The organised sector covers all establishments in the public sector and non-agricultural establishments employing 10 or more workers in the private sector. The total

employment in the organised sector, in 1990 [CMIE 1991] was 1.7 million, 1.4 million in the public sector and 0.3 million in the private sector. This formed only around 6.0 per cent of the total employed labour force of 29.6 million – 23.8 million in rural areas and 5.8 million in urban areas. The share of the organised sector in total employment in Andhra Pradesh is also relatively low. Among the major states, only five states, namely Rajasthan, Madhya Pradesh, Orissa, Uttar Pradesh, and Bihar, record lower shares than Andhra. At the current rate of growth of the organised sector, it has very poor absorption capacity of rural labour, no more than 8.0 per cent of the additions to the rural labour force. Trends in employment in registered factories were equally depressing. Given such trends, it is difficult to explain the falling rates of unemployment and of incidence of rural poverty in the 1980s.

In contrast to the trends in the organised and factory sectors, small-scale industries registered with the Small Industries Development Organisation showed a higher rate of growth in the 1980s than in the 1970s. The rate of growth of small-scale units between 1981 and 1986 was 16.5 per cent per annum, compared to 3.0 per cent per annum between 1961 and 1971. However sickness in small-scale units has been rising in the 1980s.

Employment in khadi and village industries was only 3.44 lakh, and rates of employment in this sector have been showing a decline. The handloom industry in particular has been facing a crisis, resulting in much hardship to workers in this sector. However, there is a suggestion from the economic census of 1980 and 1990 that the rates of growth of employment in the service sector has been increasing at a faster rate. The census showed that the number of persons working in all enterprises increased at a rate of 3.5 per cent per annum, from 4.6 million to 6.5 million. As in 1980, for which distribution by the type of enterprise is available [CMIE 1991], more than 60 per cent of the workers in non-agricultural enterprises were in trade and services. It appears that the 1980s were characterised by a faster growth of in trade and the service sector. This however requires closer scrutiny.

HUMAN RESOURCES DEVELOPMENT

The performance of AP in literacy and health, two critical aspects of human resources development, has been less than that in other south Indian states. As of 1981, overall rural literacy in Andhra Pradesh was only 44 per cent of the urban rate. Rural female literacy rates formed an even smaller proportion, one-third of the urban rate. The literacy rates among the scheduled castes and scheduled tribes were the lowest. Telangana fared worse than other regions.

Between 1981 and 1991 there was some improvement in the overall rates of literacy among all social groups and in all regions, but the position of Andhra Pradesh as a literacy state among south Indian states unchanged. This position was the direct result of the failure to promote universal primary education. Non-enrolment and drop-out rates of children, especially among rural labour households, continued to be high. Recent village studies show a reduction in drop rates even among agricultural labour households. Even so, high non-enrolment and high drop-out among children of agricultural labourers continue to be the norm [Peraraju Sharma 1984]. Subramanay showed that two-thirds of drop-outs in study were poor and more than one-third severely so. Poverty was the major cause of drop-outs in backward areas and among backward social groups. Other factors, such as single teacher schools and inadequate implementation of 'Operation Blackboard' slowed down the progress of primary education in rural areas. Many children in rural areas continue to grow into adulthood without the rudiments of education, far more than boys.

Between 1977-79 and 1987-89 there was some reduction in the infant mortality rate, yet the position of the state compared to other south Indian states continues to be disappointing. As against 25 in Kerala, 31 in Karnataka and 73 in Tamil Nadu [CMIE 1991], the infant mortality rate in Andhra Pradesh was 81. Illiteracy among women is found to contribute to high infant mortality rates. Among households with illiterate women, infant mortality rates in rural AP were 1.71 times the corresponding rate for women in households with literate women. Mothers with high labour participation rates in rural areas require public support for primary health care of their children. In the absence of such support, infant mortality rates tend to be high. Among households with women labourers in rural Andhra, the IMR was noted to be 138 (the corresponding rate among women participating in labour). Scheduled caste and scheduled tribe households recorded high infant mortality rates [Government of India 1990]. Studies on health status [Ranigopal 1987; Chandrashekhar, Sanjeeva Reddy; Ranigopal 1989], while noting a decline in infant mortality rates and death rates in recent years, note large gaps between the health infrastructure planned and the actual state, and inadequacies in primary health care, and continuing high morbidity rates.

The relatively poor performance of Andhra Pradesh in health and literacy is not unrelated to the relatively low expenditure per capita by the state government. The per capita expenditure on health in AP is Rs 63, as against Rs 82 in Kerala and Rs 71 in Tamil Nadu for 1987-88.

triennium ending 1989-90. Similarly, the per capita expenditure for the same period on education was: AP, Rs 136; Kerala, Rs 206; Tamilnadu, Rs 148; and Karnataka, Rs 149 [CMIE 1991].

Low human resource development means that one possible route to sustainable escape from poverty is closed to the rural poor.

RURAL POVERTY

Montek Ahluwalia's (1978) pioneering study provides estimates of trends in rural poverty for AP for the period 1956-57 to 1983-84. In this study the poverty line at 1960-61 state rural prices was Rs 15.5. In the 1956-57 the incidence of poverty was 53.5 per cent. In 1960s, except for a sharp dip in 1964-65, the incidence fluctuated around 45 per cent. The incidence of rural poverty showed a falling trend only in the 1970s.

A comparison of the incidence of rural poverty in AP with all-India shows a distinct pattern. For the period 1959-60 to 1961-62, the incidence of rural poverty in AP exceeded all-India levels. From 1963-64 onwards and up to 1973-74, it was less than the all-India incidence. This pattern is found to be related to the changing poverty line of AP in relation to all-India. For the first period (1959-60 to 1961-62), the poverty line of AP was higher than for all-India, in the second period starting with 1963-64, it was lower. This suggests that the lower incidence of rural poverty in AP compared to all-India is related, in part, to lower levels of the consumer price index for agricultural labour (CPIAL).

Further, Ahluwalia's analysis showed that while a number of states, viz., Bihar, Karnataka, Orissa, Rajasthan, Uttar Pradesh and West Bengal, recorded a positive and significant time trend in the incidence of rural poverty, AP was unique in showing not only a trend decline in the incidence of rural poverty, but a statistically significant decline [Ahluwalia 1978]. What is puzzling is that for the period under examination, the growth rate of agricultural output was low, and growth per capita of rural population was near zero [Parthasarathy 1988; Mahendra Dev 1988]. The growth rate of the total crop sector at constant prices was only 0.51 per cent for AP between 1962-65 and 1971-73, as against 2.47 per cent for all-India for the corresponding period [Bhalla and Tyagi 1989:35]. The statistically significant declining time trend in the incidence of rural poverty is difficult to explain in the context of poor agricultural performance for the 1960s. A possible explanation is the lower rate of growth of the CPIAL Index for AP as noted above.

For the period since 1970-71, we have estimates for discrete five year intervals. These are presented in Table 1 for AP and all-India. The estimates differ widely.

However, in all the estimates the incidence of rural poverty in AP shows a decisive decline and is lower than all-India. The rate of decline in the incidence of poverty is also higher in AP. As in the earlier period starting in 1962-63, this period is also characterised by lower CPIAL and consequently, a lower poverty line for AP. But, unlike in the late 1950s and 1960s, the 1970s in AP was marked by a significantly higher rate of growth of food and agricultural production. While labour productivity in AP showed a negative growth rate between 1964-65 and 1972-73, it grew at a compound rate of 3.6 per cent per annum between the triennium. The benefits of growth in the 1970s were shared by all the regions. At the all-India level, the corresponding rate of growth was only 1.8 per cent per annum. Thus, there is strong evidence to suggest that poverty reduction in the 1970s was growth induced.

In the 1980s the rates of growth of foodgrain and agricultural production, as well as of industrial production, have slackened. Regional imbalances in foodgrain production, which were on the decline in the 1970s, emerged in a sharper form. The year 1987-88 was a comparatively bad agricultural year and foodgrain production was less by 5.0 per cent as compared to the average of 1982-83 and 1983-84. Yet there was a decline in the incidence of rural poverty, which by no means could be attributed to growth.

Again, for the time points for which Minhas et al present estimates, AP and Kerala are the only two states which managed to reduce the incidence of rural poverty and also the number of rural poor in both the periods. Between the two states, the performance of AP was noted to be better [Minhas et al 1991]. In the ranking of the performance in poverty alleviation, AP is assigned the highest rank (Table 2). The unique performance of AP, and the bearing

of public intervention programmes on this, should be of wider interest. Before an examination of these issues, the changing profile of rural poverty is presented.

CHANGING PROFILE OF RURAL POVERTY

For a study of the changing profile of rural poverty, data from a state sample which are available in a more disaggregated form for the NSS rounds, 1977-78 and 1987-88, are considered more useful than the data of the central sample for these two periods. The state sample data for both the years suggest a higher incidence of rural poverty but the order of decline does not vary very much between the findings of the two sets.

Further, we wanted to satisfy ourselves that what we are analysing reflects a time trend and not just a change between two points of time. An examination of the data for the 1970s and 1980s showed a declining trend in the rate of growth. Since the direction of change is similar for two points of time and also for the 1980s as a whole, we could suggest that growth induced reduction in rural poverty could not be expected to be significant for the 1980s.

The average size of the household of the rural poor was 5.16 as against 4.57 for all households. The percentage of children in the total population is also higher, 46.88 compared to 38.36 for all. While expenditure on cereals formed one-fourth of the total expenditure for all, for the rural poor it formed 37 per cent. Similarly, food expenditure as a percentage of total expenditure formed 60 per cent for all; for the rural poor it was around 72 per cent. Quantity of cereals consumed per capita per month was 12.66 kgs as against 14.35 kgs for all rural persons. The rural poor consumed coarse cereals in larger proportion, i.e. 30 per cent of their total cereal consumption as

TABLE 1. RECENT ESTIMATES OF RURAL POVERTY IN ANDHRA PRADESH

(Per cent)

	1964-65	1970-71	1972-73	1977-78	1983-84	1987-88
Mahendra Dev (1988)						
Andhra Pradesh	41.2		46.7	30.6	19.4	NA
All-India	0.4		50.4	44.2	35.9	NA
Sudhakara Reddy (1991).						
Andhra Pradesh	NA		NA	63.54	NA	40.78
Minhas et al (1991)						
Andhra Pradesh		51.57	NA	NA	34.92	31.56
All-India		58.75	NA	NA	50.77	48.69
Planning Commission (1988)						
Andhra Pradesh		NA	NA	45.4	38.7	33.8
All-India		NA	NA	51.2	40.4	33.4

Notes: The poverty line is defined in the Planning Commission estimates as corresponding to per capita daily calorie consumption of 2400 in rural areas and 2100 in urban areas. The corresponding expenditure levels are Rs 131.80 in rural areas and 153.13 in urban areas for AP.

Sources: 1 Mahendra Dev 1988, Table 6, p 186. Procedure in estimating poverty line is similar to that in Ahluwalia (1978).

2 Reddy 1991. Poverty line of Rs 54 for 1977-78 and Rs 108 for 1987-88.

3 Minhas et al 1991. Poverty line: 1970-71 - Rs 30.15, 1983 - Rs 80.31, 1987 - Rs 105.43.

4 Planning Commission 1991, Table 1.3, p 3, and Eighth Five-Year Plan Draft, Vol 1, 1991.

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against 20 per cent for all. In 1987-88 the per capita consumption expenditure of the rural poor was 33 per cent of the average for all. The additional expenditure required was of the order of 20 per cent to bring the average of the poor close to the poverty line. The incidence of rural poverty for the districts as estimated in CESS studies [Reddy 1991a] is classified by :

(1) occupational groups; (2) level and quality of irrigation; and (3) traditional geographical regions.

In 1977-78, the highest incidence of poverty i.e., 75.99 per cent, was among agricultural labour households. The lowest incidence of poverty i.e., 41.31 per cent, was among the 'others' category. Those self-employed in agriculture recorded a poverty incidence of 53.79 per cent. After a decade, i.e., in 1987-88, all occupational groups showed a decline in the incidence of poverty. But the order of poverty with regard to the highest and the lowest remained unchanged; agricultural labourers continued to record the highest incidence of rural poverty - 54.19 per cent - and 'others' the lowest incidence - 24.64 per cent. Yet, even while the ranking by incidence of poverty remained unchanged, the percentage decline varied. The maximum percentage decline, from 53.79 per cent to 24.64 per cent, was among the 'self-employed in agriculture'. The lowest percentage decline was among labour households.

As a result of such differential benefits, the share of agricultural labour households in the total poor population increased from 40 per cent in 1977-78 to 56 per cent in 1987-88, and of total labour households from 44 to 63 per cent. Simultaneously, the share of 'self-employed in agriculture' among the rural poor declined from 37.0 per cent to 23.0 per cent. A significant part of the decline was in canal irrigated southern coastal Andhra.

The districts for which the disaggregated data of CESS on poverty are presented are classified by levels of irrigation and within each level, by canal irrigation, tank and other sources of irrigation. In both the points of time districts with higher levels of irrigation show lower incidences of poverty. Within each level of irrigation, the incidence of poverty is invariably higher under conditions of poor quality of irrigation. Poverty levels show a fall in 1987-88 as compared to 1977-78 within all categories. Regions with a major proportion of area under irrigation, and irrigated areas with a major proportion under canal irrigation, recorded the lowest incidence of poverty at both points of time. The highest incidence of poverty was in the least irrigated area, with a major proportion of irrigated area under tanks and wells, both in 1977-78 and 1987-88. Though the order of incidence of poverty remained unchanged, the rate of decline varied considerably. The largest

declines were noticed in regions with high levels and relatively good quality of irrigation. The least decline was in the least irrigated areas with poor quality of irrigation, and also those with very poor quality of tank irrigation though recording more than 50 per cent of area under irrigation.

As a result, the share of the total poor in areas with lower quality of irrigation rose from 50 to 60 per cent between 1977-78 and 1987-88, while areas with a better quality of irrigation recorded a fall from 50 per cent to 40 per cent. A similar fall is seen in better irrigated areas as compared to areas with lower level of irrigation.

In regard to the historically traditional geographical regions, all groups showed a fall in the incidence of poverty. The order of poverty among the groups remained unchanged: Rayalaseema recorded the highest incidence and coastal Andhra Pradesh, the lowest incidence, during both points of time. Yet there were differential rates of decline: coastal Andhra experienced the highest rate of decline and the least rate of decline was in Rayalaseema. Within coastal Andhra, the poorest of the regions, i.e., north coastal Andhra, recorded a lower rate of decline. As a result of such differential rates of decline in poverty, the share of Rayalaseema and Telangana in the total rural poor increased.

Poverty among Agricultural Labourers

Since we notice an increasing concentration of agricultural labour among the rural poor, we portray the changes in their composition between 1977-78 and 1987-88. The details are shown by (1) levels and quality of irrigation, and (2) traditional geographical regions. At both points of time the incidence of poverty among agricultural labourers is higher in regions with poor quality of irrigation, given the level of irrigation. Given the quality of irrigation,

the incidence is the highest in the least irrigated areas. This holds good for both points of time.

In regard to region-wise changes in the incidence of poverty among agricultural labourers, there was a decline in all regions, but the order of incidence across regions remained unchanged. The rates of decline in the incidence of poverty were the lowest in Rayalaseema, which recorded the highest incidence as of 1977-78, and the highest in the coastal Andhra region. It may be noted that coastal Andhra maintained high rates of growth in the 1980s despite an overall decline in the rate of growth. In this region unlike in the other two regions, reduction in poverty among agricultural labourers could be said to be growth induced.

Finally, we looked into the changes in the incidence of poverty among agricultural labourers of Rangareddy district, close to Hyderabad city, and Vishakapatnam district in which Vishakapatnam city is located. In these two cities urban and industrial growth have been taking place. We expect such high rates of growth to have an impact on rural poverty via impact on rural wages and employment. As expected, the rate of reduction in the incidence of rural poverty, between 1977-78 and 1987-88 was of the order of 50 per cent, a figure higher than that observed for canal irrigated regions. But what should be noted is the limited possibilities of escape from poverty through this route on a wider scale.

Among the various social groups, scheduled castes and scheduled tribes continued to show a higher incidence of poverty as per the data of the 38th round (NSS central sample). The poor formed around 50 per cent among the scheduled castes and scheduled tribes while the overall average was a little more than one-third. This is associated with a higher degree of landlessness and higher proportions of labourers among scheduled castes, besides

TABLE 2: TRENDS OF POVERTY IN ANDHRA PRADESH: 1970-71, 1983, 1987-88

Year	Percentage	Absolute Number (In million)	Ranking of Poverty Alleviation Performance	Poverty at Current Prices (Rs)	
				Andhra Pradesh	All-India
Rural					
1970-71	51.57	18.101	1 (among 17 states of India)	30.15	33.01
1983	34.92	14.683		80.31	93.16
1987-88	31.56	14.115		105.43	122.63
Urban					
1970-71	46.15	3.878	14 (among 17 states of India)	38.69	39.04
1983	35.48	4.830		104.69	111.25
1987-88	40.04	6.416		151.28	158.31
Total					
1970-71	50.52	21.979	NA	-	-
1983	35.06	19.613		-	-
1987-88	33.80	20.531		-	-

Source: Minhas et al 1991

their disadvantageous social position within the rural communities. Further, the diversification in occupations witnessed in rural areas since the 1970s did not benefit the scheduled castes. Among scheduled tribes landlessness is less common, but alienation of land has been contributing to growing landlessness.

The severely poor, on the assumption that their per capita income is less than 70 per cent of the poverty line, formed 39 per cent in 1977-78 and 34 per cent in 1983, suggesting a decline in the proportions of severely poor.

Poverty and Unemployment

The section above has shown that there was a perceptible reduction in poverty between 1977-78 and 1987-88. This is plausible if it is associated with reduction in unemployment and rise in real wages. For the purpose of examining unemployment we choose the most comprehensive measure, daily status unemployment rate, which stood at 8.24 per cent for males and 12.45 per cent for females in 1977-78, declined to 4.90 per cent for males and 9.40 per cent for females, respectively, in 1987-88. Real wages, which had been stagnant for a long period since the formation of AP state, had shown an increasing trend, particularly since 1977-78 [Reddy 1991a]. The reduction in unemployment and rise in real wages in coastal Andhra are understandable since this region has maintained a high rate of growth both in the 1970s and the 1980s. But in the other two regions, neither reduction in unemployment nor rise in real wages could be attributed to growth since growth rates were lower than the rates of growth of the rural labour force in the 1980s. We must look for a possible explanation in poverty alleviation programmes, and also in violent labour movements, particularly in Telangana.

Poverty and Cereal Consumption

The reduction in rural poverty is worth nothing if not associated with a rise in cereal consumption per capita. In fact cereal consumption per capita has declined from 15.85 kgs in 1977-78 to 14.35 kgs in 1987-88 for rural areas as a whole. A scrutiny of the data on quantity of cereal consumed by expenditure groups, after adjusting for changes in the price index when considering the group-wide data for different points of time, also suggest that there have been falling trends in cereal consumption even for the poorer groups between 1977-78 and 1987-88. This phenomenon is noticeable at the all-India level also. This is surprising in view of the high income elasticity of demand for cereals and also their high price elasticity. Radhakrishana (1991) attributes this to the

weakening links between food production and food entitlement, and also to weakening income-food entitlement links due to declining elasticity of employment to output, besides changes in the tastes of consumers towards non-cereals. There is further evidence in the data of the NSS 38th round, relating to the continuance of hunger among a significant proportion of the rural population. Around 16.0 per cent of rural respondents did not say 'yes' to the question of whether all members get two square meal a day throughout the year. They said that they got two square meals a day only in some months of the year. For the poorer sections in rural AP the percentage reporting 'only some months of the year' ranged between 20 per cent for the marginally poor and to as much as 45 per cent among the severely poor sections within the bottom 10 per cent of the rural population. The incongruity between reduction in poverty and the continuing prevalence of hunger on a significant scale raises complex issues in policy for food security which need to be satisfactorily resolved.

II

Public Interventions for Poverty Alleviation

Public interventions for poverty alleviation included programmes for (a) provision of access to land and water for the poor; (b) asset and skill development and access to institutional credit; (c) employment and minimum wages; (d) basic needs covering food, public distribution system, shelter, and other requirements for the identified rural poor, and (e) social security.

ACCESS TO LAND AND WATER

The earliest of public interventions for poverty alleviation was provision of access to land through land reforms. Among the major land reform programmes, abolition of intermediaries did not change the ownership structure of landholdings directly. But it had two indirect effects: first, implications for growth, and, through its percolation effects, on poverty. Second, it freed rural labour from the grip of the zamindar and from his control over common property resources. The zamindari and jagirdari areas covered two-fifths of the area and were mostly located in north coastal Andhra, Telangana, and Chittoor and Nellore districts. Most of these districts have been historically deprived in terms of social and economic infrastructure and they continue to be among the poorest regions.

Under the land ceiling legislation only 3.03 per cent of the total area owned was declared surplus. Of this less than one-half was redistributed. The surplus distributed formed only 1.43 per cent of the total owned

area. Beneficiaries formed only 1.01 per cent of the total owners of below one hect, including, the landless. Even the surplus obtained was mostly dryland; only 5.3 per cent of the total land taken possession of was wet. Studies on ceiling surplus land indicate the inadequacy of efforts to secure possession and to develop land [Agro-Economic Research Centre 1981]. It may be concluded that the ceiling legislation provided little direct benefit to the poor. But its indirect benefits, in contributing to a shift from rent to entrepreneurial agriculture, to growth and thereby to a reduction in poverty through percolation effects in the deltas of coastal Andhra, cannot be discounted.

Despite resumption for self-cultivation and evictions, around one-fifth of the owners below two hectares, including zero owners were found to lease in land in 1983. The corresponding percentage of those leased out within this group was only around 6 per cent. Marginal and small owners account for 60 per cent of the total leased in area [Parthasarathy 1990b]. An effective implementation of tenancy legislation, which ensures reduction of currently prevailing rents of 50 per cent of the produce to 25 per cent could benefit a significant proportion of the poor. But a total absence of recognition of rights of tenants and oral and insecure tenancies render such implementation difficult. Renewed rhetoric in the absence of mobilisation of support for reform at the grass roots level may only lead to deterioration in access to land for marginal owners and the landless, growth in informal tenancy, and more insecure conditions affecting both equity and growth [Parthasarathy and Rao 1989; Parthasarathy 1991].

Recent trends in the districts of AP suggest a rise in tenancy due to a number of factors: (1) increasing shift of large and medium owners into more lucrative non-agricultural occupations, along with a shift from rural to urban locations; (2) entry of entrepreneurial agriculturist class into trade ventures in rural areas and partial leasing out by resident landowners; and (3) growing problems of labour especially during peak seasons, resulting in increased leasing out by large landowners. The issue of feasible effective intervention in the land market versus lukewarm interventions which worsen both equity and growth, needs consideration.

In terms of magnitude, the amount of waste land distributed to the land-poor in AP is large; between 1969 and 1987, 11 million hectares were distributed. If, on the average, half an hectare was distributed to each of the beneficiaries, it should have covered 3.0 million out of 5.80 million owners holding less than one hectare as in 1893. In terms of magnitude this appears to be quite an achievement and rather unbelievable since the total owned area

those who owned less than one hectare was only 1.25 million hectares, and of those who owned less than two hectares, only 2.94 million hectares. Possibly a significant part of the land distributed was not to the landless and small owners. There is little available information on the extent to which waste and distribution benefitted the poor. It is unfortunate that the reviews of progress prepared by the finance and planning department of the government of AP do not have anything to say on the status of lands distributed, the extent to which they are under the occupation of the beneficiaries and the benefits derived by them.

Deprivation of tribals of their land leading to support to the growing Naxalite movement should be considered an important issue for public policy. Tribal deprivation took two major forms: alienation of land, and declining access to forests, a source of tribal livelihood. Government action towards the tribals moved in cycles of indifference and drift [Subba Reddy 1988, 1989].

Our analysis in the preceding section based on evidence from CESS shows a growing concentration of poverty in AP in dry and poorly endowed areas. In these areas, even the self-employed in agriculture record a high incidence of poverty while in the deltas, the incidence of poverty among the self-employed in agriculture is insignificant. Further, the destitute form an insignificant proportion of the poor in the irrigated zone as compared to the dry zone. Therefore, access to water and efficiency of use of water within the poorly endowed high poverty regions needs attention. Irrigation development in the 1980s did not necessarily benefit the districts with high incidence of poverty [Parthasarathy 1991a]. High gaps between potential and utilisation and tail end problems in major irrigation projects [Yousuf 1988; Iqbal 1989, Agro-Economic Research Centre 1991]; siltage, non-operation of sluices, occupation of tank beds, and poor maintenance [Agro-Economic Research Centre 1986a; Institute of Development and Planning Studies 1989]; falling water levels in wells [Reddy 1988]; rainage problems in the deltas; and slow progress of the watershed development programme [Walker and Ryan 1990] affect growth and keep the poverty levels higher.

ASSET DEVELOPMENT

Public intervention to enable the rural poor to cross the poverty line through development of assets and skills was started during the Fifth Plan period and has assumed importance since 1980. The target groups under this programme are small and marginal farmers and agricultural labourers and rural artisans with incomes below Rs 6,400. A minimum of 30 per cent of the beneficiaries

should belong to the SCs and STs and a minimum of 30 per cent should be women. The beneficiaries are eligible for subsidies; 25 per cent for small farmers, 33.3 per cent for marginal farmers, agricultural labourers and rural artisans, and 50 per cent for tribal farmers. In Andhra Pradesh, around 2.5 million rural families, or 60 per cent of the rural poor, were covered under IRDP between 1980 and 1990. Funds utilised per beneficiary family, both subsidy and credit together were of the order of Rs 4,000 [CMIE 1991].

The concurrent evaluation however provided a less depressing picture in respect to several indicators. In AP use of gram sabhas for selection of beneficiaries was better than in other states. With regard to the percentage of households crossing the poverty line, AP's position was shown to be better. But even according to this only 7 per cent of beneficiary households crossed the poverty line though a much larger percentage were reported to have improved their income [Parthasarathy 1990a:259]. Group approaches and integration of beneficiary development with area development were needed to achieve effective benefits for the poor. As of 1989-90, co-operatives in AP contributed only 7 per cent of the total institutional credit given to IRDP beneficiaries; this should be a cause for concern.

The TRYSEM programme, in relation to its contribution to self-employment, does not present an encouraging picture [Hussain and Prakash 1988]. Its coverage is also small in relation to need and it is not well integrated with on-going development programmes. As of 1988-89 in AP less than 50 per cent of the youth trained were self-employed [Government of Andhra Pradesh 1990]. To strengthen the programme, better linkages in consultation with Agricultural University, Krishi Vigyan Kendras and voluntary organisations are necessary. There is a need to link up the programme more closely with the growth of the area.

A special programme for development of women and children, DWCR, was taken up in AP in the three districts of Adilabad, Cuddapah and Srikakulam as a sub-plan of IRDP in 1983-84. It was extended to two more districts in 1986-87 - Anantapur and Mahabubnagar. The objective of the programme is to focus attention on the women members of the target group with a view to increase their incomes through some organised economic activities and also to provide basic child care facilities for children of mothers at work. In addition, health care and nursing facilities of children at NREP worksites are also organised. This programme assumes that women can be organised into small groups with a nominated organiser from among themselves to act as a link person between the official machinery and the group.

An evaluation study [Rao and Vimala 1987] in Srikakulam, Cuddapah and Adilabad points out marketing problems, wrong selection of beneficiaries, and lack of technical know-how. In one case, i.e., candle making in Cuddapah, the group had to wait for the receipt of the raw material quota for more than one and half years. In the same district, the plastic and popcorn unit had to depend on the BDO for procurement of raw materials. Where linkages were established with purchase units, such as tribal welfare hostels in the case of dress making, as in Adilabad district, the units were relatively successful. Promotion of the banking habit through introduction of passbooks has been noted as a positive feature. Besides coordination of the programme with ICDS, and TRYSEM, and with SC and ST corporations for the building of child care centres, a need is felt to organise the groups in clusters of villages for effective functioning. An issue in credit was that banks were reluctant to advance loans to informal and unregistered groups as they were not considered legal entities.

INSTITUTIONAL CREDIT

The benefits from access to land and water and from additional assets cannot be adequately realised without access to institutional credit. There are three major means by which public intervention in improved access to institutional credit contributes to poverty alleviation. It enhances the incomes of the poor by reducing interest costs. Second, it enables the poor to improve their production through a shift to new technology and to high value crops requiring larger volumes of purchased inputs. Third, access to institutional credit reduces the dependence of the poor on moneylenders cum traders and landlords, leading to less reliance on the markets linking the credit market on the one hand, and labour, land and product markets on the other.

Public intervention in access to institutional credit for the poor has been assigned a critical role, particularly since bank nationalisation in 1969. There has been a rapid expansion of commercial banking in rural areas. Targets for commercial bank advances have been set for priority sectors. The responsibility for provision of credit to IRDP beneficiaries for development of their assets has been taken mainly by commercial banks.

Ghosh and Patel (1991), in a state-wise examination of access to institutional credit for marginal and small farmers, based on data provided by credit institution for 1986-87, show the AP position to be better than the all-India position for co-operatives, regional rural banks, and scheduled commercial banks. This is not however very comforting. What needs to be recognised is

that only one-fifth of the marginal and small farmers get farm credit from co-operatives; only 4 per cent from rural regional banks; and only 16 per cent from commercial banks. This shows that a much larger percentage of borrowers continue to be outside the purview of institutional credit. If account is taken of the possible down biases in reporting of holdings, the picture will be found to be much more discomfoting.

With regard to access to institutional credit for agricultural labour households, the debt and investment survey, NSS 37th Round, 1982, reveals a continued poor access of institutional credit for households with assets of less than Rs 10,000, to which most of the rural labour households belong. Institutional agencies accounted only for a small proportion of the total loans taken. The poorest among these did not benefit from the co-operatives. Commercial banks did a shade better in financing IRDP beneficiaries, but the bulk of the amount borrowed by the asset-poor was from landlords, agricultural moneylenders and professional moneylenders. These agencies accounted for more than 60 per cent of the cash outstanding of the poorest asset groups. In regard to the purpose for which money was borrowed, among those with less than Rs 10,000 of assets, poor households reporting 'household expenditure' formed a substantial proportion. This percentage showed an inverse relationship with the size of the asset per household. A substantial part of the amount borrowed, i.e. more than two-thirds, was on personal security and mainly short-term. Thus rural labour households show some unique aspects in relation to the credit market. The percentage borrowing is lower than among cultivators, and loans are taken mostly from non-institutional agencies and at higher rates of interest. Landlords and moneylenders are the major loaning agencies. The poorest continue to be the most disadvantaged in the credit market. In backward areas, the dependence of labour households on landlords for credit for consumption loans during seasons is found to affect their bargaining power in the labour market [Ramkrishana 1989]. In brief, public intervention in credit markets on behalf of the poorest continues to be more or less ineffective.

EMPLOYMENT AND MINIMUM WAGES

Employment programmes were implemented on a small scale until the beginning of 1980. They were expanded in the Sixth Plan period under the National Rural Employment Programme (NREP) and the Rural Landless Employment Generating Programme (RLEGP). These programmes were modified into Jawahar Rozgar Yojana (JRY) in 1989-90.

Quite a few studies on the implementation of employment programmes [Agro Economic Research Centre 1975, 1986b; Parthasarathy and Rao 1974; Ray and Rao 1990] have pointed out several deficiencies. Ray and Nageswara Rao's study (1990) and the Agro-Economic Centre's study (1986b) evaluated the NREP programme in Adilabad and East Godavari district respectively. The East Godavari district study pointed out the inappropriateness of the choice of projects, use of contractors, and imported labour; inappropriate timing; higher material costs; and unauthorised deductions by the engineering staff. The Adilabad district study drew attention to the inadequacy of NREP allocation to minor irrigation, conflicts between earmarking of funds and local needs, substandard quality of construction and lack of attention to the most useful species under the social forestry programme.

The shift from NREP to JRY contributed to interest among elected representatives and to more widespread participation. Not less than 80 per cent of the funds allocated in each district after setting apart 6 per cent for the Indira Awas Yojana (a housing programme for the poor and destitute among SCs and STs on a 100 per cent subsidy) are distributed among village panchayats in the district. The 20 per cent allocated to the district are to be utilised for various purposes including the 'Million Wells Scheme', a scheme to provide open irrigation wells free of cost to small and marginal farmers belonging to the SCs and STs below the poverty line. The JRY gave greater flexibility to village panchayats in the choice of projects.

As of 1989-90, the total resources utilised under JRY amounted to Rs 183 crore and employment generated was 71 million mandays [Government of AP 1990] – roughly seven mandays on the average for 10 million usually employed casual labourers. Assuming 45 days of unemployment under JRY in 1989-90, this covered 15 per cent of the unemployment. This should be considered a significant creation of additional employment.

JRY was, however, found to be inconsistent with the spirit of multi-level planning, and it starved inter-village projects of importance. Further, the special employment programmes had the potential to cover only 15 per cent of the total employed days. Besides, the programme needed improvement in two vital respects: it is not adequately related to agricultural development, and its location and timing needed improvement [Parthasarathy and Rao 1991].

Fixation of minimum wages is intended to protect agricultural labourers against exploitation in the labour market. Minimum wages for agricultural labour in AP have

been in force since 1961-62. They were revised with considerable lag in 1968-69, 1974-75, and in 1986. The minimum wage fixed in October 1986 varied among regions and among operations within regions. The minimum wage enacted in 1986 ranged from Rs 8.50 for the least skilled operation in least advanced region to Rs 15 for the most skilled/arduous operation in the most advanced region. The hours of work are fixed at six. Minimum wages are however inoperative for most operations because market wages are higher. For the operations, for which market wages are low such as weeding, minimum wages cannot be implemented without alternative avenues of employment. There is a need for identification of areas and seasons in which minimum wages are lower than market wages. In such areas, there needs to be concentration of alternative avenues of employment along with measures for effective operation of the implementation machinery and support to labour movement.

There has been a rising trend in real wages in the market wages since 1980s. This development is understandable in some coastal Andhra where agricultural growth rates have been consistently high both in the 1970s and the 1980s. But such trends are also reported for other regions in which rates of growth in the 1980s have been lower than the rate of growth of the labour force [Reddy 1991b]. In Telanagana, the Naxal movement and strong peasant movement are considered important in explaining the phenomenon. In other dry areas, a shift from low employment-intensive coarse cereals to high employment intensive oilseeds has assigned an important explanatory role. Declining participation in the hired labour market due to IRDP and increased demand for off-farm labour, translated into upward pressure in the daily market, are also cited as factors [Walker and Ryan 1990]. But growth continues to slide down, and sustainability of upward trends in real wages is in doubt.

Field surveys show lack of awareness of minimum wages, both on the part of the official machinery as well as on the part of labourers. Labourers are more concerned with ensuring that busy season wages do not fall, and disputes between labour and employers take place during peak periods rather than during slack periods. The requirements of both agricultural growth and rural harmony call for institutional mechanisms at the local level for quick settlement of disputes [Parthasarathy 1991].

BASIC NEEDS

Public interventions under this head cover housing, drinking water supply, nutrition and health, literacy and the public distribution system. The housing programme in

reas covers two types: (1) construction assistance to weaker section, and (2) housing for scheduled castes and scheduled tribes under Indira Awas Yojana with 100 per cent subsidy. The context of the programme changed radically since 1982-83. The hutting programmes for the rural poor which were in operation earlier gave place to pucca houses for the weaker sections [Centre for Planning and Development Studies 1982]. In the Seventh Plan, the outlay on rural housing was the highest among all the states – as much as 37 per cent of the total outlay of Rs 577 crore on rural housing in all-India as in Andhra Pradesh. Around 14 per cent of rural labour households and 20 per cent of SC households were provided with pucca housing by 1988. This was no mean achievement.

There is scope for closer integration with RDPI and TRYSEM and replacement of contractors by organised groups of labour for construction of houses. There is also a need for closer involvement of participants in the construction programme. A problem which is of concern to the state government is the low rate of loan recoveries from the beneficiaries of weaker section housing programmes.

Drinking water supply continues to be a problem, particularly in the dry and tribal villages. In the canal irrigated villages rural poor needs improved access to protected water supply. The maintenance of hand-pump tube wells leaves much to be desired. The performance of AP with regard to the special nutrition programme is found to be poor, not only absolutely but also in relation to all-India averages. Further, AP was the only state to introduce and quickly withdraw non-meal programmes, during the Sixth Plan.

The key issues of health policy relate to (1) health infrastructure, (2) primary health care, and (3) integration of the health system with the rest of the social system, including nutrition. There are gaps in the health infrastructure which need to be bridged if the targets in relation to health for 2000 AD are to be achieved. Effective and improved functioning of the ICDS is critical. A World Bank evaluation study in some districts of AP [Subba Rao 1987] showed that progress in immunisation and oral dehydration therapy (ORT) is critical for reduction of infant mortality. It commented on the current inadequacies of the ICDS: (1) relative failure to reach children below three years and pregnant and lactating women; (2) poor health and nutrition programmes; and (3) neglect of home visits and community participation.

The rates of literacy among the rural labour households in AP are often less than one-half of the levels among the self-employed in agriculture. This restricted the benefits they could get from the growth process and

from migration. The worst affected are female children among rural labour households [Chakravarthy 1989]. Extension of the school infrastructure has improved enrolment in recent years, but Operation Blackboard has not been effective. Teaching facilities leave much to be desired, and budgetary allocation to primary education has to be raised [Pulla Rao 1991]. Incentive systems in backward areas for enrolment for girls are needed.

Until 1983, as in most other parts of the country, public distribution of foodgrains did not cover the rural poor. But the two rupees a kilo scheme, a widespread and popular programme directed to the rural poor introduced by the Telugu Desam government in 1983, made for a difference. Since the public distribution of foodgrain in AP is considered the most successful public intervention programme both in terms of coverage and benefits to the poor, it is discussed in detail below.

SOCIAL SECURITY FOR RURAL POOR

In Andhra Pradesh, destitute persons aged 65 and above who have no means of livelihood, and physically handicapped persons, are eligible for pensions. Further, landless agricultural labourers who are aged 60 and above and who have no means of livelihood are granted pensions at Rs 30 per month. Since 1985-86, relief has been given to pregnant and lactating agricultural labour women to enable them to take nutritious food. An amount of Rs 40 per month in ICDS areas and Rs 20 per month in other areas for the first two births, before and one month after delivery, is given to each beneficiary.

The expenditure on the programme of old age pensions for agricultural labourers was Rs 3.58 crore in 1986-87; and the number of beneficiaries was 83,333. Under the old age pension scheme for destitutes aged 65 and above, the amount spent was only Rs 0.23 crore in 1987-88, and the number of beneficiaries, 6,525. Under the scheme for pregnant and lactating agricultural labour women in 1987-88, the expenditure incurred was Rs 0.34 lakh benefiting 28,300 women. Undoubtedly, the allocations under social security are meagre.

The plan progress reports for AP show that in quite a few years the expenditure on these schemes fell below the budgeted amounts. Enquiries in villages show that there were quite a few eligible persons in each village under the scheme, around 10 or so, but the benefits received by them are irregular and many of those eligible do not get benefits. There is a need to review the working of the social security schemes and to design a comprehensive scheme of social security covering rural labour on the lines of Kerala act

III

Two Rupees a Kilo Scheme

The significance of food security for the rural poor through an efficient public distribution system needs to be understood in the context of growing market dependence in rural AP. Of the total households in 1987-88, 46 per cent were labour households; roughly half of them were landless, totally dependent upon the market for foodgrains, and the other half were marginal farmers, mostly with less than 0.40 ha, who also depend on the market for a major part of the year. Some of them sell immediately after the harvest to meet their cash obligations and later must purchase their foodgrain requirements from the market. Market dependence has also been growing with a shift from regular employment to casual labour and rapid changes in the mode of wage payment from kind to cash. Further, small and marginal cultivators in low productivity drought prone regions of Rayalaseema and in tank irrigated regions are net buyers of foodgrains. Given such developments, the pressure for a public distribution system in rural AP could be expected to be stronger than in many other states of India.

Distribution of foodgrains through fair price shops in rural and urban areas together was only 3.16 lakh tonnes even as late as 1977. This was much less than what was obtaining in most of the major states, and only around one-third of the off-take in Tamilnadu [Bapna 1990:114]. No separate details were available for rural areas. In 1978 government supplies as a ratio of domestic consumption of rice worked out to be only 1.22 per cent.

The public distribution system has changed both qualitatively and quantitatively in AP since 1983 with the introduction of the 'two rupees a kilo scheme'. Under the scheme families having an income of Rs 6,000 and below per annum, having up to 1.5 acres of wet land under assured water sources, 2.5 acres of wet land under other irrigation source like tanks, wells, etc., three acres of dry land under commercial crops, and five acres of land under other crops, were given green cards. Green card holders are eligible to draw five kg of rice per capita per month, subject to a maximum of 25 kg per household per month, from the fair price shops. The non-poor are given yellow cards and they are not eligible for rice. The total off-take of foodgrain from the central pool rose from 6.26 lakh tonnes in 1983 to 18.40 lakh tonnes in 1986. The off-take in Andhra Pradesh in 1986 was only slightly less than in Kerala and Maharashtra. There has been extensive coverage of rural areas under the public distribution system and rural fair price shops accounted for four-fifths of the total shops.



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As per the CESS study [Radhakrishana and Indrakanth 1987] there were 8.03 million green card holders in 1985 in rural areas covering 27,221 villages. Green card holders in rural areas formed 80 per cent of the total. The total requirement of rice to be supplied through the public distribution system in AP was nearly 20 lakh tonnes per annum in 1984-85. Against this requirement one half was available from the central pool and the other half was purchased by the AP Civil Supplies Corporation (APCSC) from millers at negotiated prices. On account of the scheme in addition to the expenditure incurred by FCI in providing subsidised rice, the state government spent Rs 1,317 million in 1985-86 towards subsidy and administrative costs. The cost to the state government towards subsidy rose sharply in 1989-90. In 1990-91 the subsidy was Rs 1,685 million and the anticipated subsidy in 1991-92 was Rs 5,360 million, around 10 per cent of the total expenditure in the revenue account and 11 per cent of the state's tax and non tax receipts.

DELIVERY SYSTEM

The rice allocated by the central government and the rice procured by the AP State Civil Supplies Corporation are received from the respective godowns and transported to the mandal level stockist points (MLS point). The stockist points are set up at convenient places so that stocks are moved at the least possible transportation cost. The stockist points are run by the State Civil Supplies Corporation except in Gijana areas. From the MLS point the rice again is transported to the fair price shops and other notified dealers for ultimate distribution to the card holders.

The shop to green card ratio is 1:403 [Dayachari 1990]. Each mandal is divided into routes for the transportation of essential commodities and each route is assigned to either a revenue inspector or a deputy chisildar. These route officers are responsible for collecting demand drafts for the value of the stocks and handing them over to the deputy tehsildar (CS) at the stockist point. On receipt of these demand drafts, the civil supplies tehsildar, based on the allotment given by the mandal revenue officer, issues release orders and also makes arrangements for transport of the stock. Where there are operational godowns of the State Civil Supplies Corporation, the stocks of rice are directly moved to the fair price shops without the mediation of a stockist. Immediately on receipt of the stocks at the fair price shop, as per the rules, the fact should be made known to the card holders by whom the consumers are free to lift their ration in a single instalment for a month. They are also permitted to lift up to five instalments in a month.

To assist the operation of the public distribution system food advisory committees are constituted at various levels viz state, district, mandal, gram panchayat etc. with officers of the civil supplies department acting as convenors. Representation is sought to be provided to all recognised political parties on these committees. The committees are expected to review the functioning of mandal stockists/fair price shops, issue of green cards etc. They are expected to bring to the notice of the officers any deficiencies in the system. The tenure of the committees is one year. The state, district and corporation committees are expected to meet once in a quarter, the mandal, panchayat and municipality committees are expected to meet once a month. But there is little documented evidence on the functioning of these committees. Discussion with the officials of the Civil Supplies Corporation show that the corporation has no system of monitoring the functioning of the committees.

IMPACT

The impact of the two rupees per kg rice scheme on the poor depends upon a number of factors: the extent of quota availed, the share of subsidised foodgrain in the total consumption of foodgrains, the price of rice in the open market and the extent to which the open market price differs from what it would be in the absence of intervention. On some of these, some light could be thrown from the results of a sample survey cited by Dayachari (1990). Out of 1,36,156 cards verified, about 1,522 cards were not with the owners, but were either with fair price shop dealers or with somebody else. In 356 cases, the cards were pledged and 6,237 card holders lifted their stocks partly out of quota. Of the remaining 9,115 card holders, 81,468 card holders (59.8 per cent) had drawn their rice from the fair price shop in full. Notwithstanding such leakages, the benefits to the rural poor from the two rupees a kg scheme are significant. Though a large percentage of non-poor are included, only a small percentage of poor even in rural areas are outside the purview of the green card system. This accounts for the appeal of this programme. Other gains, such as the improvement of the bargaining power of labourers in the labour market, are also attributed to the public distribution system.

There is also a view that the gains are dissipated because of increasing alcoholism among the poor, but there is little documented evidence for this. There is a further confirmation of the high degree of participation of the rural poor in PDS from the data presented in the NSS 42nd round, 1986-87 [Government of India 1991]. Among the bottom 40 per cent of the rural

poor, rice purchases from the public distribution system in the total purchase of rice varied between 36 and 49 per cent. The dependence of the rural poor on the public distribution system was also found to be large. The position in AP is seen to be better than the corresponding position in all India.

Radhakrishana and Indrakant (1987) estimated for 1985-86 through an econometric model the effects of alternative food policies on welfare levels of different strata of rural and urban population. The policies considered include (i) procurement and public distribution and free exports of rice to other states without any restriction, (ii) withdrawal from procurement and public distribution of rice and removal of all restrictions on import and export, (iii) functioning of the market under autarky and policy of self-sufficiency and (iv) FCI makes available through additional procurement the entire requirement of the green card scheme and the distribution under two rupees a kilo scheme continues on an expanded scale and covers also the middle class. The findings of their econometric exercise lend support to the procurement public distribution system and the two rupees a kilo scheme as compared to a liberalisation policy on welfare grounds. Sastry, Hanumantha Rao and Narsinga Rao (1990) in a study in the drought-prone Rayalaseema area as part of the NSS 44th round, state sample in 1988-89 show that about 78 per cent of poor households were subsidy rice users and each user got 19.5 kgs of rice from the system although non-target groups were also enjoying the benefits of rice subsidy. The leakage of benefits to non-target groups in terms of households worked out to 24 per cent and in terms of quantity 21 per cent. However, the leakages were noted to be not very high compared to other types of redistribution programmes like IRDP. The results show that (1) per capita consumption expenditure of subsidy users on coarse cereals was around 40 per cent of the level of non-users, (2) rice consumption expenditure was 1.3 times, (3) total consumption expenditure on cereals was almost the same for both groups, (4) the quantity of total cereal consumption was higher for the subsidy users, (5) the subsidy user gained 14 paise benefit per capita through subsidy out of every marginal rupee spent and (6) there were no welfare losses due to unwarranted shifts in consumer behaviour because of the subsidy scheme and there is no statistically significant difference in user and non-user consumption behaviour.

PRICES AND LEAKAGES

The open market prices for rice have increased at a fast rate since the scheme was introduced. The average wholesale price of rice II sort in AP per quintal increased from

Rs 261.29 in 1984-85 to Rs 377.85 in 1989-90, i.e., at a compound rate of 7.7 per cent per annum. Current prices of rice are almost double that of 1989-90. Given these price trends in the open market, the gains from subsidised rice increase at an accelerated rate. A green card turns into a treasured piece and the temptation for those who are considered non-poor, to obtain green cards is great. Bogus cards increase in numbers, and green card holders are roughly double the numbers of rural poor. The system becomes unsustainable without some control over the open market prices of rice.

The system also becomes non-sustainable with increasing issue prices and increasing subsidy. The subsidy per kg, i.e., the difference between the issue price of FCI plus the trading costs of the system on one hand, and the price charged for the green card holder per kg of rice, has risen approximately from Rs 0.38 in 1984 to Rs 1.67 in June 1990, i.e., the subsidy per kg has risen by 4.39 times. This has put enormous strain on state resources. Currently expenditure on the subsidy forms around 11 per cent of the total tax and non-tax revenue of the state government, and thereby reduces the availability of resources for infrastructure such as irrigation and electricity.

CRITIQUE OF GREEN CARD SYSTEM

To meet the requirements of the green card system, the State Civil Supplies Corporation enters into negotiation with the millers. It pays them a price higher than the procurement price of FCI. In addition, the millers are allowed free exports to other states. While the first increases the subsidy, the second reduces the supply available at open market rates and has the effect of increasing open market prices. One cannot say with certainty what would have been the effect of open market prices in the absence of state intervention for the purpose of the public distribution system. But there is a possibility that given reduced exported supplies as a consequence of export allowance to millers, the open market prices in the state could be higher than what they would be in the absence of export permits. For this reason, the gains to the poor are partly offset by the rise in open market prices.

A second important consideration is the impact of the rising subsidies. With the increase in issue price of the FCI and the inability of the state to spend large amounts on investments in employment generating and foodgrain increasing projects could decline. There is also a third consideration which needs attention. The levy on the millers for the purpose of the public distribution system, it is said, results in postponement of purchases

by millers and in lower prices for small producers in the harvest season. The small farmers are likely to be affected by this.

The system does not cover cereals, the staple diet of the poorest in the dry regions. It also needs a sharper targeting. Though the poor form only 40 per cent as many as 80 per cent hold green cards. The income criterion, which is hard to implement in the rural context, needs to be given up in favour of other criteria. The price for green card holder needs to be related to the issue price of the FCI if unbearable burdens on the state are to be reduced. Moreover the cost of administration is found to be too high and this needs to be reduced.

The magic figure of two rupees and the magic colour green were finally given up and the price was raised from Rs 2 (1.90 to be precise) which has been operative since November 1990 to Rs 3.50 with effect from January 18, 1992. The magic colour green will be replaced by white. The quantity for which the poor are eligible was reduced to four kg per capita per month subject to a maximum of 16 kgs per card per month.

IV

Growth versus Public Intervention

A precise estimate of benefits actually received by poor households from the foregoing expenditure is hard to get. As noted earlier, there were considerable leakages in all programmes to the non-poor and not all assets created under IRDP were with the poor. We assume that only 50 per cent of the assets are under the possession of beneficiaries and that the asset gives a return of 10 per cent per annum. On this assumption, the annual income for rural poor households from IRDP is around Rs 50 crore. The expenditure on the employment programme was on the average Rs 139 crore per annum. Assuming 60 per cent was spent on labour, the benefits to labour were Rs 83 crore. We assume the leakages to be of the order of 30 per cent, far less than in IRDP. On this assumption, the benefits to the rural poor were 58 crore per annum from employment programmes. We accounted for the leakages in arriving at the benefits from public distribution and no downward adjustments are needed. We assume housing construction provided employment benefits of the order of 20 per cent, or eight crore. Thus, the total benefits for poor households per annum during the Seventh Plan period were

	(Rs in crore)
IRDP	50
Employment	58
PDS	47
Housing	8
Social Security	4
	<hr/> 167

The per capita benefits per annum for the rural poor in the Seventh Plan period Rs 7.75 per month. The per capita income of the rural poor in 1987-88 was Rs 85. The per capita income of the rural poor would have been less by 9.0 per cent in the absence of public intervention. However, the sustainability of reduction in rural poverty is in doubt as is suggested by the higher annualising rate of growth of poverty in urban areas, possibly due to the migration of rural poor into urban slums (Parthasarathy 1991). A further factor is the context of declining elasticity of employment to output. An important aspect of the changing profile of rural poverty noted in our study is its growing concentration in regions with poor resource endowments and among agricultural labourers. Such areas are marked by low levels and poor quality of irrigation. There is a need to integrate more closely the employment programmes with the development of irrigation and the efficiency of its use.

Despite a large coverage of the order of 60 per cent of the beneficiaries, sustained benefits from IRDP have been of a low order. Yet the plea for total withdrawal of IRDP and its substitution by NREP is defeatist and misleading. Continuing unequal distribution of land and other assets in rural areas results in wide inequalities in benefits. Employment programmes, however effective, cannot correct these inequalities. Further, there has been little absorption of the landless and land-poor in the urban industrial sector even while the surplus of rich and middle farmers get shifted outside the rural sector. Under these circumstances, IRDP has a role in obtaining a better share in the new assets created in the rural sector, especially in allied occupations such as dairy, poultry, sericulture, pisciculture and horticulture for the land-poor groups and in easing the pressure on the hired labour market. Allied occupations expand new opportunities are created in service occupations. What is required again is a closer co-ordination of IRDP programmes with remunerative development opportunities in these areas.

The transaction costs of serving credit in small amounts and to small peasants as well as the risk premia are higher than for medium and rich peasants. Hence an element of interest subsidy to the institution for operating a second window for the small and the poor becomes inevitable, even when the bank charges a uniform price on capital for all. But a capital subsidy, a source of politicisation of bank lending, has resulted in distortion of use of resources, and has been leading to corruption in the implementation agency. This needs to be given up also for the reason that the pressure built for a capital subsidy has been eroding the authority and responsibility of the bank. In the place

of capital subsidy to the individual, an interest rebate to protect the poor during their early relations with the banking system, and which would decline to zero with repeat borrowing over a period of time are considered a preferred means [Pulla Rao 1991].

AP's public distribution system in rural areas has been most popular, yet it has suffered on several counts: (1) It covered the large majority of the poor, within rural areas no doubt, but it could not exclude the non-poor from its purview. In the Seventh Plan period, only one-fourth of the benefits accrued to the poor. Repeated efforts to eliminate bogus cards did not bear fruit. Sharper targeting continues to be an issue. (2) The rising subsidies at a fixed supply price have put enormous strain on resources; it is reported that expenditure on irrigation and power was not at the desired level because of the rising cost on public distribution. This again suggests a need for sharper targeting. (3) If improved nutrition is the objective, trends in cereal consumption among subsidy users do not show that this is being achieved. Nutrition programmes directed to vulnerable sections should supplement a better targeted public distribution programme.

LAND REFORMS: A DEAD ISSUE

The spread of naxalism in AP has brought the issue of land reforms back to the fore [Parthasarathy 1992]. The intensity of the movement is the strongest in the tribal areas. In these, the failure of the implementation of land alienation laws, coupled with declining access to forest produce, have marginalised large sections of the tribals. Effective implementation of alienation laws and improved access to forests are a must to curb social unrest, and removal of the conditions leading to social unrest is the most urgently needed public intervention.

Thanks to the spread of naxalism, landlords who possess land in excess of the ceiling land, absentee landowners, and landowners in illegal occupation of government waste lands, are identified and their lands forcibly occupied. In some areas, big landowners are terrorised into fleeing to cities. These conditions are neither conducive to growth nor to poverty alleviation. Even those who hate the mindless violence of naxalites and their philosophy of individual annihilation, cannot disregard the fact that naxalite are seeking to implement what the state professes and has failed to do. The conditions for the growth of naxalism are rooted in the failure of implementation of land reforms. In these situations, effective implementation of land reforms becomes a necessary public intervention for poverty alleviation, as well as for participation of

people in the development process [Parthasarathy 1992].

In Andhra region, especially south coastal Andhra where levels of irrigation and infrastructure development were higher, the green revolution induced the development of capitalist agriculture in place of a rentier agriculture. This promoted growth as well as reduction in poverty. However, in recent years contradictory trends are in evidence. There is a revival of absentee landlordism and rise in tenancy on a large scale as the big landowners shift their surpluses and even their residences to urban areas. There are also shifts to other enterprises within agriculture such as pisciculture and agro-forestry which reduce the elasticity of employment to output and also the rate of growth of foodgrain production. Both these trends are likely to affect the sustainability of reduction in poverty unless the rate of absorption of labour in non-agriculture rises at a very high rate, which does not appear feasible. The experience in the deltas suggests that the progress of capitalism within agriculture cannot but be uneven and halting, given the large number of landless and land poor. Land reform measures to protect the rights of poor tenants and to promote access to land for the landless through acquisition of the land of the absentees, could help equity and growth. But these implementation is possible only with the effective involvement of the intended beneficiary groups.

AP is seen to lag behind all other southern states in indicators of human resource development. The links between human resource development, particularly development of women, and reduction in fertility rate are seen to be very close. Literacy of women results in better child care, reduces infant mortality, and contributes to reduction in the fertility rate. Low literacy rates are the accumulated result of poor enrolments, higher drop-out rates and in brief a failure to achieve universal elementary education. Areas with high drop-out rates need to be identified, and in these areas incentives will have to be given to lower the drop-out rates.

Similarly, a whole range of new skills need to be promoted to support the newly emerging occupations allied to agriculture. Vocational education which meets the new needs will have to be built into the curricula of institutions in rural areas, both as an integral part of formal education as well as well-conceived short-term non-formal training for youth who are occupied in these enterprises. The experience of Japan in the promotion of technical education in agriculture, and its linkages with reduction in poverty, have useful lessons to offer [Hirashima 1991]. This implies that there should be much more

investment in elementary and vocational education in rural areas than what was done in the past.

PUBLIC ACTION

Finally, we would like to argue along with Dreze and Sen (1989:279) that public participation, collaborative and adversarial, in eradicating deprivation is important. The public should be seen not merely as the patient whose well-being commands attention, but also as the agent whose action can transform society. Taking note of this dual role is central to the understanding of the challenge of public action against deprivation. In the light of such an understanding, we consider that while the recent moves in AP, towards a more effective decentralised panchayat raj are in the right direction, the acts of repression in Telangana rural communities, even if for the ostensible purpose of law and order constitute a threat to the progress of public action, understood in its wider sense.

Notes

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- 1 Radhakrishna's cross-sectional analysis (1986) showed that while agricultural growth reduced rural poverty, proletarianisation increased it. But in the 1980s the rate of agricultural growth was lower, levels of proletarianisation higher, and yet poverty continued to decline.
- 2 Based on socio-economic survey conducted by the backward classes welfare department of the state government in 1983.
- 3 Compound growth rates of foodgrain production were 1958-59 to 1967-68 (pre-Green Revolution period) = 0.68 per cent per annum, 1967-68 to 1976-77 (post-Green Revolution period, I Phase) = 3.67 per cent per annum, and 1976-77 to 1988-89 (post-Green Revolution period, II Phase) = 2.16 per cent per annum.
- 4 The rise in the incidence of urban poverty between 1983 and 1987-88 is noted only in the estimates of Minhas et al (1991) and not in other estimates, and therefore calls for closer scrutiny.

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Political Economy of Poverty in Bihar

Alakh N Sharma

The acute poverty situation of Bihar can be traced to the economic backwardness of both the agricultural and industrial sectors. While natural or technological factors such as floods, poor development of infrastructure and high population density play their part, the state's backwardness is related more to the inequitous and exploitative socio-economic structure, lack of political leadership and almost total collapse of the administrative and law and order machinery – to the point where it is said that in Bihar the state has withered away. These conditions have created a milieu of non-development in which even large scale poverty eradication programmes have had little impact. The only ray of hope is the increasing awareness and mobilisation of the rural poor whose potential can be harnessed to improve the management of such schemes and to pressurise the state into making structural changes.

I

Socio-Economic and Demographic Characteristics

BIHAR, the second most populous state of India (comprising a little more than 10 per cent of the country's population) is economically the most backward. Along with a very high proportion of population below the poverty line (40.7 per cent in 1987-88), Bihar has the lowest per capita income among all the states of India – its per capita income (net GDP at factor cost at current prices) stands at a mere Rs 2,904 as against Rs 5,781 for India as a whole and Rs 9,643 for Punjab (CMIE 1994 Table 10.2). The state has the lowest literacy rate among the major states of India – 38.5 per cent as against the national average of 52 per cent and Kerala's rate of 67 per cent. It has a very high child mortality rate and also fares very badly with respect to most of the other socio-economic indicators of development.

This acute poverty and backwardness can be traced to the backwardness of both its agricultural and industrial sectors. Among the major states of India it has the lowest per capita (rural) income (net value added from agriculture) – Rs 948 (average of 1987-88 to 1989-90) as against Rs 1,522 for India as a whole and Rs 3,929 for Punjab (CMIE 1994 Table 7.2). The reasons for the extreme backwardness of agriculture are both institutional and technological. Whereas structural and institutional factors have been operating as a powerful barrier to the agrarian transformation, the technological factors such as poor development of infrastructure like irrigation and power, non-availability of modern inputs, low volume of credit and poor extension services, etc. have also contributed much to the dismal performance of the state's agricultural sector.¹ Though some big industries, mostly in the public sector, are located in Bihar, the sluggish rate of growth in agriculture did not produce the spread effects of these industries, and hence industrially also the state continues to be backward, even though it possesses about one-fourth of the mineral resources of the

country. Per capita net value added in the manufacturing factory sector in Bihar was only Rs 305 in 1989-90 (at current prices) as against Rs 514 for India as a whole and as high as Rs 1,266 for Maharashtra (CMIE 1994 Table 8.7). The major explanation of the state's backwardness and poverty, however, has to be traced to the rural sector. With about 87 per cent of the population in rural areas (as against 74.3 per cent for India as a whole), it is the most rural state in the country, next only to Assam. Further, about 46 per cent of the state income (average of 1986-87 to 1988-89) is derived from agriculture (and allied activities) as against about 34 per cent for India as a whole and about 23 per cent for Maharashtra and Tamil Nadu.

Floods in large parts of the plains of Bihar, especially in north Bihar, are recurring features and cause havoc, destroying crops and the quality of land, and threatening the conditions of life and livestock. Due to large-scale displacement, few flood control measures have been effectively implemented. Some of the districts in the south Bihar plains and plateau region are drought-prone with poor irrigation facilities. Though the overall percentage of net area irrigated in Bihar is about 38, irrigation is largely seasonal and protective. Waterlogging in substantial parts of the command area of north Bihar is a chronic problem.

One of the obvious reasons for the economic backwardness and poverty of Bihar is its high density of population (497 persons per sq km in 1991), the third highest in the country after West Bengal and Kerala. The average per capita operational holding in the state is 0.87 hectare (in 1985-86) as against 1.7 hectare for India as a whole and about 2.8 hectares for Punjab. About three-fourths of the operational holdings are marginal (less than one hectare) in which the average size is merely 0.31 hectare. But the population pressure on land in the region is not as acute as the population density would indicate. In contrast to some other poverty-stricken and backward regions of the country, such as parts of central India where the natural

productivity of agricultural land is very low, Bihar has a large alluvial river valley area. Moreover, the plateau region in the southern part of the state is extremely rich in minerals. In view of such generous natural resource endowment, it seems that the state's backwardness is probably more related to its socio-economic, political structures, unresponsive political leadership, and the nature of development strategies that the state has pursued so far. Apart from the exploitative social and agrarian structure, Bihar is also experiencing an acute crisis of political leadership, bureaucratic inefficiency, rampant corruption at all levels, and social disorder. The almost total collapse of the administrative machinery – once hailed by the British cabinet secretary in the Appleby report even after independence as the best organised in India – is matched by the calamitous condition of the educational institutions (Das 1993: 79). There have been no panchayat elections for more than two decades. The division of society into castes has penetrated not only into politics but also into the bureaucracy, academics and other professions, seriously affecting the efficiency and functioning of the entire system of governance, development machinery and other sectors. Caste tensions, and in some parts of the state even caste riots, have seriously eroded social harmony. The serious breakdown of the law and order machinery and the scenario of crimes, kidnapping, tensions and violence have prompted people to sarcastically remark that the state has withered away in Bihar.

These conditions have created to an extent a socio-economic milieu of non-development. The era of planned economic development in the state has hardly cared for the masses, but only for organised sector workers, particularly the government/semi-government employees, while the elites, including professionals, contractors, politicians and power brokers, have fattened themselves in the 'development' process. The prevailing socio-economic situation is so alarming that it is being described as the 'state without hope' and the 'graveyard of

development projects that achieve success elsewhere'. In the wake of widespread poverty, a substantial number of poor people go outside the state in search of livelihood. In several parts of the state, the poor have become restive – in central Bihar poor peasant and agricultural labourers have launched a powerful movement against their oppression. Thus, Bihar is not only poor and economically backward but is also a state where institutional barriers of all types – socio-economic, political, cultural, etc – are quite strong. A sympathiser of the cause of Bihar even goes to the extent of saying that "the state is not only suffering from culture of poverty, but also from poverty of culture".

GEOGRAPHICAL/ECONOMIC UNITS

Before we proceed to discuss the extent and profile of poverty, we should remember that the state is far from homogeneous with regard to the distribution of its natural resources and growth patterns. It is divided into two distinct topographical units – the plains and the plateau. The plains region, which is almost flat and alluvial, slopes gently toward the east. This region is divided by the river Ganga into two unequal parts – north Bihar plains and south Bihar plains.

North Bihar plain is very fertile and constitutes about 31 per cent of the area of the state. It has a number of big rivers and is afflicted occasionally by heavy floods, causing huge damage to crops and property. The area is heavily populated – the density of population in this region is one of the highest in the country. The area is predominantly rural, the urban population being only about 6 per cent. In recent decades, a few islands of industrial growth such as the Barauni complex have come up; otherwise, the economy lacks diversification. The infrastructural facilities are extremely meagre. Large disparities in irrigation, power consumption, rail and road communications, etc, persist *vis-a-vis* the other regions of the state. It is no wonder, therefore, that north Bihar is an area of endemic poverty, backwardness and unemployment. Consequently, this region sends a large number of migrant labourers from its rural areas to places such as Punjab, Haryana and Delhi.

The south Bihar plains, constituting 21 per cent of the total area, is not subject to frequent floods, except for lands on the banks of rivers. This region is more diverse than the north Bihar plains. It has the lowest rainfall of the three regions. It is considerably more urbanised than the northern plains, the level of urbanisation being about 15 per cent. The position in regard to infrastructure is also better. Though it is comparatively more industrialised than north Bihar, the level is still quite low. A large part of the rural area of this region is currently witnessing

the radical peasant and labour movement leading to considerable violence and turmoil.

The Chhotanagpur plateau region has undulating topography and does not suffer from floods and drought to the extent of other parts of Bihar. But its land is not fertile and barely 30 per cent of the total land is used for crop production, as compared to 50 per cent in the state as a whole. Forests account for 29.2 per cent of the total area. Poorly served by irrigation (about 10 per cent) its agriculture is carried out almost entirely under rain-fed conditions. The plateau, however, is richly endowed with natural resources. Almost 90 per cent of the minerals found in Bihar are located in this region and have given rise to a number of mines and metal based industries. The level of urbanisation in the region is 20.3 per cent – much higher than the two other regions. This area also has a high concentration of scheduled tribes, as much as 92 per cent of the state's 6.6 million scheduled tribes. On the other hand, the scheduled castes, although found in sizable numbers everywhere, are generally concentrated in north Bihar which has about 60 per cent of the scheduled caste population of the state. Though there has been development of industries in the plateau region, the conditions of the local tribals have not improved appreciably. They feel alienated due to a number of factors – cultural, economic and social. Consequently this region is presently facing a somewhat powerful movement by tribals to separate this region from Bihar and create a new state known as 'Jharkhand'.

II

Poverty in Bihar

Bihar is among the states in India where the incidence of poverty is most acute. According to official estimates the state had the highest incidence of poverty in 1983-84, with half of its population below the poverty line. In 1987-88 about two-fifths of the state's population was below poverty line, which, except for Orissa, was the highest in the country. Some unofficial estimates, however, point to an even higher incidence of poverty in the state. In one such estimate by Minhas, Jain and Tendulkar (1991), it was reported to be as high as 65 per cent in 1987-88. In this estimate, the state had not only the highest proportion of population below the poverty line among all the states (including Orissa), but it had shown practically no sign of decline till 1983-84. Even after 1983-84 the decline was higher elsewhere in India than in Bihar. As revealed in Table 1, during the period 1957-58 to 1973-74 the percentage of rural population below the poverty line in India declined from 53.4 to 47.6, but in Bihar the decline was almost negligible – from 59.7 to 58.4.

During the century's worst drought in Bihar in 1966-67, the calorie consumption of about three-fourths of the rural population was below the normative minimum. During 1977-84, while the rural population poverty decreased by 10.8 percentage points in India, the corresponding decrease was only 6.4 percentage points in Bihar. However, during the period 1983-84 and 1987-88 the decline in poverty in Bihar, as per official estimates, was comparable to the all India estimates – 8.7 percent to 7.0, respectively. This relatively better performance of Bihar has put the state in second place (after Orissa) now with regard to the incidence of poverty.

There are several factors behind the recent decrease in poverty level in the state. First, the growth of agricultural output has been relatively better since the mid-1980s, largely due to better weather conditions and to some extent to an increase in the use of modern inputs. Second, remittances from migrant working outside the state, which have become quite significant, have contributed to increased consumption expenditure as well as investment in cultivation. Third, various poverty alleviation programmes, notably IRDP, NREP and RLEGP, have had their albeit small – share in this development.

UNEMPLOYMENT

Contrary to the high incidence of poverty the unemployment rate as per time criterion is quite low in the state. According to the 43rd NSS round of 1987-88, the unemployment rate as per usual status in rural areas of Bihar was 2.6 per cent for males and 0.8 for females; the corresponding all India rates being 2.8 and 3.5 per cent respectively. Several states (i.e., Assam, Haryana, Kerala, Tamil Nadu, West Bengal)

TABLE 1: PERCENTAGE OF RURAL POPULATION IN POVERTY IN INDIA AND BIHAR

Years	India	Bihar
1957-58	53.4	59.7
1959-60	48.7	55.7
1960-61	42.0	41.5
1961-62	42.3	49.9
1963-64	49.1	52.1
1961-62	42.3	49.9
1963-64	49.1	52.1
1964-65	50.4	54.2
1965-66	51.1	59.4
1966-67	57.4	74.4
1967-68	57.9	70.9
1968-69	53.5	59.4
1970-71	49.1	59.0
1973-74	47.6	58.4
1977-78	* 51.2	57.8
1983-84	* 40.4	51.3
1987-88	* 33.4	42.7

* Not strictly comparable to earlier series.
Sources: Ahluwalia (1978) up to 1973-74 and CMIE (1994) for 1977-78, 1983-84 and 1987-88.

and a few others) had higher unemployment rates than Bihar. However, the underemployment rates among both males and females, of 14.6 and 12.3 per cent respectively in 1987-88, were the second highest in the country after Tamil Nadu – much higher than the all India rates of 9.8 and 6.0 for males and females respectively [Ministry of Labour 1991:47]. Thus, though people in rural areas are not openly unemployed, due to their poverty they do not find regular productive employment over the year, which prompts large numbers to migrate to other regions in search of livelihood. The state reports high year-to-year fluctuations in the availability of employment opportunities, thanks to floods and droughts. Thus Bihar suffers from a low productivity employment problem in the key agricultural sector rather than unemployment as usually measured in terms of person-days. The incidence of poverty among a large section of self-employed cultivators belonging to marginal and small land categories is so high² that they will join the category of paid workers, leaving their farms work, if suitable work opportunities are offered to them.

Table 2 shows a retrogression in the employment structure in the state. The share of the primary sector has gone up from 80.23 per cent in 1961 to 82.36 per cent in 1991. The share of the secondary sector declined sharply from 8.28 per cent in 1961 to 4.64 per cent in 1991. In fact, as shown in Table 1, even the absolute numbers employed in this sector decreased from 15.72 lakh in 1961 to 11.88 lakh in 1991. Bihar has a low percentage of workers engaged in rural non-farm activities – 20 per cent in 1987-88 compared to 46 per cent for states like Kerala. Further, in India as a whole rural non-farm employment has significantly expanded during the 1970s and 1980s. However, Bihar one of the few states where the expansion has been extremely low – between 1983 and 87-88, there has been hardly any growth in non-farm employment [Chadha 1993]. Thus, more and more rural workers have had fewer days of work per year. Such a situation implies severe distress because of very low rates of growth of the agricultural sector leading to substantial out-migration of labour to seek employment in other areas both within and outside of the state³. Bihar has a substantial proportion of labour households in rural areas – one of the highest in the country and substantially higher than the national average. In 1987-88, 44.2 per cent of the workforce in rural areas was engaged in wage labour. There has been a steady growth in the incidence of wage labour since the early 1970s – from 39.5 per cent of the work force in 1972-73 it increased to 40.9 per cent in 1977-78, to 43.8 per cent in 1983 and 44.2 per cent in 1987-88. As in other states, there has been a phenomenal increase in casualisation of

rural labour. In 1972-73 the proportion of casual wage labour to total wage labour was 60 per cent, which increased to 80 per cent in 1987-88. Agricultural labourers constitute about 93 per cent of all the rural labour households – the state has the second highest incidence of agricultural labourers in India after Andhra Pradesh.

The wage rates of agricultural labourers are low in Bihar. In 1987-88 the daily wage rate of unskilled male agricultural labourer was Rs 13.39, which was lower than in most other states. The long-term growth rate in wage rates in Bihar for male agricultural labour over a 30 years period (between 1958-59 and 1987-88) was 8.68 per cent. This growth rate is lower than only two states – Kerala and Rajasthan. However, Bihar had a much lower base (Rs 1.30) level wage rate compared to states like Punjab. Not only money wages, but real wages in the state, both for male and female agricultural labourers, have risen since the early 1970s (Table 3). The rise in real wages has been really phenomenal and between 1970-71 and 1988-89, a 56.1 per cent increase took place in the case of male labourers, 70.8 in the case of female labourers [Jose 1988], which are quite impressive in comparison to other states – both high wage and low wage states. The rise in real wages has been particularly pronounced during the 1980s. There are a number of factors behind this rise. Apart from the relatively better performance of the agricultural sector, changes in rural labour market conditions due to out-migration of workers as well as state intervention through wage employment programmes have been the major factors behind it. Besides, in large parts of the state radical movement of the agricultural labourers have been a very important factor behind the rise in wages.

PATTERN OF POVERTY

The estimate of poverty in Bihar discussed earlier is based on NSS expenditure data. However, there are many other dimensions of poverty like calorie intake, housing, health, education, household possessions, assets, etc., which can provide a more comprehensive understanding of the problem. A survey conducted by the ANS Institute of Social Studies in collaboration with the ILO enables us to examine the issue in some details. This survey was conducted during 1981-82 in a stratified random sample of 12 villages in the plains of Bihar.⁴

The analysis of survey data on food and nutrition indicators of poverty shows that calorie intake exhibits distinct variations across socio-economic groups, but appears to be less reliable than other measures of nutritional intake and anthropometric status. Nearly 50 to 70 per cent of landless wage labourers fall below recommended intake

levels. Food quality indicators were more strongly associated with class, but only the richest groups have frequent intake of eggs, meat, fish and fruit. These food intake differences show up clearly in differences in anthropometric status. In particular, stunting is much more frequent among agricultural labourers than among other groups. Girls tended to be stunted more than boys.

The distribution of housing and domestic facilities was highly unequal among different social classes. Pucca houses are almost entirely absent among wage labourers, and the difference in house value between top and bottom groups is by a factor of 30. Electricity for lighting is rare (2 per cent of households). Treating kerosene lamps as an acceptable minimum, it was found that only around 10 per cent of agricultural labour households obtain this level, while for most other groups the figure reaches 40 per cent, only approaching 100 per cent for the top groups in the class and land hierarchies. The ownership of domestic assets is extremely low – over a quarter report no assets at all (other than cooking utensils, etc). Only 15

TABLE 2: GROWTH AND STRUCTURE OF EMPLOYMENT IN BIHAR

(in 000)				
Sector	1961	1971	1981	1991
Primary	15433 (80.23)	14813 (84.70)	16916 (81.51)	21099 (82.36)
Secondary	1592 (8.28)	985 (105.63)	149 (7.18)	1188 (104.64)
Tertiary	2210 (11.49)	1691 (109.67)	2397 (11.31)	3352 (113.08)
All Sectors	19233 (100.00)	17489 (100.00)	20753 (100.00)	25619 (100.00)

Note: Figures in brackets show the percentage share of the sector to total

Source: Census of India, 1961, 1971, 1981, 1991

TABLE 3: REAL WAGE INDICES OF AGRICULTURAL LABOURERS IN BIHAR (1970-71=100)

Year	Male	Female
1970-71	100.00	100.00
1971-72	97.08	95.30
1973-74	90.85	90.49
1974-75	82.32	85.44
1975-76	114.47	128.57
1976-77	138.95	135.26
1977-78	119.57	145.50
1978-79	119.55	136.81
1979-80	111.62	130.39
1980-81	106.85	117.34
1982-83	117.52	141.09
1983-84	123.53	148.20
1984-85	145.90	165.48
1985-86	148.44	172.14
1986-87	150.90	179.98
1987-88	143.95	169.63
1988-89	156.09	170.77

Source: Jose (1988).

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per cent of the households own a mosquito net 25 per cent a torch, 15 per cent a bicycle and 10 per cent a radio

Total expenditure is less unequally distributed. Clothing and medicine dominate expenditure by the poorest groups who obtain credit on the worst terms, interest rates averaging 50 per cent. Landless agricultural labourers own less than 1.5 saris on average, i.e. the majority of women in landless labour households own only one. Another index which catches attention is the ownership of a blanket or quilt. Winters are cold in Bihar and some protection against cold is essential. In the bottom expenditure groups 60 per cent of households have no blanket at all, few households have better than a cotton quilt in lower expenditure groups and only a quarter in the top groups.

Data on child mortality show a distinct decline with increasing economic status and female death rates are over 50 per cent higher than that of males. The high mortality of agricultural labourers shows up clearly about 20 per cent for boys and over 30 per cent for girls. The regional differences are also reflected in mortality. The advanced areas of north west Bihar have much lower mortality than average. It is worth noting the very high mortality of scheduled caste children.

Schooling is almost completely lacking for women and averages a more respectable four years for men. In agricultural labour households girls receive practically no schooling. Permanent labour households do particularly badly, no doubt reflecting the opportunities for early child labour in such households.

The distribution of total value of all assets (except grain) among various classes shows that agricultural labourers along with the non-agricultural class are not only at the bottom but the difference between these classes and big peasants as well as landlords is extremely wide. As a matter of fact the non-agricultural class is placed even worse

than the agricultural labourers. The difference in the value of total assets between the non-agricultural class and landlords is about 16 times. It is also noticed that female headed households have a lower value of assets compared to male headed households pointing the vulnerability of such households. The survey has shown that assets have a very strong association with poverty.

Indebtedness from traditional sources is widely prevalent in rural Bihar and the incidence is particularly high among agricultural labourers – about 85 per cent for casual labourers and 88 per cent for attached labourers. Labour households with high interest loans are seldom able to repay their debts. This often leads to debt bondage due to their current consumption, exceptional social expenditure and health expenditure. In regards to loans from institutional sources the level is not only low in Bihar but such loans have been mainly grabbed by the upper classes and big landowners.

Female headed households are found to be relatively poorer. Scheduled castes are invariably poor followed by Muslims and backward castes. Attached labourers who constitute about one third of total rural labour are relatively more poor than casual wage labourers. Casual wage labourers are generally of scheduled castes.

III Growth Performance and Poverty Alleviation Programmes

The rate of economic growth in Bihar has been slow from the very beginning. In 1960-61 Bihar was at the bottom among all the states of India in terms of per capita income. At present also it is at the bottom but with increased distance – in 1960-61 Bihar's per capita income was about two thirds of India's average per capita income; it declined to less than half towards the late 1980s [Mathur 1994]. Bihar's rate of growth during 1960-85 was 2.43 per cent which

after adjusting for the rate of population growth of 2.08 per cent gives only a 0.35 per cent growth of per capita income since the 1960s.

This dismal performance of Bihar becomes more glaring when the performance of its agricultural sector is taken into account. After independence the state witnessed a moderate rate of agricultural production – during 1952-53 to 1964-65 it was 2.97 per cent per annum which was better than many other states including Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttar Pradesh and West Bengal [Prasad 1987: 15]. The rate of growth of foodgrains production was even higher than the national average – it was 3.05 per cent in Bihar against 2.50 per cent for India as a whole. But the decline of the state on agricultural front started from the close of the 1960s. Between 1969-70 and 1983-84 the annual growth of agricultural production in Bihar came down to 0.42 per cent per annum [Prasad 1987: 15]. Between 1970-73 and 1980-83 the compound annual rate of growth of foodgrains production was negative (0.11) however since the middle of 1980s there has been some improvement in agricultural performance. As such the compound annual rate of growth in foodgrains production between 1980-83 and 1990-93 has been 2.33 per cent. The growth rate (compound) in agricultural production during 1980-90 has been of the order of 1.5 per cent per annum [CMIE 1994 Tables 7.1 and 7.4]. The very low growth rate in agriculture has been the main factor behind the persistence of poverty on a large scale. Due to the sluggish rate of growth in agriculture the state in spite of having some big industries that were established in the 1950s and 1960s did not experience their spread effects. Bihar which had achieved an average annual rate of growth of 18 per cent in industrial employment during 1951-61 slid down to 0.7 per cent per year during 1961-81. As discussed earlier

TABLE 4. AWARENESS OF AND BENEFITS FROM VARIOUS GOVERNMENT POLICIES BY CLASSES

(Per cent)

	Pension		Employment Scheme		Antyodaya		Schooling Subsidies		Nutrition Programme		Land Reform		Homestead Land		Maternal and Child Health Programme		Drinking Water		Flood and Drought Relief	
	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B
ALNT	94.0	26.8	31.9	1.9	6.4	0.4	20.7	4.3	20.5	2.5	21.0	0.7	30.9	3.7	8.0	0.6	42.4	33.2	40.9	6.5
ALT	89.4	25.1	36.0	5.9	8.9	0.8	19.4	0.0	17.8	0.0	19.7	3.5	21.2	1.0	0.7	0.0	40.2	30.0	30.8	3.8
PMP	83.9	27.5	22.8	2.3	6.1	0.0	17.7	0.0	12.3	0.0	11.3	0.0	12.3	0.0	1.3	0.0	27.5	9.3	27.9	0.0
BP	80.3	17.6	24.3	3.1	18.0	2.0	34.3	7.6	26.6	0.0	15.7	0.0	23.8	0.0	5.6	0.0	30.2	14.3	49.4	2.0
LORD	87.3	8.1	40.8	1.0	35.0	1.7	39.8	2.5	23.8	3.0	29.6	2.9	24.8	1.0	11.7	1.0	39.9	6.4	45.0	3.4
MONAG	89.6	13.2	34.7	0.0	31.0	1.4	37.2	7.8	34.0	1.4	38.4	1.4	30.1	0.0	16.5	0.0	44.6	3.0	48.5	1.4
MONAG	79.3	25.4	28.2	0.0	11.5	0.0	22.2	1.5	20.7	0.0	23.5	0.0	21.7	0.0	8.2	0.0	28.3	5.5	30.7	0.0
Total	89.0	21.0	33.5	2.4	15.7	0.9	26.4	3.1	21.5	1.6	23.0	1.6	25.5	1.7	7.4	0.4	39.5	20.53	9.5	3.8

Notes: H – heard about the scheme B – benefited from the scheme. ALNT = Agricultural labour not tied ALT = Agricultural Labour tied PMP = Poor middle peasants MP = Middle peasants BP = Big peasants LORD = Landlords and gentlemen farmers MONAG = Non-agriculturists

Source: Prasad et al (1989) Chapter 9

there has been a further retrogression in employment structures since then particularly since the early 1980s – there has been an absolute decline in secondary sector employment. The primary sector has absorbed this displacement of workers from the secondary sector, and consequently the percentage of workers employed in the primary sector has increased during 1981-91.

There are many factors behind economic stagnation in the state – the exploitative agrarian structure, lack of consolidation of landholdings, poor irrigation and water management, inadequate credit and extension services, lack of industrial culture etc. Often inadequate assistance by the central government and various agencies like banks and other financial institutions are also cited as reasons for the continuing backwardness of Bihar. However, it appears that most of the factors behind the state's backwardness are rooted in the failure of its political leadership and administrative apparatus to take the state along the path of social and economic development. Bihar was able to develop moderately up to the 1960s because the quality of the political leadership and administrative efficiency was reasonably good. It is a widely shared view that the quality of political leadership and administration has deteriorated since then and at present it is probably at the lowest ebb in the country. No doubt the state has an acute shortage of investible resources like every poor economy, but the utilisation of even these meagre resources has been utterly disappointing. In fact, it is widely believed that there has been a plunder of the meagre resources of the state on a large scale affecting its interests much more than other states of India. Though there has been no systematic and detailed documentation of this phenomenon in Bihar, many of the facts clearly point to this.⁶

In Bihar a peculiar brand of political class emerged. These political buccaneers had only one agenda, i.e. to grab political power and corner the maximum funds meant for

development. One of the essentials to rise up the political pyramid in the quickest time was to forge links with the crime syndicate. With the passage of time this process has accelerated – the criminalisation of politics, politicisation of crime and politicisation of the bureaucracy have taken place at an alarming rate. The venom of casteism has spread to every walk of life. Almost invariably postings in bureaucracy are done on a caste and money basis, which has seriously affected its moral and efficiency. Almost all the co-operative credit institutions of the state were captured by vested interests and they were twice superseded by the government. Not to talk of the provision of extension services by co-operative and other institutions, spurious inputs were distributed to the farmers. Many research studies have shown that there is gross misutilisation and malfunctioning in the distribution of credit and the marginal and small farmers have been grossly discriminated against. The co-operative movement has served the interests of the strong only [Nilkant and Das 1979: 34]. A major section of the bureaucracy is an active collaborator of this loot and political corruption.

This and practice of popular and sectarian politics have led the state to a state of financial bankruptcy. Huge funds are spent on the salaries of the big army of government and semi-government employees.⁷ Not only this, due to the inability and inefficiency of the political and bureaucratic system for the last several years, the state has not been able to utilise all the funds allocated to it in the annual plans. Now, for the last three years, the state's financial position has been so precarious that even the salaries of the university teachers and other semi-government employees have not been paid for the last several months. The state has been spending without caring to raise enough resources. Consequently, it has witnessed massive reductions in the plan outlays during the last few years. The annual plan of Rs. 2,200 crore during 1992-93 was almost halved the plan outlay during 1993-94.

would not be more than Rs 1,200 crore and it is feared that in 1994-95 it would be further curtailed. Though the lower per capita plan assistance, meagre disbursement of funds by financial institutions, irrational royalty policies and other federal transfers are also responsible for the state's financial crisis, the major share of the blame lies with the state government.

Further, there is an acute power crisis in the state. Except Patna, all other places are without power for the major part of the day, seriously affecting agricultural and industrial activities. Capacity utilisation of the thermal power plants has been extremely low and losses of the Bihar state electricity board are enormous.

Due to the acute financial crisis and wrong policies and priorities, the development activities in the state, at least so far as the state's development expenditure is concerned, have come almost to a halt. Even the funds meant for the central government poverty alleviation schemes like Jawahar Rojgar Yojna have been reported to have been diverted temporarily to meet the salaries of its employees, affecting the implementation of these schemes. However, with all their defects in design and implementation in the prevailing acute financial crisis, it is mostly the poverty alleviation programmes like the Integrated Rural Development Programme and Jawahar Rojgar Yojna (JRY) which are somewhat

TABLE 6. PERFORMANCE OF JAWAHAR ROJGAR YOJANA

	1991-92	92-93	93-94
Funds allocated (Rs crore)	315.4	446.9	482.9
Funds utilised (Rs crore)	341.0	412.6	604.5
Employment generation (lakh mandays)			
Target	894	938	1468
Achievement	817	1036	1474
Achievement Rate(%)	91.6	110.4	100.4

Source: CMIE (1994 Table 9.14)

TABLE 5. AWARENESS OF AND BENEFITS FROM VARIOUS GOVERNMENT POLICIES BY OPERATIONAL HOLDING

	Pension		Employment Scheme		Antyodaya		Schooling Subsidies		Nutrition Programme		Land Reform		Homestead Land		Maternal and Child Health Programme		Drinking Water		Flood and Drought Relief	
	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B	H	B
1 Acre	89.3	26.7	33.7	3.5	8.6	0.6	19.7	2.2	18.1	1.6	18.7	1.8	25.9	2.8	5.4	0.0	40.5	27.2	36.5	5.1
Up to 1 acre	93.3	17.8	27.6	0.8	17.1	0.1	32.1	4.9	24.8	0.7	22.3	0.7	23.0	0.0	7.5	1.2	33.3	19.5	44.0	2.7
Up to 2 acres	92.3	15.9	27.1	0.0	17.6	0.0	20.9	1.2	16.9	2.7	18.1	2.7	13.3	0.0	5.6	0.0	41.4	19.7	30.7	1.4
Up to 5 acres	85.4	14.7	41.2	2.2	29.9	0.0	38.1	3.5	26.3	1.3	32.2	0.0	28.0	0.0	11.8	0.0	41.9	8.5	49.0	1.6
Up to 10 acres	77.5	5.4	46.5	1.6	27.5	3.9	40.7	10.9	37.8	4.8	37.6	4.8	43.2	4.8	17.3	4.8	44.3	7.0	42.8	4.8
More than 10 acres	79.3	11.8	22.1	0.0	28.4	4.7	24.2	1.5	23.4	0.0	38.9	4.7	21.1	0.0	7.5	0.0	33.0	0.0	32.5	4.8
Total	89.0	21.0	33.5	2.4	15.7	0.9	26.4	3.1	21.5	1.6	23.0	1.6	25.5	1.7	7.4	0.4	29.5	20.5	39.5	3.8

Source and Index: As in Table 4

visible in the name of development activities in present day Bihar. Ironically, even such a big financial crisis does not deter the government from setting up new universities and administrative centres (like district sub division block etc.) which are mainly done due to political and caste considerations. The state has failed on almost all fronts to deliver the goods to the people, particularly the poor.

In the wake of acute poverty and immiseration, the poor of the state, particularly the rural poor, have adopted their own survival strategies and responses. One response is the substantial out migration of the rural poor to other areas – both rural and urban and inside and outside the state in search of livelihood. As yet another response, the state has witnessed a relatively powerful movement (the so called extremist or naxalite movement) by the rural poor during the last two decades or so, generating violence and tension.

Such a vulgarisation of politics and administration and the nexus between corrupt politicians, bureaucrats, contractors and criminals, have played havoc with not only the development programmes in general, but also with programmes specifically meant for the benefit of the poor. Immediately after independence, no major programme for poverty alleviation was launched in the state as such, except a few minor welfare programmes for the poor like the old age pension scheme in the mid 1970s. As in other states, schemes like Food for Work, NREP etc. were also launched. The public distribution system was operative earlier but its coverage was increased since the 1970s. At present, the central government sponsored Integrated Rural Development (IRD) and JRY are the two most important direct poverty alleviation programmes in the state. But the programmes of old age pension and a few minor welfare programmes are still in operation. There are other programmes like land reforms, public distribution system (PDS) etc. which are not targeted specifically to the poor but have relevance for them. It will be interesting to see the overall impact of some programmes and their implications for the poor.

LAND REFORMS

After independence, Bihar was the first state in the country to abolish the zamindari system – the much hated stratum of intermediaries between the actual tillers and the state was removed and the tillers came into direct contact with the state. However, though zamindari was abolished, the former zamindars were not deprived of their homesteads and private lands, which were quite large. Therefore, the measure of zamindari abolition was complemented with the imposition of a ceiling on large holdings

in order to redress the inequitable distribution of land. After many hurdles, the first land ceiling act was passed in 1962 with subsequent amendments in 1972 and 1973. Some legislative measures to safeguard the interests of the tenants with regard to the fixation of rent and ejection of tenants were also undertaken. There were a few other agrarian legislations too – the Bihar Privileged Persons Homestead Tenancy Act, the Bihar Moneylenders Act etc., – which were enacted for the benefit of rural labour and the poor.

But the implementation of these various legislative pro-poor agrarian measures has been rather dismal. The most glaring cases are those of the land ceiling and tenancy acts. Till 1990, only 192.1 thousand hectares of land had been declared surplus, of which only 152.2 thousand hectares have been taken possession of and 102.6 thousand hectares have been actually distributed (most of which are said to be low quality land). There is large scale violation of ceiling laws in the state. The principal reason for non-implementation of the ceiling laws has been the lack of political will and collusion of the bureaucracy with landlords. Large scale benami transfer in land has taken place. Landlords have resorted to litigation which generally takes so much time that the very essence of the measure is defeated. A study conducted in 1986 in 15 sample villages spread over six districts of Bihar provides interesting facts regarding the implementation of land ceiling laws (Prasad 1986). According to this study, only 1.53 per cent of the cultivable land was acquired and distributed, whereas the surplus land amounted to 20.51 per cent. The implementation was not uniform. In four villages where the study was conducted, the government did not initiate any action at all, not even a notice for submitting a return of surplus land was served to the owners. Further, the government functionaries showed favour to landowners in classification

of land and areas so that the extent of surplus land shown remained lower than the actual. The study showed that the bigger landowners enjoyed better accommodation by the government functionaries than the smaller ones. There has been large scale violation of ceiling laws by religious and charitable institutions also. They have held much more land than prescribed under the law, taking advantage of the exemptions given in the ceiling act (Pandey 1992). Another study (LBSNIA 1991a) also found very inadequate implementation of the ceiling laws in Katihar, East Champaran and West Champaran districts where there is wide scope for acquiring much more surplus land. In the district of Furruckabad alone, there were 210 landowners with more than 200 acres. Though the allottees of surplus ceiling land should be overwhelmingly from the SCs and STs, in actual practice, other castes constituted 48 per cent in number and 38 per cent in total area allotted. It is significant that in all such cases where cultivable lands were allotted, there has been some perceptible change in the socio-economic status of the allottees. They felt more confident and partly relieved from the clutches of the landlords.

TABLE 8 PER CAPITA SUBSIDY AND CREDIT UNDER IRDP IN BIHAR

	Subsidy	Credit	Total Assistance
Sixth Plan Period			
1980-81	380	710	1090
1981-82	1095	1308	2403
1982-83	894	1715	2609
1983-84	815	1667	2481
1984-85	863	1782	2645
Seventh Plan Period			
1985-86	1047	2311	3357
1986-87	1276	2655	3931
1987-88	1371	2744	4115
1988-89	1622	3213	4835
1989-90	1750	3226	4976

Source: As Table 7

TABLE 7 YEARWISE PHYSICAL AND FINANCIAL TARGETS AND ACHIEVEMENTS UNDER IRDP

Year	Financial			Physical	
	Allocation (Rs Crore)	Utilisation (Rs Crore)	Achievement (Percentage)	No of Families Targeted (Lakh)	Achievement (Percentage)
Sixth Plan Period					
1980-81	29.4	10.3	35.3	3.5	2.5
1981-82	35.2	31.3	89.0	3.5	2.8
1982-83	47.0	34.0	72.4	3.5	3.6
1983-84	47.0	39.0	82.8	3.5	4.3
1984-85	47.0	52.2	119.7	3.5	6.0
Seventh Plan Period					
1985-86	52.5	49.5	94.4	3.1	4.2
1986-87	70.8	78.8	108.3	4.6	5.4
1987-88	84.1	101.2	120.3	5.4	6.6
1988-89	96.1	42.0		4.3	
1989-90	72.0	34.7			4.49

Source: Department of Rural Development, Government of Bihar, Patna

Provision of land, however small, has given them a sense of identity and something on which they can fall back. However, the average extent of land allotted was less than one acre, which is not economically viable. Those who were allotted uncultivable land were miserable. The facilities of irrigation, lending and rural development schemes were not well integrated with the allotments.

Tenancy reform remains an important question in Bihar because the state has a fairly significant proportion of cultivated land reporting tenancy. Though the overall tenancy rate has been reported to be of the order of 10 per cent as per NSS data of 1980-81, several studies have shown that the plains of Bihar, particularly north-east Bihar, has a high incidence of tenancy. A study conducted in 1981-83 showed that about 28 per cent of the cultivated land in the plains of Bihar were under tenancy [Prasad 1987] (the tribal region of the state shows a very low level of tenancy). A recent study [LBSNAA 1991b] in 15 villages spread over 12 districts reveals that the high incidence of tenancy is not only characteristic of areas with higher irrigation intensity but is equally characteristic of unirrigated land. The tenants are usually labourers, poor peasants and marginal farmers, although under the demographic pressures and due to some other factors small cultivators have also started leasing in land. Many researchers have highlighted the inter-linkage between landholdings, sharecropping and bondage leads to the process of economic stagnation in the countryside and immiseration of the poor.

The study by LBSNAA (1991b) showed that the principal form of tenancy in the state is sharecropping in which the majority of tenants equally share the gross produce with landowners. However, there were important deviations from this principal pattern in many parts of the state – in some cases there is prevalence of rack-renting in which the tenants bear the entire input cost and share the produce equally. In some other cases though the tenants share the input costs with landlords, the landowners receive between 50 and 75 per cent of the gross produce leading to a highly exploitative rent. In some parts of the state, particularly in the irrigated tracts, the system of fixed rent in kind or cash is also prevalent.

The statutory provision with regard to rent is 25 per cent of the gross produce, and the by-products are to remain entirely with the sharecroppers. Thus, except in some isolated cases, there is a large gap between what is statutorily provided and what the sharecroppers get. The system of tenancy is almost entirely concealed and informal and hence there is no security of tenure. The majority have their plots changed within a year or two thereby denying them the status

of occupancy tenants, in spite of the fact that a very high proportion of tenants have worked as tenants for more than 10 years with the same landowner. The pitiable condition of the tenants, both with regard to rent and security of tenure, has hardly been the target of any intervention by the government machinery. The experience in the state shows that the law and the administrative machinery has not worked. The sharecroppers are in a very weak bargaining position *vis-a-vis* landowners. Though in some limited areas like Madhubani and parts of central Bihar sharecroppers have asserted their rights and after their prolonged struggles have been able to secure better terms, in large parts of the state tenants are vulnerable as they have neither the economic strength nor faith in the justice system. The legal procedures are so clumsy, time consuming, expensive and biased towards landlords that tenants simply cannot resort to them. Further, the tenants are required to furnish documentary evidence of their cultivating the tenanted land, which they are simply unable to provide as tenancy agreements are entirely oral and informal

Over and above this, any move by the tenants to get justice is met with resistance by the combination of landlords, police and state machinery. In regard to other aspects of tenancy reforms, i.e. homestead and usufruct mortgage, their implementation is slightly better. According to the study by Prasad (1986), the land reform measures related to homestead land were implemented with good success, and the debt redemption legislation had also achieved better success in its objectives – about 54 per cent of households had received relief.

Thus, the implementation of the various land reform measures has been very slow and unsatisfactory. The main reasons for poor implementation are lack of political will, lack of organisation and consciousness among the poor peasants and agricultural labourers, the indifferent attitudes and retapism of the bureaucracy, lack of up-to-date land records, and legal obstacles in the laws. Fortunately some parts of the state have shown some awakening among rural labourers and poor peasants and there has been effective mobilisation of peasants.

TABLE 9: RESULTS OF EVALUATION OF IRDP IN BIHAR AND OTHER STATES IN EASTERN INDIA – MRD SURVEY

Items of Evaluation	Bihar	Orissa	West Bengal	Assam	India
1 Social classification of beneficiaries (per cent)					
Scheduled castes	29.7	20.6	23.5	8.4	28.5
Scheduled tribes	13.6	26.6	4.3	23.0	16.5
Others	56.7	52.5	42.2	71.6	55.3
Total	100.0	100.0	100.0	100.0	100.0
2 Sectoral classification of beneficiaries (per cent)					
Primary	25.1	17.7	23.7	44.7	43.6
Secondary	15.8	28.5	34.3	10.4	11.5
Tertiary	49.6	54.8	42.0	44.9	44.9
Total	100.0	100.0	100.0	100.0	100.0
3 Percentage of beneficiaries selected through gram sabha	0.9	94.7	100.0	21.7	65.4
4 Percentage of beneficiaries satisfied with quality of assets provided	46.7	88.8	84.0	87.7	80.0
5 Investment (subsidy/credit) per beneficiary (Rs)					
Primary	3375	3466	4383	5288	4276
Secondary	3338	2236	3299	5125	3631
Tertiary	4111	2833	4532	5785	4512
6 Percentage of beneficiaries who thought investment was sufficient	90.3	99.2	97.3	90.3	82.9
7 Percentage of beneficiaries trained under TRYSEM	2.5	24.3	8.1	5.3	5.1
8 Percentage of beneficiaries who received Vikas Patrika	3.8	74.4	36.7	52.9	38.5
9 Percentage of beneficiaries who had undated Vikas Patrika	0.8	69.2	10.0	18.1	24.3
10 Percentage of beneficiaries who reported after care services	33.7	72.8	0.7	9.3	18.8
11 Percentage of beneficiaries whose assets are intact	67.4	72.5	72.1	75.2	71.0
12 Percentage of beneficiaries crossing poverty line of Rs 3,500	91.3	63.9	95.7	88.3	81.0
13 Percentage of beneficiaries crossing poverty line of Rs 6,400	42.6	11.5	18.3	39.1	27.0

Source: Evaluation reports of the ministry of rural development, government of India.

recent years. It is reported that this has influenced the course of implementation of land reform laws in such areas.

PUBLIC DISTRIBUTION SYSTEM

Though PDS does not cover only the poor, the dependence of the poor on it is very large. Further, some of the commodities like kerosene oil are mostly purchased by the poor. Not only is there large-scale corruption in the distribution of these commodities to the poor, but the coverage of PDS is also extremely low, only confined to some pockets of urban areas. The data collected by NSSO (1990) show that in rural Bihar the percentage of outlay on purchase from PDS to total purchase was 0.42 in case of rice and 1.51 in case of wheat; the corresponding figures for urban areas were 0.29 and 7.05. This is an extremely disappointing performance in view of the fact that in states like Kerala the percentage purchase from PDS to total purchase of rice and wheat are 51.36 and 92.04 in rural areas and 46.19 and 91.98 in urban areas respectively. In fact, Bihar's performance is the worst among all the states.

POVERTY ALLEVIATION PROGRAMMES

The above mentioned study conducted by ILO and the A N S Institute of Social Studies between 1981 and 1983 in the plains of Bihar throws considerable light on the unsatisfactory working of the poverty alleviation programmes (PAP). The awareness and benefits derived from the ten policies related to PAP are presented in Tables 4 and 5.

Old age pension scheme: This scheme aimed to give pensions of Rs 30 per month to old people in the low income groups, who do not have significant amounts of land or other significant sources of income. Knowledge of the scheme was very widespread – only in one out of six districts studied the percentage of people aware of the programme fell below 75 per cent. Moreover, this policy was relatively successful in reaching the poor – over 30 per cent of scheduled castes, over 25 per cent of agricultural labourers, over 30 per cent of Muslims (predominantly agricultural labourers), poor middle peasants and non-agriculturists (the latter mainly low income), and 27 per cent of landless, had benefitted from the programme. If one takes into account the fact that many households do not have an eligible older member, this implies quite a large coverage. However, there was a significant number of beneficiaries among the big peasants and landlords and landed classes who were outside its scope. So the targeting of the poor was far from perfect. About one out of eight of those who cultivate more than 10 acres of land also got the old age pension.

Employment schemes: There have been many schemes of rural works, some in the context of flood or drought relief, some as part of larger national anti-poverty programmes designed to provide employment to agricultural labourers. The employment schemes had much less impact, awareness was moderate (33 per cent) and, mainly concentrated in two districts and in larger peasant and landlord households. Benefits were concentrated in one backward district (about 12 per cent) in one village and 5 per cent in the second, and although beneficiaries were generally from the lower part of the class hierarchy including middle peasants as well as agricultural labour, they formed only a small part of the sample population as a whole. Its impact was thus almost negligible.

Antyodaya: Awareness of this scheme exceeded 20 per cent in only three villages out of 12 villages studied and was essentially concentrated among the village elite (Brahmins: 40 per cent). Gains from the scheme were negligible, and it benefitted mainly middle and big peasants and landlords and not the poorer groups who were the ostensible target. The benefit largely went

to those who were cultivating more than 5 acres or even more than 10 acres of land. This policy was implemented in a manner which went against its very objectives.

Schooling subsidy: Under this programme a series of scholarships and subsidies for scheduled castes, scheduled tribes and other underprivileged groups were to be offered by the education ministry. Only about a quarter of the population had heard of schooling subsidies and scholarships and only 3 per cent of households had benefitted. On the whole, benefits went to the better off groups.

Nutritional programmes: This had hardly any impact at all as it was operational only in three out of 12 sample villages, and outside these villages even awareness was low. The pattern of gain was slightly worse than that for schooling subsidies in so far as the poor are concerned. However, neither this programme nor the schooling subsidy was meant exclusively for the poor.

Land reforms: Knowledge of and benefits from land reforms were again concentrated in only two districts, with the knowledge highest among landlords. The proportion benefitting was very small, and it was

TABLE 10: RESULTS OF BLOCK-LEVEL EVALUATION OF IRDP IN BIHAR: DRD Survey

Items of Evaluation	Nalanda N=124	Nawadh N=128	Hazaribagh N=99	Dumka N=113	Ranchi N=65
1 Social classification of beneficiaries (per cent)					
Landless labour	64.5	46.1	17.2	0.9	44.6
Marginal farmer	31.5	43.8	71.7	40.7	47.7
Small farmer	4.0	10.1	11.1	58.4	7.7
Total	100.0	100.0	100.0	100.0	100.0
2 Percentage of beneficiaries for whom survey was conducted	88.7	99.2	9.1	100.0	13.8
3 Percentage of beneficiaries who were selected through gram sabha	0.0	0.0	10.1	0.0	0.0
4 Percentage of beneficiaries who were granted schemes of their own choice	96.0	99.2	99.0	97.3	49.2
5 Percentage of beneficiaries receiving loan within three months	29.1	84.4	87.9	66.5	95.4
6 Percentage of beneficiaries receiving assistance in kind	100.0	91.4	73.7	93.8	55.6
7 Percentage of beneficiaries trained under TRYSEM	0.0	0.0	0.0	0.0	0.0
8 Percentage of beneficiaries reporting at least one visit by officials and one afterwards	0.0	36.0	1.0	0.0	4.0
9 Percentage of beneficiaries who received Vikas Patrika	0.8	0.0	49.5	91.9	24.6
10 Percentage of beneficiaries paying loan	66.9	40.6	37.4	15.0	15.4
11 Percentage of recovery of loan	52.6	32.9	22.3	16.8	13.7
12 Percentage of increase in average per capita income	11.5	40.7	31.8	15.6	30.2
13 Percentage increase in number of working days per worker	10.6	18.0	29.6	11.0	44.1
14 Percentage of beneficiaries crossing					
(a) poverty line of Rs 3,500	54.8	92.7	74.7	50.4	75.4
(b) poverty line of Rs 6,400	0.8	32.0	1.0	0.0	0.2

Source: Compiled from the evaluation reports of the department of rural development, government of Bihar.

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concentrated in both agricultural labour and big peasant classes, with landlords also sharing in the overall gain. Of the little benefit that accrued under this heading, the highest gains were recorded by those households cultivating more than five acres – a serious outcome for a policy that was supposed to be transferring land to those with few assets. It is clear that the norms laid down for the distribution of land were largely flouted.

House sites for landless labour: This scheme showed a distribution which favoured scheduled castes and casual agricultural labour, but only 4.5 per cent of the former and 3.7 per cent of the latter reported benefits. While 2.8 per cent of landless households received land under this scheme, 4.8 per cent of those cultivating five to 10 acres also got such homestead land, which they were not entitled under the law.

Maternal and child health programme: Reception of and benefits from the maternal and child health programme were negligible except in two villages, where too they were small.

Drinking water programme: Much better results were achieved with the drinking water programme. Regionally it was very unevenly distributed with less than 15 per cent awareness and virtually no benefits in all the villages. But in the other half there were widespread benefits, and they were also concentrated in the poorest groups. Nearly 30 per cent of agricultural labourers benefited from this programme, and the spillover to higher income groups was small (6 per cent big peasants; 3 per cent landlords).

Flood and drought relief programmes: Benefits from these programmes were rather erratically distributed, which is to be expected as the programmes depend on the occurrence of flood and drought. A higher level of benefits was observed among agricultural labourers (3.8 to 6.5 per cent) than among peasants and landlords. The benefits were most pronounced among the landless.

Thus, the survey has provided a very unsatisfactory picture of the working of the anti-poverty programmes, both in terms of awareness and benefits. The coverage of all these policies, except the old age pension and drinking water, was extremely low. The policies, which were exclusively meant to provide some basic needs and relief to the economically weaker sections of the rural population, not only reached a very small proportion of the population, but in addition their targeting on the poor was far from correct since the benefits from the policies were availed of by landlords and the big cultivating classes who were not at all entitled to them, often in contravention of the legal provisions. Therefore one cannot ignore the fact that these policies were used by the rural

rich to serve their own interests. This study also showed that in spite of the high level of traditional indebtedness, institutional loans are not only low but have been cornered mainly by big landowners belonging to upper classes and castes.

RECENT INITIATIVES: EXPERIENCE OF JRY

Since the beginning of the 1980s, some other poverty alleviation programmes were also launched in the state. IRDP and the various wage employment programmes like the National Rural Employment Programme (NREP) and Rural Labour Employment Guarantee Programme (RLEGP) (merged as Jawahar Yojana since 1989) have been the most important anti-poverty programmes in recent years. A sum of Rs 299 crore was spent on the NREP/RLEGP during the Seventh Plan (1985-90); Rs 73 crore and 88.8 crore were spent on the merged Jawahar Rojgar Yojana (JRY) during 1990-91 and 1991-92. In the Eighth Plan (1992-97) the proposed outlay on JRY is Rs 650 crore of which Rs 250 crore is the capital content. It was claimed that 64.89, 69.91 and 75.34 lakh mandays of employment were created in rural areas under NREP/RLEGP in Bihar in the years 1985-86, 1986-87 and 1987-88 respectively. Under JRY in 1990-91, apart from the Rs 73.70 crore of the state's share, Rs. 292.35 crores were released as the central share, and it was claimed that 1130.1 lakh mandays of employment were generated.

However, all was not well with the programme of employment generation. An evaluation of NREP in the backward district of Purnea shows that the programme hardly fulfilled the objectives of adequate creation of gainful employment in rural areas by strengthening the rural economic infrastructure and assets and improvement in the overall quality of life [Verma et al., 1987]. It was found that the rate of out-migration of rural labour during lean periods did not decrease even after the introduction of such programmes. Not only that, in most of cases labourers did not get the prescribed wages and in many cases outside labourers were hired by the contractors in place of local labourers so as to pay lower wages. Assets created were not only of low quality but universally unproductive. School building, village community building, Harijan houses, etc., were some of the items which were built almost everywhere, but the most needed productive assets like repair of irrigation dams, ponds, etc., were hardly undertaken anywhere. Social forestry was attempted at some places but with very unsatisfactory results.

The people of the villages were hardly taken into confidence while envisaging the scheme. It was found that the objectives of NREP were not clear to high level

functionaries only but also to lower level functionaries and executing agents. It appeared that different development agencies lacked coordination [Verma 1987]. Yet another study of the performance of NREP in the district of Siwan [Kumar 1993] shows that the programme did not contribute significantly either to the improvement of wage rates or of bargaining power of the poor. In overall terms, it had some positive impact too. At least in some seasons and in some operations it exerted pressure on wage rates through intervention in the labour market. It was found that the wage rate in non-agricultural operations was close to the minimum.

There have been some important changes in the programme since the merger of NREP into JRY. Not only do the panchayats directly receive the money, but the responsibility for executing the programme/scheme lies with the village panchayat itself instead of block officials or their contractors. It is believed that the new arrangement has produced relatively better results.⁹ The better management of Jawahar Rojgar Yojana by panchayats compared to the bureaucracy is because of people's growing consciousness about these programmes and their pressures on the elected representatives to deliver the goods. In the specific context of Bihar, the existence of various groups (based on caste, class or any other consideration) and intra-village rivalry exerts some pressure on the panchayat functionaries to do something. Though the panchayat leaders are as corrupt as the bureaucracy, the fear of facing the next election and the dynamics of village life forces them to work and deliver to some extent. The bureaucracy faces no such compulsion and accountability. Also it has probably not as good an understanding of village problems as the panchayat functionaries. Although it would be naive to expect spectacular results given the prevailing socio-economic milieu, even this relatively better performance of the panchayats compared to the bureaucracy has important implications for the implementation of government programmes.

As a matter of fact JRY is the most visible rural development programme in the state. During the last few years the programme has seen expansion in several respects – in terms of funds allocated and utilised as well as mandays of employment generated (Table 6). In 1991-92, 837 lakh mandays of employment were generated, which increased to 1,036 lakh in 1992-93 and further to 1,474 lakh mandays in 1993-94. Achievement of employment generation to targeted employment was 100 per cent in 1993-94. In spite of several defects, the programme has made an impact in rural areas in several ways by providing employment, however small; constructing houses

for the poor under Indira Awas Yojana; and creating at least some social infrastructure like school buildings, drainage, etc.

IV IRDP in Bihar

IRDP is the most important poverty alleviation programme in the state with a wide coverage, hence we attempt here to discuss its role in poverty alleviation in somewhat greater detail. Before we describe its working, we should note that a programme like IRDP which promotes self-employment as a strategy has relevance for Bihar where the land-man ratio is one of the lowest in the country. A poor land-man ratio will always imply that the scope of increasing wage employment in agriculture is very limited, and thus the promotion of self-employment plays a very crucial role in reducing rural poverty.

IRDP was introduced in Bihar during 1978-79 in 310 out of a total of 587 blocks. Initially the concept of IRDP was quite new to both the block officials and the credit agencies, hence in 1978-79 the progress of IRDP was very poor. Out of the total allocation of Rs 1,024 lakh, a bare 19.1 per cent of the budgeted amount was utilised. The geographical coverage of IRDP was extended the following year to another 15 blocks, bringing the total number of covered block under IRDP to 325 in 1979-80. But even in its second year the programme was in its formative stage. A major change in its dimension and thrust was brought about in 1980-81 when under the Sixth Plan (a) its coverage was extended to all the blocks, and (b) financial allocations for the programmes were increased. Significant changes were made in the state development administration to ensure effective implementation of IRDP. The programme was carried over through the Seventh Plan period with even greater emphasis and, by now, it has been operating for about a decade and a half.

Data pertaining to yearwise physical and financial targets and achievements under IRDP in Bihar since its inception are presented in Table 7. It is quite obvious from the table that the whole programme has received considerable attention by the development administration of the state. This is presumably because the central government (which has planned the whole programme and was bearing half of its cost) was able to impress right up to the district or even block level functionaries that IRDP is a very special programme, different from many other development programmes which had weaker objectives, limited durations or even insufficient financial allocations. It is further interesting to note that the programme has expanded with higher and higher yearly physical targets. As a result the quantum of assistance per capita shows a steady upward

trend (Table 8), from Rs 1,090 in 1980-81 to Rs 4,976 in 1989-90.

During 1980-81, when IRDP was extended to all the blocks in Bihar and was made an important part of the Sixth Plan, there were major changes in the development administration in the state, geared to the needs of IRDP. To begin with, the state government announced the formation of District Rural Development Agencies (DRDA) in all the districts. The DRDAs were now made the model agencies for co-ordinating the activities of all the development departments in the implementation of IRDP. To make the DRDAs powerful and effective, a senior civil service officer (to be called deputy development officer or DDC) was posted who was to relieve the hard pressed district collector of the burden of development administration. The problem of district collectors being overburdened with law and order problems or regular administrative duties is probably even more serious in Bihar, and this bifurcation of routine and development administration was thus a very positive change.

This apart, the planning from below and association of credit agencies in the planning process were two of the most vital strengths of IRDP and were designed to ensure the smooth flow of funds to the programme. The district level agencies assisted by block level agencies were to identify that portions of the plan which required credit support.

A second important change in the development administration was the expansion of the banking system in the state. Bihar has been one of the most poorly banked states in the country. There has taken place significant branch expansion in rural areas since the mid-1970s. Although there is a considerable gap between Bihar and the national average in banking facilities, the gap has become narrower. This expansion of banks was very crucial because, as mentioned before, the most important factor which placed the IRDP on an improved footing compared to earlier programmes was the well defined role of credit agencies in its implementation.

EVALUATION OF IRDP

The importance of IRDP as a poverty alleviation programme is reflected not only in the large financial allocations for it or the huge administrative efforts behind the programme, but also in the considerable efforts that were made to evaluate the programme. Many such evaluation surveys have been sponsored by the government itself while others have been carried out by researchers. Of the evaluation surveys sponsored by the government and carried out by external agencies, we have one initiated by the ministry of rural development, government of India. We shall now discuss

the results of this survey in a comparative framework, taking the other three major eastern states (Orissa, West Bengal and Assam) into account. Below we discuss an evaluation study sponsored by government of Bihar which covered selected blocks in different districts.

The survey sponsored by the ministry of rural development (hereafter MRD survey) covered the entire country; the canvassed questionnaires were fairly detailed covering all the important dimensions of the implementation of the programme. In Table 9 we have presented information relating to only 13 dimensions which are most relevant. In regard to the first two items, viz, social and sectoral classification, the position of Bihar is seen to be quite satisfactory: (a) the scheduled castes and tribes together account for a little less than half of the beneficiaries, and (b) the sectoral classification is rather similar to other states – it shows that opportunities for self-employment in agriculture are limited in Bihar. Two important defects of the implementation of IRDP in Bihar are reflected in the next two items of process of selection and quality of assets. In spite of pointed instructions to select beneficiaries through the gram sabhas, officials themselves have selected nearly all the beneficiaries in Bihar. It would, however, be wrong to infer from this that officials had ignored the gram sabhas in Bihar or that they are so thoroughly dominated by the local landlords that officials found it wiser to bypass them. The fact that officials themselves are not efficient or honest is indicated by the quality of assets supplied in Bihar. Whereas in the neighbouring state more than 80 per cent of the beneficiaries were provided with good quality assets, in Bihar it was only 46.7 per cent. Although the per family investment (i.e., subsidy plus credit) is a little lower in Bihar than in West Bengal, Assam and all India, it was judged to be enough by more than 90 per cent of the beneficiaries. Poor integration between TRYSEM and IRDP is an all India phenomenon and this absence of integration was even more pronounced in Bihar. One of the striking features of IRDP implementation in Bihar was the unfortunate impression among development functionaries in general that their role in the whole process was restricted to disbursement of credit and subsidy. The crucial role of post-disbursement activities (after care support or monitoring) was ignored by development officials, which again must have contributed to the relatively poor performance of IRDP in the state. It is seen in Table 9 that only 3.8 per cent of the beneficiaries in Bihar were provided with Vikas Patras and only 0.8 per cent had an updated Vikas Patra – the corresponding figures for other eastern states and all India were much higher. The

general conclusion that emerges from the MRD survey is that the implementation of IRDP in Bihar was the poorest among the four eastern states. It was thus anomalous to find that the percentage of beneficiaries crossing the poverty line (of Rs 3,500) was as high as 91.3 per cent in Bihar. One would thus suspect that the selection of beneficiaries in Bihar was improper, in that a substantial number of them were already above the poverty line or marginally below it. But in the prevailing situation in Bihar even such a moderate impact of IRDP is not a small achievement.

Apart from the MRD evaluation survey, another comprehensive evaluation of IRDP in Bihar was sponsored by the department of rural development of the state government (hereafter DRD survey). This was proposed to be done in a phased manner covering one block in each district in each phase, and till now reports of some block level evaluation studies have already been submitted. The discussions here covers the blocks of Asthawan (Nalanda district), Govindpur (Nawadah), Simaria (Hazaribagh), Shikharipoda (Dumka), and Ormanjhi (Ranchi). Interestingly, out of these five studies, three (except for the first two) are in the southern plateau region of the state where the scheduled tribe population is concentrated. In Table 10 we have presented some selected indicators of the working of IRDP in those blocks. The total number of beneficiaries included in the evaluation survey is more than 500, thus it provides us with a strong database for examining the working of IRDP in Bihar.

Unlike in the MRD survey, the social classification of the beneficiaries in the DRD survey was done on the basis of land endowment. In most blocks, the beneficiaries were mostly landless labourers or marginal farmers. Only in Hazaribagh and Dumka was there deviation from the pattern – while marginal farmers were too many (71.7 per cent) in Hazaribagh, small farmers were so (58.4 per cent) in Dumka. Pending any further information, it might be conjectured that this typical pattern of social classification of beneficiaries is because of the specific nature of land distribution pattern there; after all landlessness is not as widespread in tribal areas as in non-tribal areas in the plains. Information on selection of the beneficiaries who were surveyed, who were selected through the gram sabha and who were granted schemes of their own choices, indicates that the directive of selection through gram sabha was breached almost universally. However, it does not mean that the selection of schemes through the choice of beneficiaries as per their requisite skills is always proper. For example, if 10 beneficiaries opt for sewing machines in a village (each being unaware that others have done the same), granting of sewing machines to all of them will

probably mean underutilisation of the assets (and hence low additional income generation) by most of them, in spite of the fact that they were all given schemes of their own choice and, hopefully, they all had the requisite expertise to run them. In regard to disbursement of assistance, most of the beneficiaries received it within a reasonable period (i.e. three months) as most of them were also granted loans in kind, which prevent to a great extent misutilisation of assistance by poor beneficiaries by spending it on some immediate consumption need. An important deficiency in the working of the IRDP (apart from the bypassing of gram sabha) was its failure to integrate with the TRYSEM scheme. The two schemes were run almost independently which must have affected the success of both.

Having identified the beneficiaries and provided assistance to them within a reasonable period, the next task of the IRDP officials was to monitor the programme, and it is here that we find the most glaring weakness of the scheme. The percentage of beneficiaries reporting at least one visit (not an adequate number of visits) was nil in two blocks of Nawadah and Dumka, negligible in Hazaribagh and Ranchi, and a modest 36.0 per cent in Nalanda. A similar impression of extremely poor monitoring also emerges from the figures of percentage of beneficiaries who received Vikas Patrika. These percentages are too low in three districts, and even where it is high or moderately high, it is partly because they were given Vikas Patrika much after the disbursement of loan and subsidy, probably because the officials had got the news about an evaluation survey.

Considering the fact that the selection procedure was not proper and monitoring of the scheme was also not effective, it is rather surprising to note that the scheme has shown moderate to high success in the five blocks under study. Although the percentage of beneficiaries crossing the poverty line of Rs 6,400 is very small (except in Nawadah), many families have crossed the line of Rs 3,500 – ranging from 50.4 per cent to 40.7 per cent – and this additional income is closely related to additional employment generation. These findings from the DRD survey are very similar to those emerging from the MRD survey, and here too the only way of explaining the apparent moderate success of IRDP is by assuming that many of the beneficiaries were either above the poverty line or just marginally below it. Finally, it might be noted that the scheme is under severe stress as the percentage of beneficiaries who are paying their loan instalments regularly is very low (around 40 per cent); in Nalanda it reaches a moderate figure of 66.9 per cent. Contrary to rational expectations, the repayment behaviour in different blocks is not related to increase in

income. In Nawadah, the increase in income is only 11.5 per cent, but repayment is most satisfactory there; whereas although the average per capita income has increased by 30.2 per cent in Ranchi, the repayment position there is the weakest. One may thus conclude that the administrative efficiency of the development administrative and the banks, along with the populist stand of the political authorities are responsible for the financial mismanagement of the scheme.

From the above description, it is clear that there is a lot of scope for arbitrary action in selecting the beneficiaries. Lack of norms for estimating income from various activities, and lack of vigorous scrutiny by block and district level authorities of the estimates of income prepared by block level workers (VLWs), lead to faulty selection of beneficiaries. Supply of substandard assets at prices higher than the market price is a common feature, but probably the most important defect is that after procuring the income generating assets, the beneficiaries do not receive much assistance in terms of supply of raw materials, marketing support, technical advice, training, etc. due to which the productivity of the assets declines. There is no follow up of the scheme given to the beneficiary. The machinery involved in the implementation of IRDP in Bihar has the single-minded objective of fulfilling the target at any cost. The only effort made by the machinery is subsidy administration. Consequently, in a substantial number of cases the beneficiaries only "temporarily" cross the poverty line at the time of acquiring the assets but later on slump down to their previous levels, in many cases with increased indebtedness.

It is reported that in the newly designed cash disbursement scheme the element of bribe has been done away with to a great extent. But the other problems of vital importance are still there, affecting the impact of the programme.

V Islands of Hope

The overall situation that emerges from the above description is that the efforts of the state towards eradication of poverty have largely failed. In the absence of economic growth, both in agriculture and industry, and unsatisfactory working of various anti-poverty welfare programmes, the plight of the poor has not improved as a whole. The efforts towards poverty alleviation have largely been wasted and gains have been substantially cornered by the non-poor, even in programmes specifically addressed to the poor. However, to be fair, even amidst the general non-performance, the poverty alleviation programmes have had some positive impact. In terms of direct economic gains to the poor also, at least there has been

some marginal impact. We had seen earlier that at least two of the policies in the early 1980s – old age pension and drinking water – had reached their targets rather well, albeit with leakages and loopholes. Though JRY and IRDP could have been implemented in a much better way, particularly with regard to the selection of beneficiaries and after care support (in the case of IRDP), at least some marginal gains have accrued to the poor. For the first time, the poor in significant numbers are having banking experiences. These programmes have also indirectly helped the poor by influencing the rural labour market. Employment generation from IRDP, NREP, and RLEGP made some contribution to the significant rise of rural wages in the state since the early 1980s. The non-economic gains of these programmes have not been less important. These poverty alleviation programmes, notably JRY and IRDP, have become well known to the rural poor, and their execution and management have created considerable consciousness among them. The poor have been mobilised in a large number of areas on some issues concerning the programmes like bribe-taking by officials, proper allocations of funds, etc. The rising consciousness and mobilisation of the poor have not only contributed to the better execution of these programmes, albeit marginally, but have also created pressures on state policy about the poor. The poor are probably being talked about more in the realm of state policies.

As a matter of fact, the mobilisation of the poor on several issues is a significant development and offers some hope amidst the general climate of despair. In the context of the acutely exploitative agrarian structure and impoverishment of the poor, a significant part of the state, particularly the central districts, has been experiencing powerful movements by poor peasants and agricultural labourers, which have led to much bloodshed. Several types of organisations, right from Gandhian to extreme Maoist, are working in the state, and they have been able to mobilise the poor on a large scale not only on such economic issues as minimum wages, land reforms, fishing rights in village ponds, etc., but also on such social rights as the dignity of women. This substantially heightened consciousness of the poor for their cause has partly been aroused by the unsuccessful implementation of the various programmes for bettering their conditions. The accumulated frustrations and anger generated by the gap between their aroused hopes and reality has been an important factor behind the massive mobilisation of the poor in a large part of the state.

There are several achievements to the credit of the movements. Undoubtedly they have been able to raise agricultural wages in the areas of their influence. The government machinery has hardly played any positive

role in this respect because of collusion between the labour administration and the rich farmers. In about 900 villages in the districts of Bhojpur, Patna, Nalanda, Rohtas, Jehanabad, Aurangabad, Gaya, Siwan, and east and west Champaran, successful wage struggles were launched by the Bihar Pradesh Kisan Sabha (one of the most powerful organisations of poor peasants and agricultural labourers in Bihar at present), leading to substantial rise in wages.¹⁰ In fact wage struggle has been one of the most important instruments of mobilisation of these organisations.¹¹ Sometimes they have even been mature enough to take into account the element of land productivity while agitating for increased wages. Land reform has been yet another issue on which they have mobilised the poor. If a substantial portion of the surplus land was acquired in Bihar in the mid-1970s, it was largely due to the pressure generated by the movement launched by these organisations. Though the movement to capture "gairma zarua" (common land) and surplus land above the ceiling has led to occasional violence in the countryside, it has also aroused the government from slumber. In many cases not only have these organisations have captured gairmazarua land hitherto occupied by the rural rich, and distributed it among the poor, they have also made provision for irrigation and co-operative farming and in some villages they have produced good results.¹² It is well documented that the sharecroppers' organised movement in Madhubani and Champaran, particularly in the former, has done much to give them security of tenure and to raise the tillers' share of the produce. Though the better implementation of direct poverty alleviation programmes like IRDP and JRY has not been on the agenda of these organisations, some isolated gains in this direction are also encouraging. In several cases the issues of wrong selection of beneficiaries under IRDP, digging of hand pump wells and construction of drainage and houses in harijan localities, non-availability of ration cards to the poor, bribe-taking by block and bank officials for disbursements of assets, etc., were taken up actively by them and in several cases the wrongs have also been corrected.¹³

In regard to the role of the administration, it has already been mentioned that the general orientation towards the poor is not one just of indifference but of active opposition. A part of this active opposition is largely dictated by the local land-based vested interests and politicised criminal and lumpen elements; the vulnerability of the administration to corruption makes them even more active opponents of the poor. That the bureaucracy is not handicapped organisationally or in terms of required manpower and the real reason behind its ineffectiveness lies in its social composition

and the social milieu within which functions, is demonstrated by a few of its highly localised success stories. Successes are generally caused by ultra-enthusiasm on the part of a small group of administrators who decide to implement a programme on a 'mission basis' in a rather small area. Mobilisation of the rest of the bureaucracy is done by pressure as well as persuasion, and the small size of the project area enables the group to closely monitor the programme. As is expected, even on small positive step by the administration enthruses the expected beneficiaries to take two steps forward and thus it generates momentum, ensuring the success of the programme. In recent times, one successful programme was the digging of several thousand irrigation wells in district Dumka, known as "Jal Hain Jan Hai" changing the agricultural economy to some extent. So massive was the participation of the beneficiaries in the implementation of the programme that they had completely eliminated the middlemen or contractors, the most important channel of "leakage" in such programmes. The district administration had launched this scheme after judging the people's perceptions about their needs – the demand for water was made by almost everyone in this dry district. The scheme has been found to be so successful that there has been a tremendous increase in the vegetable production of the district, causing a somewhat significant rise in the incomes and employment opportunities of the poor. It has been claimed that there has been a substantial reduction in the out-migration of labour from the district after launching the scheme. Vested interests like middlemen have tried their best to sabotage the scheme by imposing many hurdles, but an alert administrator has been able to surmount many of them.¹⁴ Of course, this scheme pertains to only a limited area, but the potentialities thrown up by it have immense implications and lessons for other parts of the state.

Though the positive impact of the poor peasant and agricultural labourers' movement in improving the lots of the poor and towards better execution of poverty alleviation programmes is limited, it has at least shown the potentialities which may be utilised. In a state where the bureaucracy is inefficient and corrupt, village panchayats are without elections for more than two decades and dominated by the rich and vested interests, and good NGOs are rare, organisations of the prospective beneficiaries may be the only hope for the future.

VI Conclusions

During the post-independence period, particularly since the 1960s, the rate of growth of the Bihar economy on both the agricultural

and the industrial front has been dismal. The rates of growth have been among the lowest in the country due to which the incidence of poverty also did not decline. Only in recent years has poverty declined in the state, thanks to relatively better agricultural performance, rise in real wages, and partly to various poverty alleviation programmes. The measures taken for direct intervention for poverty removal have also produced unsatisfactory results mainly due to deficiencies in the delivery system. The different organs of the delivery system – panchayats, the bureaucracy, co-operatives etc – have really served the interests of the rich who cornered benefits even from those schemes which were specifically meant for the poor. The strong nexus of landed interests, polity and bureaucracy and in recent years lumpens, has been working against the poor. The situation is getting out of control – the poor are becoming restive and in large parts of the state they have been mobilised. In fact during the last two decades or so the countryside has witnessed much turmoil and violence. Hence even the elements which have been hitherto hostile to the poor are now ready to reconcile to the new realities though reluctantly.

The attack on poverty in the state needs to be tackled at two levels. Any vision of poverty alleviation will have to accelerate the growth rate in the agricultural sector. Bihar as we have seen is a poor economy which subsists mainly on agriculture whose fortune fluctuates with the vagaries of nature. This is because irrigation exists only in a limited area and much of it is protective in nature, rather than being aimed at production or growth. The poor are the worst victims of recurring floods in large parts of the state. Public investment in irrigation, flood control, drainage, rural electrification and generation of rural power supply are the inescapable preconditions for development. Land reforms, including tenancy reform and consolidation of holdings have to be emphasised in this context. There is a need to take up an ambitious scheme of rural industrialisation also. Bihar has witnessed a deterioration in the employment structure in recent years – the proportion of workers engaged in the primary sector has increased and that in the secondary sector has declined. This is really a matter of concern and therefore schemes of rural industrialisation and other schemes of diversification of the economy in rural and semi-urban areas are urgently needed.

The direct intervention by the state in the form of poverty alleviation programmes should be simultaneously taken up to providing not only relief to the poor, but also to generate productive capabilities among them which otherwise might remain largely unutilised. We have seen earlier that the availability of different types of assets is not

only very low but their distribution is extremely skewed among classes. In fact the non-availability of productive assets is one of the main reasons of the persistence of poverty in rural Bihar particularly among agricultural labourers, poor middle peasants and the non-agricultural class. Consequently provision of assets particularly productive assets, assumes importance in any comprehensive scheme for the eradication of poverty. It points to the desirability of government programmes like IRDP which would lead to the creation of productive assets and employment among poor households in rural areas. The prevention of large-scale out migration of rural labour from the state calls not only for the creation of more wage employment but also its creation at reasonable wage rates, hence the need for wage employment programmes. Literacy programmes have to play an important role in the state which has the highest rate of illiteracy in the country.

Of course the better execution of the programmes of infrastructural development and poverty alleviation has to be ensured if the state is to come out at all from the present rut. Much time and resources have already been wasted by now. Fortunately the poor are also ready to bear their share of the burden thanks to their considerably heightened consciousness generated by acute impoverishment and other developments. In many places they have already shown potential. There are also a few examples of good and efficient elements in the bureaucratic machinery which have shown their mettle. In the prevailing corruption ridden milieu of Bihar the story of NGOs is not very different but here again some instances of successful NGOs with missionary zeal are there. The need of the hour is to pick the good elements from both the bureaucracy and the NGOs and to involve them according to their suitable roles and capabilities. People's involvement at all levels right from selection of schemes to implementation and monitoring along with the bureaucracy and NGOs will give good results as has happened in Dumka in the Jal Hai Jan Hai scheme. The organised power of the poor should improve even the indifferent and corrupt bureaucracy and local government functionaries. The fact that the execution of JRY by the panchayats in Bihar is better than the execution of NREP and RLEGP by the bureaucracy earlier shows the potential of people's involvement in improving the management of poverty alleviation programmes.

Notes

- 1 For details of the backwardness of Bihar agriculture see Sharma (1987).
- 2 Thirty eight per cent of self-employed rural workers were below the poverty line in 1983.

4 According to an estimate nearly three lakh agricultural labourers go to Punjab and Haryana every year mostly from north Bihar districts for seasonal work. See Ayei (1990) also see Ghosh and Sharma (1990) for details of rural labour migration.

1 Apart from the present author the other members of the study team were Pradham H. Prasad, Gerry Rodger and Shubnil Gupta.

5 Agriculture is much more important for Bihar compared to other states. The state has substantially higher proportion of people living in rural areas and dependent on agriculture for livelihood than Indian average as a whole. Agriculture's contribution to GDP in Bihar is also substantially higher compared to India as a whole and most of the states.

6 The functioning of the state government's irrigation department is a glaring example of the inefficiency and widespread corruption in the state. To give one instance the tube well irrigation department with an investment of more than Rs 500 crore at current prices (in 1990) has become totally irrelevant. Their average cost of irrigation (five waterings) comes to over Rs 16,000 per hectare which exceeds even the gross value of the output per hectare in the state. On the other hand the per hectare irrigation cost for the private tube well is Rs 1,667 in the case of electric and Rs 2,404 in the case of diesel set. See Sharma (1991).

7 The state has not only a huge army of employees devoid of any rational consideration but they are the best paid in the country even more than the central government employees thanks to their organised trade union strength.

8 The ANSIS IIQ study had surveyed altogether six districts and 12 villages (two villages from each district). The total number of households covered were about 600. For details see Prasad et al (1989).

9 The author derived this impression from discussion with several government officials.

10 Document of the Bihar Pradesh Kisan Sabha (BPKS) on the occasion of its Third Provincial Conference, August 28-30, 1980, Patna.

11 The occasional bulletins of the BPKS document these struggles. See various issues of *Kisan Samachar* published by BPKS, Patna.

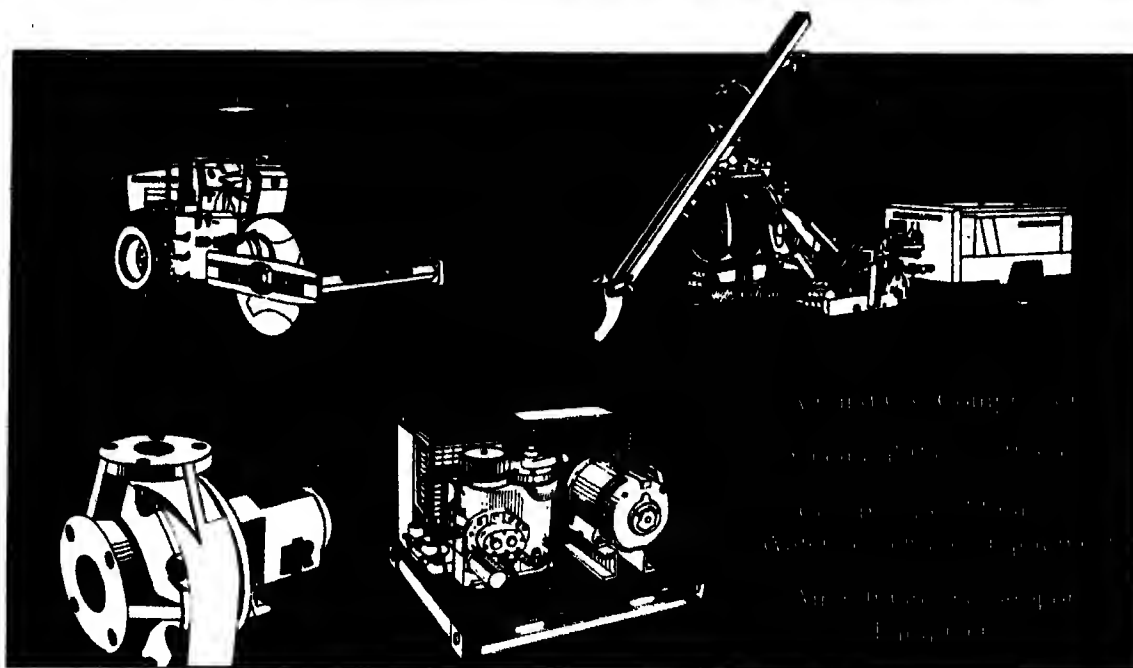
12 Interview with Kameshwari Prasad, general secretary, BPKS Bihar. Also see various bulletins of the *Kisan Samachar*.

13 Interview with general secretary, BPKS Bihar and secretary, BPKS Patna district. A couple of district magistrates also acknowledge the positive role of these organisations in this regard though it is not very widespread as yet.

14 The description of this scheme is based on discussion with a couple of district officials (of Dumka) and a film 'Jai Hai Jiwan Hai' made by Anubhuti, a cultural organisation of Patna.

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Selective Development and Widening Disparities in Gujarat

Indira Hirway

Gujarat is characterised by stark regional disparities in levels of development and poverty. Its technindustrialisation in a few well-endowed areas has been coupled with neglect of the relatively backward areas. This selective path of development in the long run will put constraints on the growth rate of the state economy, which in turn will affect the poor adversely since they will not get enough employment. Any number of programmes of poverty eradication cannot compensate for lack of sustainable and healthy development of its economy.

I

Gujarat Economy: An Overview

GUJARAT, located in the western part of India, has a population of about 42 million (1991) spread over 196 million sq km. The state accounts for about 6 per cent of the total land mass of the country and less than 5 per cent of the population. The economy of Gujarat is peculiar in some ways. On one hand, it enjoys a relatively high level of per capita income (it ranks fourth among the states in India) has a relatively large share of the workforce engaged in non agricultural occupations (80.2 per cent against 32.6 per cent of all India) has a higher proportion of urban population (34.4 per cent against 23.3 per cent all India) and a fairly diversified industrial structure, while on the other hand has relatively poor and unevenly distributed natural resources, almost stagnant agriculture with widely fluctuating agricultural incomes and wide regional disparities of growth. It seems that the enterprising population of the state has worked hard to develop the economy, mainly in the areas with favourable natural conditions and with developed socio-economic infrastructures.

The overall performance of the state economy, as depicted in Table 1 shows that the state economy was growing at a faster rate than the national economy during the 1960s and 1970s with an average annual compound growth rate of SDP of 3.32 in the 1960s and 4.69 in the 1970s, against 3.19 and 3.42, respectively, for the national economy. However, the state rate declined to 4.37 in the 1980s while the national rate creased to 5.16. This deceleration in the growth rate in the 1980s in Gujarat seems to be largely due to the consecutive droughts from 1985-86 onwards, and to some extent due to the textile crisis in the state which resulted in the unemployment of more than one lakh workers directly (and many more indirectly), as well as the riots that broke out during the 1980s in many urban and some rural areas of the state. In the early 1990 also, the growth rate of the state economy (-0.37) is as much less than that of the national economy

A close look at the sectorwise performance of the Gujarat and national economies between 1970-71 and 1987-88 (Table 2) reveals that the major sector restricting the growth of the state economy is agriculture. While the performance of the state economy in the secondary and tertiary sector is comparable with the same of the national economy, the performance in the primary sector—and particularly in agriculture—is very poor. Table 3 shows that the performance of agriculture has been fluctuating greatly while the secondary sector, especially the registered secondary sector has improved its performance consistently. The performance of the unregistered manufacturing sector has been low and unstable while tertiary sector has improved consistently.

An obvious consequence of the poor performance of agriculture is its declining share in the state domestic product. The share of the primary sector in the state domestic product has declined from 37.1 per cent in 1970-71 to 37.7 per cent in 1980-81 and to 29.9 per cent in 1988-89 while the share of the manufacturing sector has increased from 20.7 per cent in 1970-71 to 34.1 per cent in 1988-89 and of the tertiary sector from 32.5 per cent in 1970-71 to 36.0 per cent in 1988-89.

It must be noted that in spite of the poor performance of agriculture and the deceleration of the growth rate in the 1980s, the per capita income in Gujarat has been consistently higher than the same at the all India level. Gujarat still ranks fourth in the country, thanks to the performance of the manufacturing and the tertiary sectors.

LAND, WATER AND OTHER NATURAL RESOURCES

One major constraint on growth in Gujarat seems to be the poor endowments of natural resources, which are distributed highly unevenly and are managed highly inefficiently. Gujarat has an extreme climate, with hot summers and cold winters. The rainfall varies widely from 340 mm in west Kachchh to 1,800 mm in the southern hills in the Dangys. The average of the state is 800 mm. Two years in every five are drought

years (the CV percentage of average rainfall is 40) in the state. In addition, the rainfall is concentrated in three to three and a half months, with the average number of rainy days between 30 in Kachchh and 40-45 in the south.

Except for rivers such as Narmada, Tapi, Mahi and Purna in the south, most rivers in Gujarat are small and seasonal. Due to the monsoon pattern, the water in the rivers flows very fast. The total ground water potential has been estimated at around 100,000 mm. The irrigation potential of the state (with Narmada) is estimated to cover a maximum of 40 per cent of the cultivated area and with Narmada 50 per cent of the cultivated area. Of the total 18.83 million ha of land in the state, about 51 per cent is cultivated. Of the rest, 30 per cent (1.95 million ha) is under forests (more than half of the forest is degraded) and 22 per cent of all India. In addition, about 4.6 million ha of barren and waste land, 1.6 million ha of low land and 84 million ha of open grazing land. Considering the fact that only about one-fourth of the cultivated land is irrigated and the rest remains exposed to soil erosion during the major part of the year, it can be said that about 14 million ha of land, or 75 per cent of the total, is degraded in some way and needs protection.

The problem of uneven endowment of land and water resources in the state has become much more serious today because of the mismanagement of these resources over the years, resulting in severe environmental degradation in several regions. The major problem areas today are the desert and semi-desert areas of the north which are subjected to the danger of advancing deserts, the saline coastal areas of Saurashtra and the saline lands around the gulf of Khambhat with increasing salinity, declining vegetation and consequent soil erosion, and the eastern tribal belt from Sabarkantha in the north to the Dangys in the south, which is degraded due to deforestation and the consequent erosion of soil. Moreover, the mismanagement of irrigation water has created two problems in several other regions: the problem of waterlogging and

salinity due to the overuse of water in canal irrigated areas, and sinking underground water levels in well irrigated areas arising out of overdrafting of ground water. In short, poorly endowed Gujarat has mismanaged its land and water resources instead of using them judiciously, and has created severe environmental problems.

Gujarat does not have important minerals like iron, manganese, bauxite, coal, etc. However it has some low quality coal (lignite) in Kachchh and stone quarries in several parts of the state. Exploration for oil and natural gas has improved the state's position in minerals. It has also promoted development of several oil based industries in the state.

POPULATION

The annual compound rate of growth of population in the state has declined consistently from 2.61 in 1961-71 to 2.47 in 1971-81 and to 1.91 in 1981-91. The rate was greater than the same at the all India level till 1981, but it has now fallen below the national rate. The crude birth rate has declined from 35.1 in 1979-81 to 29.2 in 1988-90, and the crude death rate from 12.4 to 9.8. Though Gujarat has a long way to go to reach Kerala's level of 1.00 gross reproduction rate, the recent results are encouraging (Table 4).

The share of the urban population has been consistently higher in the state compared to the all India level. In 1991 Gujarat had more than one-third of its population living in urban areas compared to 23.3 per cent at the all India level. Urbanisation in Gujarat is well spreadout geographically, with about 260 urban centres in the state of which 19 have more than one lakh population.

The sex ratio in the state has consistently declined from 952 in 1951 to 940 in 1960 and to 934 in 1971. After an increase to 942 in 1981, it has again declined to 936 in 1991. Though this ratio is marginally higher than the all India ratio (929 in 1991), it is far below that of Kerala (1040 in 1991).

About 2.33 per cent of the country's SC population and 9.39 of the ST population live in Gujarat, and they constitute 7.15 per cent and 14.23 per cent of the total state population (1981), respectively. The growth of the SC/ST population has been faster than that of the total population. About 32 per cent of the SC population and 7.32 per cent of the ST population live in urban areas. The ST population resides mainly in the eastern hilly belt, while the SC population is more evenly spreadout with some concentration in Saurashtra and north Gujarat.

SECTORAL DEVELOPMENT

Agriculture in Gujarat is highly commercialised. More than 45 per cent of the gross cropped area of the state is under cash crops, against the all India average of

24 per cent. The capitalistic growth pattern of agriculture is reflected in the relatively small proportion of small and marginal holdings and a large percentage of agricultural labourers in the total agricultural population. For example, small and marginal farmers constitute 49.03 per cent of the total holdings and 15.12 per cent of the total cultivated area, while at the all India level these percentages were 76.36 and 28.75, respectively. The average size of landholding in Gujarat is therefore larger (3.15 ha) than that at the all India level (1.68 ha). Also, the incidence of landlessness in Gujarat is one of the highest (71.5 per cent in 1983) in India.

In spite of the high level of commercialisation, agriculture in Gujarat is unstable and fluctuating. This is largely due to the low level of irrigation (about 25 per cent) and uncertain rainfall. The average annual agricultural growth rate was 2.27 in the 1960s, to 4.22 in the 1970s, and -3.9 in the 1980s (Table 3). Agricultural growth initially was possible through the extension of cultivation, while in the late 1960s and 1970s it was achieved through the new seed-fertiliser strategy, which benefitted only a few areas with good irrigation facilities. The frequent droughts in the 1980s were largely responsible for the decline in the growth rate.

The performance of the manufacturing sector in Gujarat has been consistently good in spite of the textile crisis. The annual average rate of growth of the sector increased from 3.04 per cent in the 1960s to 5.55 in the 1970s and to 8.11 in the 1980s. This growth, however, has certain characteristics which have implications for the poor. It is observed that growth in the registered factory sector in Gujarat has been high and consistently increasing, from 3.72 per cent in the 1960s to 10.06 per cent in the 1980s, while growth in the unorganised sector has been small and declining from 3.9 per cent in the 1970s to 2.4 per cent in the 1980s. The modern capital-intensive sector thus dominates the industrial growth in the state. However, while the number of factories in the state increased by about 234 per cent between 1961 and 1988, employment, increased only by 81 per cent, the compound annual growth rate of employment being 2.2 per cent between 1961 and 1988 and -0.3 per cent between 1981 and 1988. Though the share of the secondary sector in SDP increased from 24.8 per cent in 1960-61 to 34.1 per cent in 1988-89, its share in employment increased only marginally. Another important feature of industrial development is its concentration in the Vapi-Ahmedabad belt. About 60 per cent of the produce and about 75 per cent of the factory employment of the state comes from this belt, which runs along the railway line between Ahmedabad and Bombay. The other

smaller industrial centres outside the corridor are Rajkot, Morbi, Bhavnagar, etc.

Gujarat has experienced a rapid growth of small enterprises in industry and services. The average investment (1 asset) per unit here is about Rs 13 (1989-90) and average employment is 1.5 persons. The number of such units increased from 11.74 lakh in 1980 to about 15 in 1990, implying a 27.17 per cent increase in the decade against the 16.63 per cent increase at the all India level. The employment in these units increased by 2 per cent. About 85 per cent of these are own account units employing less than two persons. About one-fourth of them are in agriculture (excluding crop cultivation) the rest are in the non-agricultural sector such as gems and jewelry, garment manufacturing, electrical and electronic small engineering, as well as repairs, services and trading.

TABLE 1: AVERAGE ANNUAL COMPOUND GROWTH RATE

	1960-61 to 1970-71	1970-71 to 1980-81	1980-81 to 1990-91	1990-91 to 1999
Gujarat	3.32	4.69	4.37	-0
All India	3.19	3.42	5.16	2

Source: State Domestic Products, Government of Gujarat.

TABLE 2: GROWTH RATES BY SECTOR, 1970-71 TO 1987-88 (Annual Average Compound Growth Rate)

	Gujarat
Agriculture	0.02
Primary	0.20
Regulated manufacturing	6.83
Unregulated manufacturing	2.83
Total manufacturing	6.03
Secondary	5.86
Tertiary	5.74
Total	3.88

Source: Estimates of State Domestic Product, various issues.

TABLE 3: AVERAGE ANNUAL GROWTH RATE OF SDP OF GUJARAT

	1960-61 to 1970-71	1970-71 to 1981-82	1981-82 to 1990
Agriculture	2.27	4.22	3
Primary	2.91	4.15	-2
Manufacturing			
Total	3.04	5.55	8.1
Registered	3.72	6.05	10.1
Unregistered	1.6	3.91	2
Secondary	3.62	5.64	7.2
Tertiary	3.51	5.86	7
NSDP	3.32	4.95	4

Source: SDP 1970-71 Series, New SDP Series base year 1980-81, Gujarat State, Directorate of Economics and Statistics

GROWING REGIONAL DISPARITIES

The above discussion makes clear that growth in the state has been mainly concentrated in a few regions. Because land and water resources in the state are distributed highly unevenly and agricultural growth was promoted mainly in areas favourably endowed with these resources, there are wide regional variations in agricultural development. Industrial development in the state has followed basically the colonial pattern, being concentrated in centres well connected with Bombay and Ahmedabad.

The government of Gujarat was always aware of these disparities. In 1970 a high level committee on balanced development of Gujarat was set up under Hathi, which identified 56 most backward talukas, of which 33 were selected for additional assistance of Rs 75 lakh. In 1978 a review committee was set up to assess the progress but not much is known about their review. In 1983 another committee was set up for the development of backward areas under I G Patel which also identified 56 most backward talukas by using the composite index of backwardness. But once again, the government's action of giving one to two lakh rupees additional assistance per taluka was far from adequate. The net result is that regional disparities have increased in the state. The CMIE index of economic development for Gujarat state is 120 (all India = 100), but the Vapi - Gandhinagar corridor districts have a very high index (Gandhinagar - 307, Ahmedabad - 301, Baroda - 201) while the rest have a very low index (Dang - 43, Panchmahals - 39, Banaskantha - 49 and Sabarkantha - 54). The industrial corridor of prosperous Gujarat has a low incidence of poverty which is half of the average for the rest of the state. About 60 per cent of the state's produce, including 35 per cent of the primary produce, 80 per cent of the secondary produce and 75 per cent of the factory employment in the state, is in this region. The rest of the state lags far behind in development.

CHANGING EMPLOYMENT SCENE

Absence of remunerative employment is the single most important factor responsible for poverty. Though all those unemployed are not poor, ensuring remunerative employment to the poor will go a long way towards alleviating poverty. It will be useful therefore to understand the main features of the employment scene in Gujarat and the changes that have been taken place in it.

Except for urban females workforce participation rates (WFPRs) in Gujarat are higher than those of all India. The WFPRs have also increased (though marginally) over the years, while they have declined at

the all India level. This implies that Gujarat has been enjoying a comfortable position regarding employment. At the projected WFPRs (by the Expert Committee on Population) the total labour force in the state is expected to rise from 155.55 lakh in 1990 to 180.29 lakh in 1995 and to 191.07 lakh in 2001.

It is observed that as in all of India, the rural workforce in Gujarat is less diversified than the urban workforce, and the female workforce is less diversified than the male workforce. In general however the Gujarat workforce is more diversified than the all India workforce. The NSS data (1987-88) given in Table 5 show this. In the case of rural Gujarat, secondary sector employment is growing faster than employment in the tertiary sector while at the all India level tertiary sector employment is growing faster. In urban areas however the trends are similar to the all India trends.

Gujarat has experienced a sharp reduction in the percentage share of self employment in the total work force in both rural and urban areas over the past two decades (Table 6). The percentage share of self-employed male workers declined from 65.6 in 1972-73 to 46.2 in 1987-88 (a 30 per cent decline) while the same in the female workforce declined from 69.4 to 40.2 (a 40.2 per cent decline). In the case of India, however the decline is, at best marginal. Gujarat has experienced a rapid increase in the share of casual labour, especially female labour. The percentage share of casual labour for females increased from 26.3 in 1972-73 to 55.3 in 1987-88 in rural areas and from 23.5 to 28.4 in urban areas during the same period. In the case of male labourers also the

incidence has increased in Gujarat, resulting in a higher share of casual workers in both rural and urban area compared to all India.

The growth of employment in the organised sector has been low in Gujarat (as elsewhere) with the growth rate declining in the 1980s. Organised employment which was 8.9 lakh in 1966 (14.40 lakh in 1980) (4.36 per cent increase per year) and 16.03 lakh in 1990 (0.11 per cent per year) is mainly concentrated in the unimproved districts of the railway corridor from Mehsana to Vapi. The unemployment rates in general are higher than the all India level than in Gujarat. The low unemployment rates in Gujarat can have several implications, that the overall employment scene in Gujarat is better than

TABLE 6 EMPLOYMENT STATUS OF WORKFORCE

	(Per cent)			
	Rural		Urban	
	Male	Female	Male	Female
Self employed				
1972-73	65.6	69.4	38.9	13.3
1977-78	63.2	66.9	37.7	46.0
1983	59.0	60.8	40.3	47.6
1987-88	46.2	40.2	38.1	35.2
Salaried regular employment				
1972-73	12.2	4.3	50.7	28.2
1977-78	7.3	1.4	49.7	21.6
1983	8.3	1.5	44.1	27.3
1987-88	12.8	4.5	45.2	36.4
Casual wage employment				
1972-73	22.2	26.3	10.4	23.5
1977-78	29.4	31.7	17.6	30.3
1983	32.7	37.5	15.6	30.0
1987-88	41.0	55.3	16.7	28.4

TABLE 4 POPULATION

Year	Total Population	Percentage Decade Variation		Compound Annual Rate of Growth (Per cent)	
		Gujarat	India	Gujarat	India
1961	3 61 088				
1961	4 39 235	51.61	26.88	21.51	51.61
1971	5 48 160	61.71	29.39	24.80	61.71
1981	6 83 329	71.81	27.67	24.66	71.81
1991	8 43 931	81.91	20.80	23.50	81.91

TABLE 5 WFPRs IN GUJARAT AND INDIA (NSS DATA)

Year	India				Gujarat			
	Males		Females		Males		Females	
	R	U	R	U	R	U	R	U
1972-73	54.00	50.20	31.90	13.40	52.20	47.6	37.9	12.2
1977-78	54.50	50.60	32.70	15.30	55.10	48.3	38.4	12.92
	(0.4)	(0.8)	(2.5)	(14.2)	(5.5)	(1.5)	(1.3)	(5.9)
1983	55.20	51.70	34.20	15.20	55.00	51.6	40.6	14.1
	(1.3)	(2.2)	(4.6)	(-0.7)	(0.2)	(6.8)	(5.7)	(9.1)
1987-88	53.90	50.60	32.30	15.20	55.90	57.00	38.10	11.20
	(-2.1)	(-2.2)	(-5.6)	(0.0)	(1.7)	(1.1)	(-6.6)	(-20.6)

Note: R - Rural U - Urban

Source: NSS rounds

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● Persons in the age group of 20 to 50 years are eligible.

● An assured sum of Rs. 5000/- shall become payable to the beneficiary upon death of member before 60 yrs. of age.

(a) General Scheme : Premium shall be payable in full by the member.

(b) Subsidised Scheme : One member from families living below stipulated poverty line shall be eligible by paying half of the total premium.

TABLE OF ANNUAL PREMIUMS

Type of Scheme	Entry age of member	Contribution by...		
		Member	Central Govt.	State Govt.
General Scheme	(1) Over 20 years to less than 40 years	Rs. 60/-	-	-
	(2) Over 40 years to less than 50 years	Rs. 70/-	-	-
Subsidised Scheme	(1) Over 20 years to less than 40 years	Rs. 30/-	Rs. 15/-	Rs. 15/-
	(2) Over 40 years to less than 50 years	Rs. 35/-	Rs. 17.50/-	Rs. 17.50/-



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that at the all India level, or that the concepts of unemployment are not able to tap the real extent of unemployment due to the hidden nature of unemployment in the state. Since the Gujarat economy is relatively more commercialised, the second implication does not seem to be very relevant. One can therefore observe that the general availability of employment in the state is relatively high in Gujarat. The unemployment rates in the state, however, do not show any long term trend between 1972-73 and 1987-88, since the rates are generally fluctuating (see Table 7). A striking feature of unemployment in Gujarat is the high and increasing share of the educated and youth. The share of the educated among the unemployed increased from 51 per cent in 1970, to 57.4 per cent in 1980, to 62.3 per cent in 1990; and the majority of them were in the age group of 16-30 years.

II

Poverty in Gujarat

A number of methodological issues have been raised with respect to the estimates of poverty released by the Planning Commission. Several scholars have given alternative estimates, including estimates based on state level poverty lines. In order to examine the issues systematically and to arrive at reasonably accurate estimates of poverty in India, the Planning Commission had set up an expert group on poverty in 1989. Its report, which came in 1993, presents its estimates of poverty in India over time. For the 1950s, 1960s and 1970s, the trends in poverty in Gujarat have been estimated by Ahluwalia (1978), Murthy (1984) and Mahendra Dev et al (1990) (see Table 8). Though the three series give slightly different results, the following points come out clearly: (1) The incidence of poverty has increased in rural and urban Gujarat from the late 1950s to about the late 1960s or early 1970s. (2) The relatively high rate of growth of the Gujarat economy in the 1960s did not percolate down to the lower sections of the population to reduce the incidence of poverty. (3) For the later period (the 1970s and 1980s) we do not have any time series data on the incidence of poverty in the state. However, the five yearly surveys of the NSS and the estimates of the poverty based on these data are available (Table 8).

Table 9 presents official estimates of poverty in India and Gujarat. According to these estimates about 18.4 per cent of the people live below the poverty line in the state (1987-88). As per the estimates, the incidence of rural poverty declined sharply from 43.1 per cent in 1977-78, to 27.6 per cent in 1983, to 21.2 per cent in 1987-88, implying a 50 per cent reduction during the decade; while in the case of urban poverty the decline

was from 38.21 per cent in 1970-71 to 29.8 per cent in 1977-78, to 25.8 per cent in 1983 and to 12.9 per cent in 1987-88, implying a reduction of about 56 per cent during the decade. The rate of decline, however, declined between 1983 and 1987-88 in both rural and urban areas.

This positive picture, however, is not shared by all. Kakwani and Subbarao (1990) show a smaller decline up to 1983 (their estimates are up to 1983 only); while Minhas et al (1991) show a declining trend between 1970-71 and 1983 and an increase thereafter (from 36.32 in 1983 to 41.57 in 1987-88 in rural areas, and from 37.34 in 1983 to 38.8 in 1987-88 in urban areas). It is important to note that according to Minhas et al (1991), the all India poverty ratio declined throughout. Mahendra Dev et al (1992) also show an increasing incidence of rural poverty in Gujarat from 1983 to 1987-88.

According to the expert group on poverty, the incidence of poverty in the state declined much faster during 1973-74 to 1983 (from 47.21 to 33.27 - 3.2 per cent decline per year) than during 1983 to 1987-88 (33.27 to 32.33 - 0.28 per cent decline per year). The decline in the later period is only marginal in nature, and in fact, there was an increase in the absolute number of the poor in the state by eight lakh during this period (6.5 per cent). It should be noted that the decline in the state is much higher than that in India in the former period, while it is much lower than that in India during the later period.

An important feature of poverty in Gujarat is its fluctuating nature. The time series data on poverty, which are available only for the early years (up to the early 1970s), show that the incidence of poverty in both rural and urban areas fluctuates widely from year to year, depending on the rainfall and the agricultural season. For later periods time series data are not available and consequently we do not have much information about fluctuations.

The incidence of poverty in the state is unevenly distributed among various social groups. It is much higher among the scheduled castes and tribes than in the general population, the incidence among scheduled

tribes being double that of the general incidence in the state (Table 10). The planning department of the government of Gujarat estimated the population belonging to the target groups for the purpose of poverty alleviation programmes in the early 1980s. We have revised these estimates based on the 1991 census data as well as the 1986-87 agricultural census data (Table 11). The data show that the major poor groups in rural areas are (a) those belonging to ST, SC and other backward castes, and (b) agricultural labourers, rural artisans and marginal farmers. The rural SC/ST/BC population belonging to labour households (42 per cent of the poor) are the poorest group, followed by marginal and small farmers belonging to SC/ST/BC (27.5 per cent of the poor), the other labour households, and marginal farmers and rural artisans. The severity of poverty is highest among rural labour households (as per the Sen Poverty Index), and non-agricultural rural labour households are the worst affected among them. That is, casual labour looking for unskilled work in non-agricultural sectors and getting scattered and intermittent work are among the poorest groups in the state. (Table 12).

REGIONAL DIMENSION OF POVERTY

We have three sets of data on regional poverty in the state namely, the study by GVSN Murthy on districtwise variations in poverty in Gujarat in 1972-73, the estimates of poverty prepared by the Bureau of Economics and Statistics for the Eighth Plan based on the NSS data, 1983, and the statistics on poverty in different agro-climatic zones in Gujarat prepared by the Agro Climatic Zonal Planning Cell of the Planning Commission for the late 1980s. (Table 13). Though these three sets of data are not strictly comparable, they do indicate the wide and increasing regional disparities in poverty in the state.

The coefficient of regional variations in the incidence of poverty increased from 0.3274 in the 1960s to 0.4387 in the early 1980s, to 0.5629 in the late 1980s. These widening variations are linked to the wide

TABLE 7: CHRONIC UNEMPLOYMENT RATES IN GUJARAT AND INDIA

	Rural				Urban			
	Gujarat		India		Gujarat		India	
	Male	Female	Male	Female	Male	Female	Male	Female
By usual status								
1972-73	0.74	0.11	1.16	0.48	2.85	0.86	4.80	6.00
1977-78	0.63	0.81	1.27	2.01	2.38	0.58	5.40	12.40
1983	0.84	0.46	1.51	0.82	4.16	0.43	5.10	4.90
1987-88	0.62	0.30	1.80	2.41	4.70	0.50	5.20	6.20
By current daily status								
1972-73	5.45	6.60	7.15	11.37	5.78	1.37	8.00	13.70
1977-78	6.34	5.69	7.56	9.50	3.49	0.82	9.40	14.50
1983	5.15	5.15	7.95	10.38	5.50	0.67	9.20	11.00
1987-88	6.24	5.34	6.51	8.24	4.75	1.26	8.80	12.00

regional variations in development. The development process has neglected backward and remote areas, with the result that these areas have degraded environments and poor infrastructures. The eastern tribal belt is the worst affected among these, and the region has become poorer over the years.

The increase in the incidence of poverty in rural and urban Gujarat in the 1960s can be largely attributed to the poor trickling down of economic growth. A major factor responsible for this was perhaps the weak infrastructural base and the highly selective nature of the initial growth in the state. The decline in the incidence of poverty thereafter up to 1983, is explained by Kakwani and Subbarao (1990) as well as by Jain and Tendulkar (1990). According to the latter, the decline during 1970-71 to 1983 was largely due to the growth of the state economy and marginally due to distributional changes. The population growth in the state tended to increase the incidence, but the other two factors dominated over it. Kakwani and Subbarao, however, give more

credit to anti-poverty programmes which started in 1971-72 but were intensified from the late 1970s. They argue that the reduction in the incidence of poverty in the state during the period was largely attributable due to the anti-poverty programmes in the state.

The phenomenon of stagnant or marginally declining incidence of poverty between 1983 and 1987-88 is not easy to explain. One major reason was perhaps the negative growth rate of agriculture during the 1980s which was, to some extent, a result of the three consecutive drought years. Considering the fact that droughts are a fairly regular feature in Gujarat, one can say that the decline in poverty, and especially in rural poverty, cannot be achieved in a significant and sustainable fashion until droughts are controlled by proper environmental protection works. The environmental degradation during the last few decades has indeed intensified the effects of drought on the economy as well as on the poor. The other factors that could have contributed to the lack of decline in the incidence of poverty

in the 1980s especially the urban poverty seem to be the crisis in the textile industry which left more than one lakh worker unemployed directly and many more indirectly; and to some extent the communal riots of the 1980s which disturbed most urban centres and some rural areas in the state. Another causal factor seems to be the widening regional disparities in the incidence of poverty, with the poor areas getting poorer. This is to an extent reflected in the higher average incidence of poverty in the state.

What has been the role of the labour market in influencing the incidence of poverty? Since rising wage rates and rising employment can raise the income levels of the poor, it is important to examine this. The compound rate of growth of person days of employment in Gujarat has been 1 per cent during 1972-73 to 1983, which is far less than the rate in Haryana (3.56 per cent), Andhra Pradesh (2.16 per cent), West Bengal (1.51 per cent) or Karnataka (1.30 per cent). Also, the rate of increase in the real rural wage rate has been low (0.37 per cent) between 1971-7

TABLE 8. POVERTY ESTIMATES IN GUJARAT

Year	Rural					Urban					
	Expert Group on Poverty	Suryanarayan and Mahendra Dev	Murty	Subbarao	Minhas and Jain	Ahluwalia	World Bank	Expert Group on Poverty	Suryanarayan	Murty	Subbarao
1957											
1958											
1959						41.50				37.25	
1960			35.14			31.60				29.66	
1961		36.57	30.01			39.70					
1962											
1963		45.84	34.35			45.70				25.73	
1964		50.61	41.82			49.80				37.45	
1965		49.78	43.42			50.70				37.71	
1966		52.32	47.62			54.10				34.44	
1967		49.96	59.82			50.80				52.79	
1968		41.46	52.21			42.80				55.01	
1969		45.72	56.66							49.85	
1970		41.29	53.03		57.76	43.80	51.20			45.60	
1971			50.25				(1970)			41.96	
1972		40.10	55.99	53.80						34.43	34.20
1973		20.50	46.79	48.50		35.60				40.01	25.10
1974	43.65							49.31			
1975											
1976											
1977		31.49		44.00							25.20
1978	41.76							43.13			
1979											
1980											
1981											
1982		15.61		28.50	36.32		33.10				11.10
1983	29.80						(1983)	40.63			
1984											
1985											
1986		20.22									
1987					41.57		29.60				
1988	28.67						(1988)	39.63			
1989	1989										
1990											
1991											

and 1983-84. The rank of the state is as low as 10th among the major states in the country. A study by this author on the enforcement of minimum wages in agriculture in Gujarat has shown that the agricultural labour market has undergone several structural changes in the recent past which are likely to work against the interests of agricultural labourers: the segmentation of the labour market between local and migrant workers; declining permanent/seasonal employment in agriculture; casualisation and contractualisation of employment; and expansion of share cropping. In short, the functioning of the market for rural labour does not seem to have helped the poor in any significant way. Though some rural labourers in prosperous pockets have benefited from the expansion of employment opportunities and rising wage rates, the overall picture is not very favourable.

NON-CALORIE INDICATORS OF POVERTY

Measurement of poverty on the basis of income/consumption levels tells us only part of the story, as it does not give any information about the quality of life enjoyed by people – which is the ultimate goal of poverty alleviation. We have therefore presented some indicators of quality of life along with the rank of Gujarat among the major states in the country, the rank of Kerala (which is at the top in non-calorie indicators of poverty), and the all India averages.

The major variables considered in health and demography are the life expectancy at birth, infant mortality rate, sex ratio, crude death rate and crude birth rate. We have also presented data on per capita expenditure on health. Table 14 shows that though the state ranked fourth in per capita expenditure on health from 1976-77 to 1986-87, it ranks quite low in basic health characteristics. It ranks ninth in infant mortality rate (inverse ranking), eighth and ninth in birth rate and death rate (inverse ranking), respectively, and eighth in life expectancy at birth. Though Gujarat is slightly above the all India level it is far behind Kerala in all these parameters.

Gujarat stands fourth among the major states in general literacy (1991). However, it stands sixth in female literacy, and seventh and eighth in the enrolment of girls in standards one through five and dropout rates of girls (inverse ranking), respectively. However, the state, once again, stands fourth in per capita expenditure on education from 1976-77 to 1987-88 (Table 14). The limited data available on the ST and SC populations show that they have a much lower quality of life: their literacy rates are much lower (30 for ST, 53 for SC, against 65 for the total population), and their female literacy rates are extremely poor (12 for ST, 26 for SC, against 38 for the total population).

On the whole, Gujarat ranks fairly low (seventh) in the non-calorie indicators of poverty, in spite of the fact that it stands fourth in per capita expenditure on health and education. This is perhaps because the expenditure is highly unevenly distributed among rural and urban areas, developed and backward areas and among the poor and non-poor sections of the population. To sum up, the overall picture with regard to non-calorie indicators of poverty is not very bright. This is confirmed by the study by Vyas and Vidyasagar (1991), which ranks Gujarat eighth among the states in India with respect to HDI (human development index).

III

Poverty Alleviation Efforts

Poverty alleviation has been an important objective of development planning in Gujarat (as in India), right from the inception of planning. The strategies, however, have changed over time. In the initial phase the focus was on organisational and institutional changes, decentralised development redistribution of assets, and sectoral development. Community development programme, panchayati raj, land reforms, etc. were tried out, not very successfully, and efforts were made to raise the rate of growth of the economy. In the late 1960s and early 1970s, however, the strategy of direct attack on poverty was introduced to serve the poor directly. Though the strategy began in a modest way, it expanded in terms of coverage and content over the years to cover the entire state and almost all the socio-economic groups of the poor. The strategy also covers

all the major sectors of the economy and offers self and wage employment, skill formation, as well as minimum needs, welfare, social security, etc. to the poor. Being 'progressive' Gujarat government has initiated several additional programmes of its own. There are as many as 97 programmes of the central and state governments, with some of them directed at poverty alleviation. Some of these programmes are discussed below.

SELF-EMPLOYMENT PROGRAMMES

IRDP, the main self employment programme, was extended to all the blocks in the state in the Sixth Plan. In this plan, 7.10 lakh persons were assisted under IRDP of whom 0.80 lakh belonged to the SCs and 1.78 lakh belonged to the STs. In the Seventh Plan the second dose of assistance was given to about 1.42 lakh beneficiaries in addition to 4.80 lakh new beneficiaries. Thus during

TABLE 11: POOR IN GUJARAT
(in lakhs)

	Planning Department Estimates of Target Groups	Revised Estimates (based on 1991 data)
ST	48.05 (33.82)	58.48 (33.22)
SC	24.04 (17.01)	29.38 (16.69)
Baxi Commission	50.00 (34.86)	60.00 (34.09)
Rural Artisan	5.00 (3.48)	5.00 (2.8)
Labourers (excluding 50 per cent)	7.50 (5.24)	10.50 (5.96)

Source: Annual Reports, R and D department, Government of Gujarat.

TABLE 9: POPULATION BELOW POVERTY LINE, OFFICIAL ESTIMATES

	Rural		Urban		Total	
	No (Lakhs)	Per Cent	No (Lakhs)	Per Cent	No (Lakhs)	Per Cent
1972-73						
Gujarat	86.9	43.9	26.6	34.0	113.5	41.1
India	2442.2	54.1	473.3	41.2	2915.5	51.5
1977-78						
Gujarat	94.6	43.1	27.5	29.8	122.1	38.9
India	2531.0	51.2	537.0	38.2	3068.5	48.3
1983-84						
Gujarat	67.7	27.6	19.9	17.3	87.6	24.3
India	2215.0	40.4	495.0	28.1	2710.0	37.4
1987-88						
Gujarat	56.2	21.2	17.1	12.9	73.3	18.4
India	1959.7	33.4	417.0	20.1	2376.7	29.9

TABLE 10: POVERTY AMONG SCHEDULED CASTES AND TRIBES

Year	Rural				Urban			
	SC	Per Cent Change	ST	All Population	SC	ST	All Population	Per Cent Change
1983-84 ¹	39.9		52.1	27.6	29.3	56.6	25.8	
1988 ²	41.9		60.5	29.6	32.6	-	28.1	
	+5.01		+16.12		+7.24		+8.91	

Sources: 1 Planning Commission (1987).
2 World Bank.

the Sixth and Seventh Plans about 11.90 lakh persons got the benefit of IRDP out of the total 31.42 lakh poor households in the state. Of these, 39 per cent belonged to the SC/ST against the target of 30 per cent, and 23 per cent were women against the target of 40 per cent. If we assume that 11.90 lakh households received benefits (ignoring the fact that some families had more than one beneficiary), we can say that 37.8 per cent of the poor received IRDP assistance during the two plans. The total funds invested for these beneficiaries during 1980-1990 was about Rs 19,064.20 lakh or including credit Rs 46,950.51 lakh, that is, Rs 3,945 per family.

The concurrent evaluations of IRDP carried out by the Institute of Rural Management, Anand, show that about 89 per cent of the beneficiaries in Gujarat had their investments fully operational and intact after two years, as against 71 per cent at the all India level. Of these, about 43 per cent had repaid the loans fully, against 29 per cent at the all India level. The performance of the programme in terms of enabling the beneficiaries to cross the poverty line, however, was quite poor in the state, with only 4 per cent of the eligible beneficiaries crossing the poverty line compared to 7 per cent at the all India level. This implies that (a) the increase in incomes achieved by IRDP beneficiaries was not large enough to bring the beneficiaries above the poverty line (the investment per beneficiary was Rs 3,945 against the all India Rs 5,093 (1988) or against the required investment, as estimated by the PAC, of Rs 10,000), and (b) the schemes could not work well in the long run to lift beneficiaries above the poverty line. Consequently, with an investment of about Rs 469.5 crore, only 0.52 lakh beneficiaries could be brought above the poverty line. This success is small as well as expensive. It must be added that many more beneficiaries experienced an increase in their incomes through IRDP.

In addition, IRDP performed well mostly in developed and prosperous areas and performed badly in backward and remote areas. Also, it assisted some among the non-poor, this leakage being about 20-30 per cent. Studies have shown that IRDP benefited those poor more who were nearer to the poverty line and left out the poor at the bottom, either by keeping them out or by allowing them only petty small schemes. In general, women have benefited less from IRDP and female headed households have had poorest access to it.

The limited success of IRDP has been traced to the following factors by several scholars:

(1) The IRDP approach is not rated as sound for the purpose of sustained poverty alleviation, first, because it is isolated from the main growth process in terms of resource allocation, technology and sectoral

development, second, because it over-emphasises self-employment expecting the poorest of the poor, who neither have the capacity nor the credit-worthiness, to undertake self-employment, and third, because it is primarily treated as a soft option by the officials to provide the poor with some kind of temporary relief through a subsidised asset.

(2) Another major weakness of IRDP is its weak planning. Though it was to be a comprehensive strategy for translating the objectives of rural development (social justice, full employment at increased productivity for the rural sector within 10 year frame) it got reduced to a limited approach of creating self employment opportunities for the poor. The concept of integration was shot down, and in spite of the cluster approach, household approach, credit plans, district level committees etc., the programme could not be integrated with the development process. In addition, there were other problems like poor co-ordination with other programmes, multiplicity of agencies and lacunae in the design of the economics of IRDP schemes.

(3) Inadequate infrastructural support. In spite of the repeated emphasis laid on the need for infrastructural support in finance and credit, marketing, raw materials, training, technical assistance and follow up, it could not be provided satisfactorily, especially in backward and remote areas.

(4) Administrative and organisational problems. Too much bureaucratisation, limited scope for involving people in planning and implementation, too much centralisation, problems of co-ordination (mainly horizontal), temporary nature of DRDAs, limited faith of the administration in the programmes and inefficiencies and corruption at all levels have been the major administrative problems of the programme.

DWCRA

The Development of Women and Child in Rural Areas Scheme was initially introduced in Ahmedabad and Junagadh districts. Today it covers 11 districts and is

expected to cover all the districts by the end of the Eighth Plan. The programme has done fairly well in the state, about 1,172 groups of poor women have been formed (1990), and a large part of the allotted money has already been spent. However, the performance cannot be rated as successful [Hirway and Unni 1991], first because not a single one of the 1,172 groups has so far become self-reliant to manage itself independently. Second, the majority of the groups are still inactive with about 40 per cent in the formation stage and only about 30 per cent of the rest in the production stage. Only half of this 30 per cent (about 10 per cent of the total) have reached the break-even level of business. Third, most groups have selected traditional activities such as tailoring, garment making, food processing, animal husbandry, etc., and only a few have taken up non-traditional activities.

The major reasons for this less than satisfactory performance are weaknesses in programme design as well as organisation and administrative problems.

(1) The first major design weakness is reliance on blanket guidelines rather than project approach. The blanket guidelines regarding financial needs, training expenditure, etc. are too rigid to meet micro-level needs. Second, the assumption that 1 to 15 poor village women, most of whom are illiterate, ignorant and tradition-bound, can be made capable of running a successful business within three to five years, is highly unrealistic. Experience has shown that this is not a feasible goal unless the groups are backed by really capable agencies. Third, the programme does not realise that the poor, general and poor women in particular, lack the willingness or ability to take risks to run an enterprise as they prefer fixed wages rather than fluctuating and uncertain profit. They are therefore not very enthusiastic about taking up an enterprise.

(2) At the implementation level, it was observed that the two major supports for women, namely, child care and technology for reducing drudgery, which were important components of DWCRA, were more or less

TABLE 12 SEVERITY AND INCIDENCE OF POVERTY AMONG DIFFERENT SECTORS (1983)

	Severity of Poverty (Sen Poverty Index)		Incidence of Poverty (Head Count Ratio by Principal Industry 1983)
Self-employed in agriculture	0.0127	Agriculture	0.0737
All rural labour households	0.0361	Mining/manufacturing	0.0500
Agricultural labour households	0.0324	Construction	0.1860
Non agricultural labour households	0.0468	Services	0.0081
		Transport	0.0519
		Total	0.0690

Source: Sheila Bhalla, 'Development Poverty and Policy: The Haryana Experience', ISID No. Delhi 1992.

ignored in practice. Moreover, there were serious qualitative drawbacks in training, difficulties in marketing their products, and problems of getting adequate credit. The group philosophy as well as the concept of a co-operative society could not be implemented successfully in reality. And last, the petty and scattered economic activities frequently selected for DWCRAs were without any strong linkages with the local economy, with the result that it was difficult to sustain them. The voluntary agencies involved were also not really prepared for this new role. Though some of them were genuine and committed, they lacked the professional expertise and experience to stand in the market successfully.

TRYSEM

TRYSEM started as an independent training programme to promote self employment among youth belonging to poor households. At present it is a part of IRDP and is designed to promote self employment for IRDP beneficiaries as well as skilled wage employment. Gujarat spent about Rs 1,660 lakh on TRYSEM between 1980 and 1990 of which 21 per cent was spent on infrastructural facilities. Initially the employment of trainees was very poor but after TRYSEM was integrated with IRDP more than 50 per cent of the trained youth got self or wage employment though not all got work in the trade in which they were trained. In order to improve the performance of TRYSEM the following steps are needed:

(1) TRYSEM should be linked with the industrial policy and with the (rural) industrialisation process in order to identify the right trades for the youth.

(2) Since about 80 per cent of the chronically unemployed in Gujarat are youths (15-29 years) many of whom are educated their TRYSEM training should be related to their capacity, entrepreneurial aptitudes, and to the demand, in order to tap this potential resource. The programme should not be treated as temporary employment for getting a stipend.

(3) TRYSEM should be used as a programme for imparting modern non farm skills to meet the needs of the growing non farm sector in the state. It should thus support the mainstream industrialisation process and not the informal residual sector with petty economic activities.

PUBLIC WORKS/WAGE EMPLOYMENT PROGRAMMES

Public works programmes, which come second in poverty alleviation programmes, are NREP and RLEGP (in the 1980s) and JRY (since 1989-90).

NREP/RLEGP

About Rs 27,017.78 lakh were spent on NREP/RLEGP to create 1,444.25 lakh

mandays of employment (cost per manday - approximately Rs 18). The impact of these programmes was small as the total employment generated came to full employment for about 2.2 per cent of the poor, or 100 days of work for about 5.9 per cent of the poor. Although the official targets of the programmes declined, they could not make any significant impact on the incidence of unemployment in the state or in the generation of durable assets though there has been construction of assets such as irrigation works, school rooms, housing for the poor, and construction of latrines.

The primary objective of employment generation has been neglected in favour of construction of buildings such as panchayat ghar, cultural centres, housing etc. Consequently the (unskilled) employment generated in the construction and post construction phases has been less than desired. Works such as soil conservation, watershed development and afforestation which are (unskilled) labour-intensive in the construction and post construction phases are relatively neglected [Hirway and Terhal 1993].

There is almost an absence of a long run perspective in the programme guidelines which fails to reflect the long term economic logic that the programmes are meant to use surplus manpower for the generation of assets that expand the labour absorbing capacity of the mainstream. As a result not much attention is paid to long term consequences in selecting works under the programme. Consequently employment generation per person has been intermittent and small (around 30 days per beneficiary in a year). Since the stipulated minimum wages were not paid in more than 60 per cent of the cases the average wages received by beneficiaries have not made much impact on their levels of living savings or on asset holdings [Hirway and Terhal 1993].

In regard to the assets, the quality was found to be less than satisfactory with one fourth of the assets being non-durable, 40 per cent assets being of medium to poor technical quality and 31 per cent not maintained well [Hirway and Terhal 1993]. The use and distribution of assets tended to benefit the non-poor, because selections were made keeping in mind the interests of the non-poor, and community assets like school rooms and hospitals were not much used by the poor. A gradual shift, however, was seen in the pattern of allocation of resources of the programmes in favour of afforestation and irrigation and away from the construction of buildings during the late 1980s. Unfortunately, this shift did not continue in JRY, which followed NREP and RLEGP. Also, the pockets where the programmes were implemented intensively showed (a) increase in the local unskilled wage rate, (b) increased wage incomes of the workers

that reduced their debts to the local moneylenders and helped them in buying productive assets and (c) reduced out migration of workers. In addition the involvement of several voluntary organisations in environmental works resulted in expanded employment opportunities in the mainstream economy. The qualitatively better performance of the voluntary agencies provide some lessons for the implementation of the programmes.

JRY

The main objectives of JRY which replaced the earlier programmes were to provide employment of 100 days to at least one member of each family of rural landless households and to construct durable community assets. Some new features of JRY are: (a) it is planned and implemented mainly through village panchayats, (b) it covers every village of the country and (c) the village assembly is expected to control

TABLE 13. DISTRICTWISE VARIATIONS IN POVERTY (1972-23)

District	District Poor is Per Cent of Total Poor	Percentage of Total Poor in State
Jamnagar	45	2.99
Rajkot	41	3.80
Surendranagar	47	2.39
Bhavnagar	51	4.51
Anand	51	3.21
Junagadh	38	1.12
Kutch	47	7.76
Banaskantha	65	6.89
Sabarkantha	64	6.42
Mehsana	55	8.67
Gandhinagar	59	0.96
Ahmedabad	38	4.75
Kheda	19	8.90
Panchmahals	68	10.30
Baroda	74	9.43
Broach	74	6.28
Surat	63	6.90
Dangs	75	0.65
		100

Source: GVSN Murthy, Levels of Living in Gujarat in *Gujarat Economy: Problems and Prospects* D T Lakdawala (ed) Sardar Patel Institute of Economic and Social Research Ahmedabad 1983.

TABLE 14. PER CAPITA REVENUE EXPENDITURE ON HEALTH AND EDUCATION (At 1980-81 Prices)

	1976-77	1980-81	1986-87	1989-90
Education				
Gujarat	607(40)	853(1)	814(1)	201(4)
Kerala	80.7	84.4	103	240
India	38.8	46.1	61.4	175
Health				
Gujarat	20.2	42.6		84
Kerala	24.8	74.4		96
India	7.6	38.1		74

Note: Figures in brackets indicate rank of Gujarat among the major states of India.

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the use of funds by the panchayat. The Gujarat government spent about Rs 156 crore on JRY in the first two years, which generated about 3.90 crore mandays of employment. Village panchayats took up mainly assets such as housing, panchayat buildings, irrigation wells, school rooms, etc., and spent only 6 per cent of the funds on land and water conservation programmes. Since the JRY funds are limited, they are spread too thinly over all the villages (about 60 per cent of the village panchayats in Gujarat receive less than Rs 25,000 per year), resulting in low and intermittent employment for the poor. Most village panchayats treat JRY mainly as an extra source of income to undertake their activities and not as a programme meant to generate employment and assets for the poor. The primary focus of the programme therefore seems to be on construction of assets. Also, the idea of social audit by the village assembly does not work in reality because the village assembly is usually very weak. On the whole, therefore, JRY does not appear to be an improvement over the earlier programmes. On the positive side, it should be mentioned that it gave village panchayats training in planning local works.

Special employment programme

The special employment programme, introduced by the state government in 1990-91, has three components: self employment generation, vocational training, and generation of wage employment. The programme started with the zero unemployment programme in the two smallest districts, viz., Gandhinagar and Dangs and added the minimum unemployment programme in 34 talukas and the village level scheme in 184 villages.

The objective of the zero unemployment programme was to remove unemployment by providing self and wage employment under the ongoing programmes as well as the departmental programmes of DET, industries department, public works department, etc. In Gandhinagar 12,000 families were given self employment (including 4,000 under vocational training), and 4,000 families were selected for wage employment. In Dangs, however, 14,000 families were selected for self employment and the rest for wage employment. Though no systematic evaluation has been done of the programme, the data indicate that the

programme had not reduced unemployment to zero by the end of 1991-92. The government is now finding it difficult to sustain the level of wage employment created in the districts for lack of funds. The government therefore initiated the minimum unemployment scheme in 1991-92 in 34 talukas of the state, with the term 'minimum' defined very vaguely. Rs 2.4 crore allotted for the generation of self employment and Rs 1.03 crore for wage employment under the programme was far from adequate to minimise unemployment in the selected talukas, as it came to a mere 1000 mandays of wage employment and about 141 of self employment per taluka at the rate of Rs 5,000 subsidy or Rs 10,000 investment per family. In short, the special employment programme is not supported by adequate funds.

AREA DEVELOPMENT PROGRAMMES

The major area development programmes implemented in Gujarat are Drought Prone Area Programme (DPAP), Desert Development Programme (DDP), and Tribal Sub Plan (TSP) which, respectively, cover 43 blocks, nine blocks and 32 blocks and 19 pockets of the state. DPAP covers about 35 per cent of the area and 24 per cent of the population of the state. DDP, on the other hand, covers about 6 per cent of the area and 4.5 per cent of the population. The major objectives of these programmes are to conserve, develop and harness land and other natural resources for ecological regeneration; to minimise the adverse effects of drought on crops and livestock through an integrated approach; and to contribute to drought proofing. The activities are to be planned under a comprehensive watershed approach.

Between 1981 and 1990 about Rs 1,072.46 lakh was spent on these programmes in the state. DPAP has so far covered about 8,000 ha under irrigation, 52,000 ha under soil conservation and about 45,000 ha under afforestation, which comes to a mere 1.6 per cent of the total area covered under DPAP. DDP has covered about 3,100 ha under minor irrigation, 12,500 ha under afforestation/pastures and 5,100 ha under soil conservation during the decade. Though there is an emphasis on comprehensive watershed development, the programmes have been largely isolated in nature. This is perhaps because of poor administrative co-ordination

among the concerned departments, which have strong vertical linkages but poor horizontal communication. The scarcity works, which are undertaken almost regularly, in the state, are implemented independently by the revenue department under the scarcity manual. Efforts to co-ordinate these works with these programmes have not been successful so far.

The Tribal Sub Plan in Gujarat covers 32 talukas and 15 pockets of the tribal belt and is spread over about 14.41 per cent of the area and 81 per cent of the tribal population of the state. The tribal belt has been divided into nine project areas under the TSP. The main components of the TSP strategy are identifying blocks where the tribal population is in the majority; preparing integrated development projects for the development of the blocks; earmarking funds for the same under TSP; and creating appropriate administrative structures for it. The TSP has two major thrusts, namely, socio-economic development of tribal areas and of tribal families. Project officers prepare development projects for their blocks and implement them with the assistance of the staff. TSP also receives specified shares from the funds from IRDP, JRY, DPAP, etc. About Rs 11,502 lakh were spent under TSP in the state during the past decade. However, the increasing incidence of poverty among tribals and the environmental degradation of the region suggest that the TSP has not been very effective.

Historically speaking, tribals enjoyed the right to forests and forest lands before the British came to India. With the nationalisation of forests under the Indian Forest Act during British rule, they lost their collective or individual ownership of forests, and became subject to administrative control by the forest department. Some tribal areas were invaded by Rajputs who set up princely states in the forests and made tribals their subordinates. In the post-independence period irrigation policy (big dams), industrial policy as well as mining operations proved catastrophic to the tribal economy, because these policies either threw them out of the forests (with meager compensation if any at all) or deprived them of the occupations that provided them their livelihood. In other words, the relationship between tribals and their surroundings gradually became exploitative. It is clear that any programme that aims to

TABLE 15: EXPENDITURE ON SOCIAL SERVICES IN GUJARAT

(Rs lakh)

Social Service	Second Plan		Third Plan		Fourth Plan		Fifth Plan		Sixth Plan	
	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure
Amount	2804	2933	4777	4739	6414	7861	12534	15383	57316	67365
Total plan expenditure	14,593	15,001	23,650	24,019	45,522	54,502	88,694	100,488	376,000	384,937
Percent of total	19.21	19.55	20.19	19.73	14.08	14.42	14.13	15.30	15.24	17.50

help tribals must give due consideration to these facts

Unfortunately neither TSP nor tribal development policy in general addresses these factors. What is needed is leasing of forest land to tribals for plantation of trees giving them rights to minor forest produce and good remuneration for collection of forest produce and special attention to infrastructural development and environmental protection of tribal areas. TSP in Gujarat has proved to be less than satisfactory in this context. In addition there are other development programmes such as that for coastal saline regions of the state (covering 549 villages of 49 talukas) a programme for the ten most backward pockets (Khakharia Tappa Bhal area Ghed area Nalkantha) and a programme for the 56 most backward talukas identified by the I G Patel committee. These special programmes are important from the point of view of area development but the investments made are too small to make much impact on backwardness.

SOCIAL SERVICES

Social services can contribute to the labour market prospects of low income wage earners and enhance their productivity as well as provide them good health, adequate nutrition and educational achievements. The total expenditure on social services in Gujarat increased from Rs 29 crore during the Second Plan to almost Rs 1 500 crore during the Seventh Plan. In terms of the percentage share of the expenditure on social services, however, there is no clear increase (Table 15). Education has remained the most important component of social services followed by health. The importance of social welfare and social security services has also increased over the years.

The state government has introduced several innovative programmes and schemes for promoting the welfare of the poor. A striking feature of the performance of these programmes and schemes, however, is their low levels of coverage and expenditure. For example, the group insurance scheme covered around 70 000 agricultural labourers (of 30 lakh total) in the last seven years and less than 25 000 agricultural labourers have received benefits. Similarly, about 260 forest labourers have received benefits of the group insurance scheme during 1983 to 1991. The old age pension scheme for agricultural labourers has covered less than 10 000 labourers till 1987 (when the scheme was under the rural labour commissioner), and around 55 000 thereafter when the scheme expanded its coverage to include disabled persons and widows. The maternity benefit scheme for agricultural labourers has

covered around 11,000 women out of the total 12 lakh female agricultural labourers.

The welfare programmes show a similar performance in spite of the innovative step of setting up separate rural workers' welfare centres in the state. The total expenditure of the bond is less than Rs 30 lakh (till 1989-90) per year and its 150 centres provide benefits to less than 25 000 rural workers. It is worth noting that we are not referring to the qualitative impact of the centres, which is also less than satisfactory according to our evaluation study.

The government of Gujarat has set up a separate rural labour commissionerate for enforcement of labour laws for rural workers. However, the performance has been very poor. About 54 635 labourers were helped in reimbursement of their wages in nine years (1981-89) the average reimbursement being Rs 343. There has been a drastic reduction in the number of these beneficiaries in recent years.

The innovative public distribution schemes as well as the mobile vans to provide essential commodities in remote areas have done well in terms of serving rural areas (Table 16) but there are wide regional variations in the availability of foodgrains across the state.

To sum up, though Gujarat has made additional efforts to help the poor by introducing innovative programmes and schemes, the scale of their operation is quite small. Though a few of the programmes (like the PDS) have made some impact, the rest of the programmes appear to be mainly for display. It appears that the whole approach to empowering the poor lacks political commitment by the leadership. Commercial considerations and the capitalist interests of the major power lobbies in Gujarat do not really allow for any strong pro-poor measures in the state.

IV Relevant Institutions and Organisations

Gujarat has several organisations and institutions which, in some way or other are believed to be capable of taking up the cause of the poor. These are panchayati raj institutions, decentralised planning, co-operatives and voluntary organisations. All are believed to be fairly successful in promoting the interests of the poor. Below we attempt to assess their strengths.

PANCHAYATI RAJ INSTITUTIONS

Panchayati raj (PR) institutions in Gujarat are believed to be fairly successful in bringing about democratic decentralisation in planning and implementation. The progressive leadership of panchayat bodies are believed to be capable of taking care of the interests of the poor. Several studies have, however, shown that this is not really correct.

On the positive side, it may be noted that Gujarat passed the Panchayat Act in 1963 and set up a three tier PR structure covering the village, taluka and district levels. Recently, the state has passed a new act as per the constitutional amendment. Panchayat elections are held fairly regularly. Several panchayat leaders are visible, vocal and considered to be important in Gujarat's politics. In spite of this, the panchayats have not been effective in helping the poor because PR bodies are not given much power in development planning. Their finances, which come from grants, a few local taxes, some donations and 'lok talo' (people's contribution), are inadequate to enable them to undertake minimum tasks in their villages. Moreover, most of the rural development work is carried out by the development administration and PR bodies have a limited say in these programmes.

TABLE 16 PDS IN RURAL AND URBAN AREAS: SELECTED COMMODITIES
(As Per Cent of Total Quantity Purchased)

State	Rice		Wheat		Kerosene	
	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	42.54	21.47	20.39	47.98	66.24	57.21
Assam	14.40	14.83	17.79	1.65	14.81	16.85
Bihar	0.42	0.29	1.51	7.05	38.16	40.19
Gujarat	46.53	26.21	37.02	19.63	29.02	42.11
Haryana	7.29	8.89	9.00	0.00	70.91	74.52
Karnataka	22.22	25.69	49.86	43.78	38.76	42.59
Kerala	51.36	46.19	92.04	91.48	92.12	82.95
Madhya Pradesh	6.14	10.47	7.17	5.65	29.15	29.82
Maharashtra	27.45	27.77	43.13	21.45	34.79	67.82
Orissa	0.40	0.41	18.11	25.02	22.58	21.08
Punjab	NA	5.15	0.63	0.05	63.87	74.45
Rajasthan	7.47	15.94	16.21	3.61	44.79	59.94
Tamil Nadu	18.66	12.17	77.46	63.48	74.16	63.68
Uttar Pradesh	4.45	8.03	2.43	3.32	7.29	63.87
West Bengal	6.59	19.48	49.03	69.87	77.59	64.90
All India	16.76	19.08	12.64	19.33	25.86	59.27

Source: Sarvekshana, April 1990

Given the socio-economic structure of rural society, most office bearers of PR bodies are from the rich class who do not represent the interests of the poor. The office bearers of many panchayats are enterprising capitalists who pursue their private interests by undertaking diverse economic activities that largely serve the interests of the rural elite. They use their political and financial powers to serve their own interests and their activities, if at all, help the poor in an incidental fashion.

DECENTRALISED PLANNING THROUGH DISTRICT PLANNING BOARDS

Gujarat is known for its pioneering move in the field of district planning, which was introduced in 1978 and was modified in 1980 following the recommendations of a state level committee. The modified district planning was expected to fill in the gaps in the minimum infrastructure in the district and promote employment generation in general. The district planning board (DPB) in each district is headed by a state minister, with the president of district panchayat as the vice chairman and the collector as the executive vice chairman. The other members are elected representatives, government officials, and other non-officials. About 35 per cent of the state plan outlay at the district level is allotted to the DPB. Of this, 80 per cent is for normal development schemes, 15 per cent for special DPB schemes and 5 per cent is under the incentive provision. This was a good beginning 12 years ago, but the lack of progress is not at all a positive development.

The DPBs spent Rs 349 crore between 1980 and 1991 on about one lakh small and big works. The share of untied outlays at the district level was 11 per cent during 1985-90, which declined to 6-8 per cent thereafter. Planning at the district level thus is still very limited. The district planning model has indeed failed to fulfil expectations.

One reason for this is the unwillingness of politicians as well as bureaucrats to share power with people at the district level. Real decentralisation of decision-making will not go beyond the present limits as long as this unwillingness persists. The recent decision to provide Rs 10 lakh per year to each MLA to promote development in his/her constituency is not likely to strengthen the process of decentralised planning. In fact, such a provision for MLAs (and not for panchayat bodies) merely reflects the political strength of MLAs in the power game at Gandhinagar.

CO-OPERATIVE MOVEMENT

The co-operative movement in Gujarat is believed to be fairly successful; its success in the dairy industry is almost legendary. Though co-operatives are not meant only for

the poor, co-operatives in production, distribution and marketing, credit and banking as well as in the consumer movement, can be utilised effectively to help the poor. The basic philosophy of the co-operative movement – that the strength of a group is superior to that of an individual – can be very relevant to making the poor viable.

Co-operatives in Gujarat cover agricultural and non-agricultural credit societies, dairy co-operatives, marketing and service co-operatives, co-operatives in fishery, poultry, handloom, handicrafts, housing, consumers and others. They are well spread across sectors and regions of the economy. Today there are 49,945 co-operatives in the state, with 919 million members and Rs 3,894 million share capital. They have a total working capital of Rs 6,891 crore (1986-87) and advances of Rs 2,942 crore (1986-87). This is indeed quite substantial in an economy where the total developmental and non-developmental budgetary expenditure of the government is about Rs 4,753 crore (1989-90).

The Amul model of dairy co-operative is unique in that it links primary milk producers with modern dairy farming technology. Today there is at least one large dairy in each of the major districts of the state, which are well supported by a network of primary milk co-operatives spread over thousands of villages. Since the milch animal scheme under pro-poor programmes is given only to members of primary milk co-operatives, the dairy network has helped the poor considerably. However, the co-operative form of production, also recommended and tried outside the milk sector, has not always met with success. A co-operative society is said to be successful when (a) it is financially viable; (b) it is self-governed by the members; (c) it adheres to the basic principles of co-operation such as voluntary membership, democratic control, and fair distribution of profits; and (d) it grows. Unfortunately, not all co-operatives, especially the co-operatives of small producers belonging to the weaker sections, have the capacity to function in this way. Studies have shown that a cooperative succeeds when it is able to compete with others in the market; where it has access to credit, raw materials and other services; when it adopts new and profitable technology; and when it is managed well. All this happens when the leadership is capable. Co-operatives in Gujarat therefore have succeeded in some sectors and regions, but failed in many others.

VOLUNTARY ORGANISATIONS

Voluntary organisations in Gujarat can be broadly divided into four groups: (1) purely welfare organisations for children, handicapped women, destitutes, etc; (2) those involved in social services such as health, education, nutrition, etc; (3) development

organisations aiming at enhancing incomes, employment and levels of living of the poor; and (4) organisations aimed at empowering the poor. The voluntary sector in Gujarat is relatively large mainly due to the old cultural tradition of charity organisations in Gujarat, the influence of Gandhiji and Gandhians who initiated constructive work in several parts of the state, and the contribution of industrial houses in the field of developmental and welfare activities. Several professionals and educated youth have also taken to voluntary work in the state in the last decade or so. In addition, several small self-help organisations have come up in the state purely through local efforts.

The major characteristics of these organisations are: (1) Most of them are operating at the local level covering five to 10 villages or even less, and only some are operating on a large scale. (2) There have been a gradual increase in professionalism in voluntary organisations in general. Use of modern science and technology, participative organisational structure, use of modern communication methods, scientifically designed training programmes, training of trainers programmes and overall professional management are some of the new features of these organisations. (3) Innovations and experimentation are visible in the working of several voluntary organisations. Construction of lined ponds for drinking water in saline areas (by Utthan); organising self-employed traders and producers (SEWA); watershed planning (AKRSP); shifting the victims of caste clashes to urban areas, are efforts worth noting. (4) Women's involvement in voluntary organisations is gradually increasing, and today there are more than 50 organisations involved only with women's activities.

There are three major federations of voluntary organisations at the state level, namely, Gram Vikas Sangh, Janpath and Setu. They discuss common problems as well as national and state level policy issues. Though somewhat radical organisations have emerged in the past decade (Disha and Eklavya Sansathan in tribal areas), most voluntary organisations are non-radical in character.

Several voluntary organisations seem to have been able to influence the policy-making process at the state and national levels. Examples are SEWA's success in the setting up of the national commission on self-employed women by the government of India and in the introduction of some official schemes such as women's banking, legal protection to home based workers, etc, and Utthan's impact on the drinking water scene. Also, several organisations have provided a variety of models in different spheres: ASAG and VIKAS in rural and urban housing, Vivekanand Trust and

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AKRSP models in natural resource management, SAFAI Vidyalaya in sanitation and hygiene, SEWA in women's milk co-operatives, Janvikas in training of the trainers, etc. These models are observed to be replicable in character.

In spite of these achievements, voluntary organisations have not had much success in making any significant impact on the poverty scene in Gujarat. These organisations have still not emerged as a strong pressure group or a lobby in spite of their influence here and there. Nor have they expanded their coverage to vast areas of the state to create a kind of voluntary movement. The major factors responsible for this failure are: (1) Most of the organisations operate on a very small-scale in a scattered fashion. (2) After their small-scale success, they receive support from foreign funding agencies in the international circuit. Their successful small model then frequently travels to several countries located in different continents and they lose touch with reality and drift away from their main objectives. (3) The easy outside money frequently influences their work style and life style and they find it difficult to operate with local money. (4) A new hierarchy seems to have been created within these organisations in which those who know English go out to attend national and international conferences, meet the donor agencies, earn high salaries and take decisions; while those who speak Gujarati remain at the grass roots level, have a limited say in decision-making and earn low salaries. This breaks the morale of grass roots workers and also creates a wide gap between the workers and the managers in the organisations. (5) There is no satisfactory system of ensuring the accountability of voluntary organisations. These organisations are not accountable to the poor (the poor are too weak); nor to the foreign funding agencies who do not understand much; nor to the government as they do not use government funds on a large scale. In short, they are virtually accountable to none even though they use huge public resources. (6) Most organisations are centred around personalities, and in spite of their professionalism and attempts towards participative management, most of them tend to remain personalised. (7) Many voluntary organisations are selective with regard to programmes and people, and with large financial and human resources they work in a few villages with only a limited number of programmes carefully selected. As pointed out by a young and enthusiastic collector, these organisations spend years in a few villages undertaking a few programmes with huge resources and highly qualified people. Can they really provide a model of any kind?

To sum up, the voluntary movement in Gujarat still has a long way to go to contribute significantly to poverty alleviation.

V Future Directions

The two major questions which emerge from the above discussion are: (a) how to modify the growth process in Gujarat so that along with higher long term growth a significant reduction in poverty is achieved?; and (b) how to modify the pro-poor approach of the state government so that the efforts become more cost effective. This section discusses these questions.

As far as the growth strategy of the state is concerned, there is a need to extend growth to wider areas and to larger sections of the population. This will ensure an optimum use of the state's resources on the one hand and maximum employment of human resources on the other.

Regional dispersal of growth in Gujarat requires massive investment in the backward regions in two major sectors – environment and socio-economic infrastructure. In regard to environment, we have seen above that the backward regions of Gujarat suffer from basic environmental constraints such as deforestation and declining vegetation cover, sinking watertables, salinisation and general degradation of soil, advancing deserts, etc. In order to protect the environment and regenerate the ecology of these regions, large-scale activities in the field of land and water management need to be undertaken systematically through comprehensive watershed development programmes. Since the efforts made so far have been scattered and isolated, there is an urgent need to undertake these activities more systematically. In regard to socio-economic infrastructure, the basic facilities needed to promote growth in backward regions are village approach roads and paving of internal roads; facilities for minimum sanitation and hygiene; drinking water; housing for the poor; village forests for fodder and fuel, and buildings for schools, health centres, godowns, banks, PDS shops, panchayat offices, halwadis, marketing yards, etc. Large-scale investment in environment and infrastructure will broaden the base of the growth process in the state. These investments will prepare a sound base in backward regions to support self-sustained development in agriculture, in non-farm primary sector activities such as dairy farming, animal husbandry, horticulture, forestry, fishery, poultry farming, sericulture, etc. as well as in the secondary and tertiary sectors. This will generate massive direct and indirect employment opportunities which in turn will reduce poverty drastically.

PRO POOR STRATEGY

The first issue here is the validity of the PAP (poverty alleviation programmes) strategy. Do we need this strategy of direct attack on poverty? There seem to be three major approaches to this question. According to the first, there is no need for such a strategy because poverty should be taken care of by the growth process of the economy. According to this view, the rate and pattern of economic growth should be modified so that the access of the poor to growth opportunities improves and poverty is gradually alleviated. According to the second approach, poverty cannot be alleviated effectively without introducing structural changes in favour of the poor. PAPs in the present socio-economic structure trickle up to the non-poor rather than down to the poor. The PAP strategy should therefore be implemented along with structural measures to improve the bargaining strength of the poor. According to the third approach, the PAP strategy is necessary for poverty alleviation as it improves the access of the poor to development opportunities, uses the un-under-employed for capital formation, and has the potential to strengthen the poor by improving their assets and incomes. Though there is some thing to be said for all the approaches, the issues involved are not very simple. For example, though it is true that ultimately it is growth that will alleviate poverty, the relevant question is whether our economy can grow fast enough. Perhaps it is possible to use surplus labour to promote the growth rate of the economy through poverty alleviation programmes. Also, though one would like to recommend radical structural changes, the political feasibility of introducing them directly is limited. One could, however, use PAPs for bringing about slow but firm changes in the economic structure in favour of the poor. In short, the PAP strategy has the capacity to modify the growth process as well as to strengthen the bargaining power of the poor.

The PAP strategy, however, should be modified into the following ways to undertake the above task: (1) a package of minimum social security measures, a well designed public distribution system, grain banks; consumption loans at reasonable rates for the lean season; seed banks, etc. to plug the points of exploitation of the poor to enable them to stand on their own feet (2) promoting organisation of the poor. Experience has shown that though the government cannot contribute directly to organising the poor, it can support the process of organisation by removing the impediments and by recognising the role of people's organisation in development explicitly and formally; (3) employment and income generating programmes to strengthen the asset base of the poor

directly and indirectly; and (d) decentralisation of planning and implementation of poverty programmes so that they are adapted to local conditions.

CONCLUDING OBSERVATIONS

The basic nature of the development path of Gujarat does not seem to have the ability to achieve either sustainable growth or sustainable and significant reduction in the poverty level. The organic nature of the development path which promotes high-tech industrialisation and which is likely to promote this further after the structural adjustment programme, has certain important limitations. This path will tend to strengthen the selective pattern of development in the state which will favour mainly the relatively developed regions and relatively better off sections of the population. It will neglect the relatively backward areas which are environmentally degraded and weak in infrastructural facilities, as these regions will not yield high returns on (industrial) investment in the short run.

This selective development will put constraints on the growth rate of the state economy because it will (a) leave agriculture weak and fluctuating, (b) widen regional disparities in growth, and (c) tend to shrink the overall size of the market in the state. All this will affect the poor adversely since they will not get enough employment and the degraded environment will affect them negatively.

The experience of the state has shown that it is not enough to formulate a large number of innovative programmes and schemes for the poor. What is needed is a strong political commitment on the part of the state leadership to the poor and to a sustainable and healthy development of the state economy. Unless Gujarat is fortunate enough to get this, poverty in the state will not be eradicated.

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Development, Poverty and Policy

The Haryana Experience

Sheila Bhalla

In the prosperous state of Haryana, the poverty ratio has been declining continuously over the last 25 years to the point where the state now has the second lowest incidence of poverty in the country. In this process, centrally-sponsored programmes for poverty alleviation have been strictly peripheral. The Haryana experience suggests that sustained growth in agriculture plus a deliberate policy of income and occupational diversification is the most effective cure for poverty. While the strategy of investment in rural infrastructure, agriculture and industrial development appears to have worked, Haryana still has a poor record in regard to quality of life indicators such as health, mortality, and sex ratio.

HISTORY tells us that in poor Asian countries, the most effective way to reduce poverty fast is to redistribute productive assets.¹ In predominantly agricultural countries, where self-employment is the rule and dependence on wage labour is largely the product of population pressure on more or less fixed cropped area, this implies that land reform should be the first priority in a poverty alleviation strategy. The proposition that for any given level of per capita income, greater equality is a precondition for lifting poor rural households out of poverty [Myrdal 1970] is a more general one. This sequence involves a major change in the balance of political power, as in China, or nearer to home, as in Kerala, where land redistribution and tenancy legislation rolled back the rise of landlessness and organisations of rural labourers pushed up the wages of farm workers.

The slower and less certain route is to increase land and labour productivity and employment at a rate fast enough to stay ahead of population growth. Thus, even with increases in the absolute numbers mainly directly dependent on the land, the demographic burden on the rural asset base may be counter-balanced by land augmenting investment and improvements in crop production technology. Within rural areas, if the growth in farm incomes is accompanied by workforce diversification sufficiently rapid to drain off some of the surplus agricultural labour and to raise rural wages all round, the landless and near landless may be accommodated at rising incomes outside of agriculture as well as within it. Historically, such structural change in the rural workforce has been associated with expanding secondary and tertiary sector production in market towns and cities. This induces rural-to-urban migration, which helps to relieve the population pressure on land. Historically also, the process of workforce diversification has been associated with a decline in the relative importance of self-employment, and a corresponding rise in the share of wage and salary earners in both the rural and the urban workforces. For those who are already

landless, or on the verge of it, and for those who work in dying traditional rural household industries and services, wage employment works best.

I Haryana Geography, Polity and Economy

Haryana is a small Indian state with an area of only 44,000 square kms and a 1991 population of less than 16.5 million, 78 per cent of which is rural. Haryana's rural population accounts for roughly 2 per cent of India's rural population. But the state is urbanising rapidly: the decennial growth of urban population from 1981 to 1991 was 43.07 per cent as compared to 21.57 per cent over the decade for rural areas. Much of the recorded urbanisation reflects the growth of small and medium size market towns. There is no major metropolitan centre in Haryana, but Delhi is just next door, and more than half the National Capital Region lies within the borders of the state.

Haryana is characterised by wide regional contrasts in rainfall and terrain, stretching from the relatively high rainfall (110 cms) eroded hill and 'cho' region in Ambala district next to Himachal Pradesh in the north-east, through the fertile plains of Karnal and Kurukshetra districts, to the increasingly drier areas to the south, and ending in the south-west semi-desert strip of Hissar district bordering Rajasthan where annual rainfall is an uncertain 25 cms. Thus Haryana is also a state of marked regional contrasts in land productivity, farm and farm labour incomes, and rural standards of living generally. But the disparities are narrowing, as irrigation is extended south-ward and west-ward into the areas of uncertain rains on the west, and into the inhospitable Aravalli range ridge which runs through Mahendragarh and Gurgaon districts to Delhi. The location of two major industrial concentrations adjacent to the areas less well endowed for agricultural purposes has helped to redress the regional rural income in balance, and the rapid rise of per capita incomes generally has been

associated with the development of a modern tertiary sector in rural areas, covering transport, communications, banking, health and educational services as well as local offices of various branches of government administration. The resulting diversification of rural occupations has substantially reduced the level of direct and indirect dependence on local agricultural and allied activities. With the rise of frequent and efficient low-cost inter-village and village-to-town transport, trade and manufacturing have had a tendency of late to move to the nearest market town. This development is associated in some areas with an explosion in the incidence of daily commuting by village-resident non-farm workers, including people who have established new businesses in the larger villages and market towns.

Politically the state is dominated by the major cultivating castes, and this has been the case since 1956 when a village born Jat, Partap Singh Kairon was elected chief minister. Kairon, who had migrated to the US at the age of 18 and lived, worked and studied there for 10 years, was a 'modern' man. Aggressively secular, influenced on the one hand by ideas and people connected with the Ghadar Party and on the other by a degree from Michigan University and the experience of work in the Ford factory and on farms in California, he visualised for rural Punjab a scientific agriculture, operated by owner cultivators living in villages blessed with a wide range of social and economic infrastructure and linked to each other and the towns by a network of 'pucca' market roads. Kairon also presided over the highly successful programme of consolidation of land holdings and the conferring of land rights on tenants of long standing, which was one of the factors which contributed to a decline in tenancy, and to the rise in the relative importance of self-cultivation by owners to more than two-thirds of the area by 1957. The threat of tenancy legislation induced many landowners to resume land for self-cultivation and the process was accelerated later in response to the possibilities opened up by the introduction

of new HYV seed varieties. The result was that 15 years later the share of area under self-cultivation was above 80 per cent.

Following the setting up of Haryana as a separate state in November 1966, the political leaders of this relatively less developed part of erstwhile Punjab pursued an implicit policy of 'catching up' with their more developed neighbour. Targets in the Fourth Plan (1969-74) and in the early budget documents, both for agriculture and for industry, are repeatedly stated in terms of comparisons, with data given for both Haryana and Punjab to highlight the distance to be covered. It is only in the 1970s that Haryana budget speeches begin to talk in terms of 'first, fastest, and best' – the first state to achieve 100 per cent rural electrification, the highest rate of growth of per capita incomes, the best rural bus service – and so on. While in some important respects from the point of view of poverty alleviation, such as rural employment generation, Haryana has now moved ahead of Punjab, in others, such as per capita SDP and farm output growth rates, Haryana still lags behind. Diversification of the economy and growth of non-agricultural activities is the most striking feature of development since 1961, more particularly between 1971 and 1991. Indicators of this change are summarised in Tables 1 and 2.

Growth rates in non-agriculture have been roughly twice those in agriculture during the past 15 years, running between 7 and 8 per cent for the secondary sector and a bit higher for the tertiary sector. Registered manufacturing has been growing at rates above 9 per cent since 1975, and in the most recent decade unregistered manufacturing at rates well above 10 per cent per year compound. The banking and insurance subsector has also expanded at compound rates from 10 to 15 per cent. Obviously these contrasts between sectoral income growth rates imply rapid change in the structure of the Haryana economy. The combined shares of the non-agricultural sectors in the state domestic product have gone up from only 35 per cent in 1970-71 to a position of clear dominance today with a share of roughly 60 per cent, while agriculture's share has fallen from 64 per cent to something in the neighbourhood of only 40 per cent within two decades. These developments have been associated politically with a series of uneasy alliances between the leading cultivating castes and the expanding rural and urban interests now linked to the fortunes of the growing non-agricultural sectors not only in Haryana itself, but also beyond.

EMPLOYMENT AND WAGES

The workforce structure (Table 3), however, remains dominated by agriculture, but even that is changing rapidly. In the 20 years ending in 1991 the share of non-

agricultural workers in the total (rural plus urban) male main workforce rose from under 35 per cent to nearly 43 per cent. In rural areas alone, the change was less spectacular; the non-farm sector's share in the rural workforce moved up from 23 to 26 per cent. This 1991 figure for rural areas is however greater than in most other states. Only Kerala, Himachal Pradesh and West Bengal report a higher incidence of rural non-farm workers than Haryana. In the ranking of states by share of non-agricultural employment in total employment, Haryana's position improved from eighth in 1961 to fourth in 1991 in the case of rural workforce and from ninth to seventh in case of rural and urban workforce.

For the landless, however – and most of Haryana's rural labour households are landless – growth rates in employment and wage rates are what counts. Measured in terms of persondays of work available, Haryana has had the highest rates of growth of rural employment in the country: in agriculture, in non-agriculture, and hence in all rural persondays of work. There are in fact only two states in India where the overall rural employment position can be said to be comfortable: one is Haryana, the other is Andhra Pradesh. In both cases very substantial increases in non-agricultural employment have been combined with respectable agricultural employment growth rates. Everywhere else, the growth rate in rural persondays employment stands below the workforce growth rate of the state concerned. This simply means that in most states, more and more rural workers are, on an average, getting fewer and fewer days of work. But in Haryana, in agriculture as well as in non-agriculture, the rate of growth of employment, measured in persondays, has been more than double the rate of growth of the workforce (Table 4). NSS data further shows that the personday rate of growth between 1972-73 and 1983 was 3.56 per cent for rural employment, 2.45 per cent for agricultural employment and 7.21 per cent for non-agricultural employment. Furthermore, the NSS Rural Labour Enquiry data show that even though landless labour households constituted 91 per cent of all rural labour households, the share of labour households earning less than the going wage rate was only 3 per cent of the total. This is the lowest amongst all the states. It may be noted that Haryana has the lowest incidence of rural workers getting less than the going wage rate because of debt or other obligations contracted with their employers.

The level of earnings of labour depends upon days of employment and the wage rate; fewer days of work with higher wages may be regarded as better than more days of work with low wages. In Punjab growth of wages has been combined with fewer days of work. In Haryana, however, rapid rural employment growth has been combined with

exceptionally high real wage rates. Regardless of data source and choice of deflator, the real wage rates for farm labour in Haryana are now the highest among states for which yearwise data are available from two official sources (Table 5). The rate of growth of real wage rates in Haryana, however, about the lowest in the country. For the time being this hardly constitutes cause for concern, however. High rates of growth of persondays of employment combined with high real wage rate levels have undoubtedly made a major contribution to the rapid reduction of rural poverty among the land poor in the state. This combination of high wage rates with rapid employment growth also helps to account for the perception widely shared by policy-makers that unemployment among manual workers does not constitute a major problem and that concern needs to be focused on the unemployed educated youth.

The recent collapse of the agricultural workforce growth rate to a mere 0.5 per cent in Haryana merits special mention, reflects the shift of erstwhile cultivators and agricultural labourers to non-farm jobs. What is interesting about this is that the shift took place in Haryana despite the relative much more rapid growth in the number of persondays of work available in agriculture. This implies that the typical farm worker gets employment for a larger number of days. In recent years, also, the expanding opportunities for the absorption of rural labour in non-farm jobs at wage rates typical well above the rates for farm labour, appear to be the key factor in explaining the relative high wages now paid to agricultural labour in states like Haryana.²

TABLE 1: SECTORAL RATES OF GROWTH

	1975-76- 1980-81	1980-81- 1985-86	1985-86
SDP	5.06	6.18	6.05
Primary sector	2.80	4.36	3.62
Secondary sector	8.05	7.72	7.85
Tertiary sector	7.89	8.26	8.38

TABLE 2: SECTORAL SHARES IN SDP

	1975	1980	1985
Primary sector	58.4	52.3	48.0
Secondary sector	17.0	19.6	21.1
Tertiary sector	24.6	28.1	30.9
Per capita SDP (Rs)	938	1060	2314

TABLE 3: WORKFORCE STRUCTURE

	1971	1981	1991
Share of non-agricultural workers (per cent)			
Rural	23.0	25.4	26.4
Rural and Urban	34.6	39.5	42.1

Sources: Census of India; NSS; Sarvekshana.

sector seem to have been instrumental in pushing up the earnings of agricultural labourers. In short, the dynamics of poverty reduction in the 1980s, as it has affected this important poverty-prone class of people, appears to begin with the shift to better paid non-farm activities. In a regime of expanding non-farm work opportunities and rising labour productivity within, as well as outside, agriculture.

However, village studies done in Haryana 10 years earlier in the 1970s, all point almost exclusively to forces operating within agriculture in explanation of the decline in poverty, especially among small and marginal farmers and agricultural labourers. The secondary data¹ also suggest that there was an initial boom in on farm employment both in terms of workers and of person-days. The early expansionary phase in agricultural employment was associated with the spread of irrigation, the introduction of HYV seeds, the increase in fertiliser use, and the rise in the relative importance of tube-well irrigation. This period began in the late 1960s and had run its course by the late 1970s, when negative person-day employment elasticities with respect to yield began to appear for several key crops, including wheat. While it lasted it generated euphoria about the progress of agriculture and about its favourable impact on workforce diversification, transmitted through increased on-farm demand for non-farm goods and services,² which is plainly evident in the annual Haryana budget speeches of the era. The objective basis for the optimism of these years, and the cause for the perhaps excessive preoccupation with agriculture, can be appreciated in the light of the explosive growth in the use of modern farm inputs which was recorded at that time. Salient features of this transformation are summarised in Table 6. In brief, net sown area irrigated as a per cent of net sown area rose from 30 per cent to 70 per cent; the area under HYV seeds rose from 12 per cent to 96 per cent in the case of wheat, and from 2 per cent to 85 per cent in the case of rice; fertiliser use (in terms of kgs per hectare) grew at compound rates in the neighbourhood of 20 per cent per annum for some years, with similar rates of growth recorded also in electricity consumption by agriculture. Most of this went to energise tube-wells and pumpsets in the first instance, and their number grew in the first five years of the 'green revolution', at the astounding annual compound rate of 45 per cent. The state government budgets throughout these years were overwhelmingly dominated by agriculture related expenditures. Their main contribution to industry came under the head of electricity generation and distribution, but in the case of industry, the highest recorded decadal growth rate in electricity

consumption was 12.5 per cent for the decade ending 1975-76, a figure far below the corresponding one for agriculture of 22 per cent compound for the same decade. Since the mid-1980s, the pattern of growth of electricity consumption has changed. Now the highest rates of growth in consumption are recorded by non-agricultural, non-industrial users - in particular, the categories 'offices and workshops', 'domestic consumers', and 'public water works' - an interesting reflection of the character of economic growth in the 1980s - in particular the rise in the relative importance of the tertiary sector, both in terms of incomes and in terms of employment, in rural areas as well as urban. These developments were associated with the rapid drawing down of the numbers of rural people living in poverty, and the decline to exceedingly low figures of the incidence of dire poverty.

II

Poverty Levels, Poverty Reduction Performance, and Their Determinants

Haryana's head count poverty ratio, which was always one of the lowest in India, also appears to have been declining continuously over time. With an overall head count ratio of 21.90 and a rural one of 23.17 in 1987-88 according to one estimate, Haryana now enjoys the second lowest incidence of poverty in the country. This is a considerable improvement over the 1970-71 ranking of fourth place and a poverty incidence of roughly 40 per cent in both rural and urban areas. Most of the improvement in Haryana's rank can be attributed to the decline in rural poverty. The urban poverty reduction performance of the state is less impressive, as well as less important in terms of the weight of the urban population in the total rural plus urban population.

Head count ratios by themselves, however, do not tell the whole story. Minhas, Jain and Tendulkar's (1991) work highlighted another important facet of the Indian 'poverty reduction' record; growing populations have, in the majority of states, cancelled out the qualitative improvements reflected in generally declining head count ratios. Haryana is one of only six major states (out of 17) where, despite population growth, the absolute number of poor people in rural areas was smaller in 1987-88 than it was nearly two decades earlier. (The other five states where there were fewer poor rural people in 1987-88 than in 1970-71 are Andhra Pradesh, Kerala, Tamil Nadu, Punjab and Gujarat). In all of these states except Tamil Nadu, the major improvement came in the first dozen years of the period. Haryana recorded the most rapid rate of decline of any state from 1970-71 to 1983, a reduction at the rate of 4 per cent per year in the incidence of rural poverty. The subsequent rate of improvement up to 1987-88 was undistinguished at less than 1 per cent per year. The bad harvests of 1987-88 undoubtedly have a great deal to do with Haryana's poorer performance in the later period. In 1987-88 farm output in Haryana was nearly 18 per cent less than in the preceding year, and far below trend. The net result was that although the head count ratio continued to fall during the last four-and-a-half years of the entire period, the absolute number of poor rural people rose at a rate of just under 1 per cent per year. Given the substantial positive impact of growth on the incidence of poverty, it is likely that a normal harvest would have been associated with a further fall in the absolute number of poor people in rural Haryana, rather than a rise.

Decomposition exercises, [Jain and Tendulkar 1990; Tendulkar and Jain 1991], reveal further that in Haryana, changes in rural consumption expenditure distribution

TABLE 4: CHANGING STRUCTURE AND GROWTH OF RURAL WORKFORCE, 1977-78 TO 1987-88 (NSS Usual Principal Status Workers, Male and Female)

Sector/Sub-sector	Shares of Specified Sectors		Compound Growth of Rural Workforce 1977-78 to 1987-88
	1977-78	*1987-88	
Agriculture	77.84	73.20	0.67
Non-agriculture	22.16	26.80	3.23
Mining	0.03	0.39	29.24
Manufacturing	7.40	7.58	1.51
Electricity, gas and water	0.14	0.66	18.59
Construction	3.19	3.17	1.22
Trade	2.74	5.52	8.63
Transport	1.68	1.84	2.21
Services	6.96	7.64	2.23
Total	100	100	1.29

Sources: 1 Sarvekshana, Volume V, Nos 1, and 2, 1981.

2 NSSO (1987) 'Results of Third Quinquennial Survey on Employment and Unemployment', Report No 341, 1987.

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have reinforced the favourable impact on head count ratios of improvements in real per capita total expenditure. Of the 18 states studied by them only four others enjoyed both favourable growth effects and favourable distribution effects - Gujarat, Orissa, Madhya Pradesh, and Punjab. Haryana recorded the largest favourable distribution effect of any state in India. This achievement seems to have been the fortuitous outcome of the growth process itself, rather than the result of measures taken to redistribute assets, incomes, or social consumption goods in favour of the poor.

At least one effort to integrate the possible effects of direct anti-poverty interventions into the analysis has been made, but it does not generate conclusive results. Kakwani and Subbarao's (1992) work suggests that in states where growth has been accompanied by worsening rural consumption distribution, an especially strong case can be made for pushing poverty programmes. This point is well taken. They go on to argue however that such schemes may be responsible for the decline in inequality in consumption in many states during 1977-83. In the Haryana case, at least, the evidence does not support this interpretation. The decline in poverty due to a decline in inequality in Haryana, according to their figures, was even larger in the preceding period, 1973-78, when no such poverty programmes were in place. Moreover, alternative explanations spring to mind. In Haryana, in particular, it seems more likely that the rise in farm incomes and in demand for agricultural and other wage labour, holds the key. In the end, Kakwani and Subbarao themselves agree that no direct link can be established between the introduction of poverty alleviation schemes and the decline in rural consumption inequalities. They write 'it is difficult to identify the factors that may have contributed to the decline in inequality in many states during 1977-83.' [Kakwani and Subbarao 1990]. The rise in real wage rates, and in some states such as Andhra Pradesh and Haryana the increase in on-farm employment, and the shift of rural workers to non-farm jobs which properly got underway during this period, all seem likely candidates for testing. In short, future analysis needs to consider a number of competing explanations for the observed declines in consumption inequalities: the vigorous pursuit of certain poverty alleviation programmes may indeed turn out to be the explanation for changes over time in a few states, but Haryana does not appear to be one of them.

Disaggregated studies, based on NSS data arranged by household main income source, indicate that, at least in some years, in Haryana, agricultural households are better off than households engaged in rural

manufacturing, transport or services. The relatively low incidence of poverty among rural construction worker households also shows that in Haryana, the construction industry has not been acting as a sump for surplus labour, as it has in most other states. The same studies also demonstrate that past investments in both rural and urban infrastructure account for most of the stark interstate contrasts in poverty recorded for the eight household categories covered [National Commission on Rural Labour 1991]. The quality of agricultural and other rural infrastructure is crucial; investment in the upgradation of rural infrastructure, it appears, is the single most effective rural anti-poverty programme. The evidence also suggests that agricultural infrastructure should be made priority number one.

This is precisely what happened in Haryana. Indeed the initial, almost total pre-occupation of development policy with irrigation, electricity and market roads seems to be the basis for the success of the Haryana policy. But it should also be stated clearly that this strategy was not conceived as a set of measures to relieve poverty. It was seen rather as the road to prosperity for the majority, and with regard to backward regions, explicitly as a means to overcome regional disparities by extending to hitherto lagging areas the irrigation facilities already available to the more advanced ones. Its anti-poverty effects emerged as a by-product of the main thrust which was never directed particularly in favour of 'the bottom 20 per cent'.

Field survey based studies reveal how this strategy worked to reduce the incidence of poverty among different categories of households, mainly dependent on agriculture. An additional advantage of the series of village level studies done in Haryana between 1969 and 1975-76 is that they make it possible to link together the adoption of new technology, household investment and savings, incomes, consumption patterns, and poverty reduction directly.

IMPACT OF GREEN REVOLUTION

The first comprehensive overview of the impact of the 'green revolution' published in 1974 [G. S. Bhalla 1974], covered land productivity, incomes, consumption, savings, and investment. The reference period for the field survey conducted in early 1971 was the crop year 1969-70. Data was collected from 723 cultivating and 142 agricultural labour households in 100 villages in Haryana. This was followed by a second large-scale field survey carried out in 153 sample villages from October 1972 to October 1973, covering 382 agricultural labour and 1,004 cultivating households [S. Bhalla 1976, 1977, 1981,

1989]. Both the next two studies [Sidhu 1991, Sharma 1992] relied on the same primary data from a survey conducted in 1975-76. The data came from 3,412 cultivating, 484 wage labour and 485 other non-cultivating households in 329 Haryana villages.

What these studies show, in brief, is that poverty in rural Haryana has been predominantly a problem of wage labour households and among them particularly of agricultural labourers. Cultivating and other non-cultivating households have both had lower head count ratios and a smaller absolute number of people involved in poverty. The adoption by cultivating households of the new technology appears to have cut the incidence of poverty among them to less than half the figure for the 'non-adopters', by the mid-1970s.

TABLE 5. GROWTH OF WAGE RATES

	1971-72	1977-78	1983-84
Money wages (Rs) CSS	10.27	13.55	21.26
Rank among 13 major states	1	1	1
Agricultural wages data AWI	6.84	10.44	19.35
Rank	1	1	1
CPIAL deflated real wages	21.89	17.84	18.08
Rank	1	1	1
Dominant food grain price deflated wages	16.74	16.70	17.89
Rank	1	1	1

- Notes: 1 The methodology for deriving CSS money wage rate figures is given in Sheila Bhalla, *Rural Labour Markets and the Incidence of Poverty*, 1991. The underlying data comes from the 'Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in India' directorate of economics and statistics, ministry of agriculture, government of India.
- 2 The AWI (Jose) money wage rate figures come from Tables 3A and 3B (page 42-43) in A. V. Jose, *Agricultural Wages in India*, Asian Employment Programme Working Paper, ARTEP ILO, New Delhi, 1988. The data comes from the annual *Agricultural Wages in India* published by the directorate of economics and statistics, ministry of agriculture, government of India.
- 3 The dominant foodgrain deflation is the index of farm harvest prices for the crop which supplies the bulk of foodgrains consumption of rural labourers as indicated by data from Rural Labour Enquiry Reports.
- 4 CPIAL Consumer Price Index for Agricultural Labour.
- 5 CSS Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in India.
- 6 AWI Agricultural Wages in India.

By 1983, although head count ratios had dropped dramatically in Haryana, the poverty profile across similar broad household categories still had not changed. Agricultural and other rural wage labourers were roughly four times more likely to be poverty stricken as members of households self-employed in agriculture. The most remarkable feature, however, is the collapse, apparently only after the mid-1970, of poverty among the agricultural labourers, from something in the neighbourhood of 60 per cent to a figure below 15 per cent. And it is far from self-evident, from the figures reproduced in Table 7, that this rapid amelioration had anything to do directly with the green revolution and its impact on the earnings of this section of the rural workforce.

The field surveys' evidence for cultivators, on the other hand is direct and unambiguous. About the beneficial impact of the green revolution on the condition of labourers the picture is considerably complicated by the emergence during the 'expansionary phase' in on-farm employment of a new kind of differentiation - that between permanent and casual labourers, concurrently with the rise of dairying among them and the expansion of rural non-farm job opportunities. In short, a great many things happened at once which may be thought to have affected the condition of wage labour households. All these studies, however, tried to untangle the skeins and to identify the sources of the perceived improvements in the levels of living of proletarian households.

The impact of the new technology on the earnings of cultivators and on the employment of hired labour seems to have been immediate, and positive for all classes of cultivators even those with what at that time were deemed submarginal holdings. Productivity per acre nearly doubled for each category of cultivators [Bhalla 1974 42] shifting the 5 to 10 acre class from deficit to 'viable' status but leaving the average 0 to 5 acre cultivator running a loss on a farm business income basis counting paid out costs only. Households adopting the new technology spent far more on hired labour than the non-adopters, with the bigger farm operators hiring in relatively more. 'For each additional acre of operational area, the progressive cultivators spent Rs 81.90 on hired labour compared with only Rs 29.80 spent by the non-progressive cultivators' [Bhalla 1974 44]. A substudy on the income structure of agricultural labour households produced the first evidence of a rise in the importance of permanent labourers in the hired farm workforce in the green revolution regions. This was attributed [Bhalla 1974 94] to the availability of 'more continuous work' in the technologically advanced areas. In the process what happened to the landless households which remained dependent on casual labour was not noted.

Evidence on this came to hand only in the subsequent 1972-73 study.

The key findings of the 1969-70 study, however related to the impact of the adoption of new technology on the incomes, income distribution, savings and investment behaviour of cultivating households. It was found that "since the green revolution has substantially increased the income levels of each category of cultivator", 'the income disparity between the lowest non-progressive and the highest progressive cultivators have tended to increase' [Bhalla 1974 47,51]. However, it was also noted that among the growing set of households which had adopted the new technology, income disparities were less than among the group which continued with traditional input practices. Thus it was concluded that the green revolution had not only increased incomes, it had also "tended to reduce rather than aggravate income disparities among the adopters" [Bhalla 1974 49].

One of the most striking features of the results was the remarkable change in the savings behaviour of the beneficiaries of the green revolution. For non-adopters, of all acreage classes combined, the average propensity to consume was found to be 0.99. The corresponding figure for the progressives' was only 0.70, indicating a major difference in the capacity and the motivation to save. Contrasts in their consumption levels were much smaller.

One other important, and at that time unexpected finding was that agricultural labour households were better off than the 0 to 5 acre non-progressive' cultivators. This finding was confirmed by the analysis of all subsequent field work-based studies done in Haryana during the 1970s. The figures from the 1969-70 field survey are reproduced in Table 8. This outcome, it appears, was in part a reflection of the increased demand for hired labour in the green revolution belt.

The index numbers of real wage rates there showed the biggest increases between 1960 and 1970 by 19 to 26 per cent, while real wages in the backward southern region remained virtually unchanged. Bhalla (1974) commented that the 0 to 5 acre cultivators appear to be involved in farm operations despite the fact that in most parts of Haryana, they could have done better financially, had

they earned their livelihood by offering their labour to other cultivators at prevailing wage rates" (1974 29). Many of them were already doing so to some degree as "a substantial proportion of income of households in this category is being derived from work as agricultural labourers" (1974 99).

One final feature of the 1969-70 findings on agricultural labour households needs to be noted, because it not only persisted but became increasingly important as time went on. This is the part played, in agriculturally backward regions where demand for labour had not at that time yet risen, by dairying, and income from non-farm sources, in jacking up the incomes of wage labour households. The 1969-70 evidence is presented in Table 9.

CHANGES IN EMPLOYMENT LEVELS AND STRUCTURE

As the green revolution matured the train of events which left some agricultural labour households below the poverty line despite rising wages and employment, began to take on an identifiable shape. By 1972-73 the surge of small farm households into the hired labour force reported in S Bhalla (1976) had become a source of grievance for the landless who complained that landed households were taking away their jobs in particular the secure permanent labour jobs. While 0 to 2.5 acre operators accepted casual as well as permanent labour jobs, members of bigger farm households in the prime green revolution regions took up permanent labour jobs almost exclusively. Given the fact that in the prime green revolution regions, more than half of all hired labour days demanded were permanent labour days, the changes on the demand and on the sources of labour supply side combined, tended to eat into the share of the employment cake, which would otherwise have gone to agricultural labour households. For landless households with no working permanent labour member the number of casual labour days work available in some technologically advanced regions actually went down [Bhalla 1981].

Meanwhile a large subset of agricultural labour households went into dairying, either for the first time or on an expanded scale, so also did small farmers. Among the small

TABLE 6 SALIENT FEATURES OF AGRICULTURE TRANSFORMATION

	1965-66	1975-76	1988-89
Double cropped area as percentage of net sown area	21.9	50.4	68.7
Intensity of cropping	1.22	1.50	1.69
Irrigation rate	36.6	48.4	71.0
Fertiliser (NPK) use of (kg per hectare)	6.30	17.78	84.7
	(1967-68)		
Number of tractors	4803	37965	102840
Net area sown (ha per tractor)	713	96	35
Share of agriculture in electricity consumption	22.7	37.0	47.4
	(1966-67)		(1989-90)

farmer set, the 'viability line' moved down further in the green revolution areas to just under 2.5 acres instead of the 5 acres reported in the study based on the 1969-70 field survey. This was associated with the introduction of HYV crops in two seasons, instead of just one, and a sharp differentiation in the labour supply behaviour of the 0 to 2.5 acre operators as compared to everyone else. In the technologically advanced regions, these very small acreage operators put back their supply of family labour to their own farm operations to less than one-third the number of family labour days put in by the next, higher, acreage class, and began to hire out the majority of all labour days supplied. In the two non-green revolution regions, the bulk of the labour supplied by the under 2.5 acre operators continued to be in the form of unpaid family labour on their own holdings. Thus, a direct consequence of the green revolution seems to be that by 1972-73, the 0 to 2.5 acre operators were hiring out most of the field crop labour days supplied by them. An indirect consequence was that they reallocated a substantial part of their time in favour of animal husbandry and against own-farm unpaid field crop labour. (The investment data for these households revealed the recent establishment or major expansion of animal husbandry enterprises by many of these small farmers.) Together, the influx of small farm household members into the hired agricultural labour force and into animal husbandry sideline activities, accounted for much of the low per acre input of unpaid family labour into field crop work on their own farms. It also produced the result that the inverse relationship between farm size and per acre labour input vanished except in the southernmost arid region. It was replaced, in four out of five regions, by a positive relationship.

Despite their reallocation of time in favour of the hired labour force, however, the small farmers failed to get as much employment as the landless workers did in the technologically advanced regions. The typical landless agricultural labour household in four out of five regions supplied more than 100 field crop labour days per year, and at least 125 days in each crop season. This annual figure is more than twice the number of days worked by households operating under five acres in the same four regions – 26 days annually – even when the unpaid family days and the hired out days of landed households are both counted. Table 10 gives details.

THE STUDY CAME TO THE FOLLOWING CONCLUSIONS

In general, it appears that occupational diversification builds in a more effective 'floor' to earnings than the high average

agricultural labour income in the greenest of the green revolution areas in Haryana (Region II). The same phenomenon operates effectively, but to a lesser degree, in Region III. The lesson is that a high level of irrigation and widespread adoption of the new farm technology is not enough. The 'trickle down' process does not reach the income strata at the bottom in regions with high incomes but little occupational diversification.

Aside from the heavy concentration of workers in cultivation and agricultural labour in the most prosperous region, two characteristics of the changed pattern of field crop labour supply and demand may have pushed some households to the wall. One was the entry, on a large scale, of members of landed households into the hired agricultural labour force. Had they stuck to cultivation (as they seem to have done in Punjab), or moved out into non-agricultural jobs, the landless would of course have been the sole beneficiaries of the dramatic increase in demand for hired agricultural labour in the early 1970s. But this is beside the point. The fact is that the members of landed households competed with the landless for paid farm labour jobs, precisely because these jobs were more attractive than the alternatives available at that time. The cause, and the cure, for this seems to have been located outside the agricultural sector.

The second factor was the new structure of demand for hired labour itself. In the two most advanced regions, the predominance of hired permanent labour so depressed the

number of casual labour days work available that landless households got fewer days of casual work than their counterparts in less developed areas. The households which suffered on this account belonged to the minority subset whose members engaged exclusively in casual labour. While most landless households earned more than they ever had, the ones who failed to get in on the permanent labour 'bonanza' got stuck with the worst of several possible worlds.

Thus the fact that the rate of rural occupational diversification in Haryana generally really took off only after the mid-1970s, may account, partly, for the persistence of high poverty levels among agricultural labourers well into the 1970s. Within agriculture, the peaking of demand for permanent labour in roughly 1977-78¹ appears to be the other identifiable contributory factor.

How much of the occupational diversification which took place in rural areas is due to the rise in on-farm incomes is also debatable. Recent studies [Papola 1987; Kundu 1991] find that in Haryana the rural industries which grew most neither use inputs from nor provide inputs to agriculture. Many are ancillaries for the bigger town-based industries of the south-eastern region of Haryana. This position is confirmed more generally by an analysis of cross-section statewide data repeated for each of the census years: 1961, 1971 and 1981. The link between agricultural productivity and the degree of rural workforce diversification was strong and highly significant at the

TABLE 7: HARYANA RURAL HEAD COUNT RATIOS FOR BROAD HOUSEHOLD MAIN INCOME SOURCE CATEGORIES

Household Main Income Source (1)	Head Count Ratios (Per Cent) for Specified Years and Poverty Lines				
	1969-70 (Rs 20) (2)	1972-73 (Rs 15) (3)	(Rs 20) (4)	1975-76 (Rs 15.90) (5)	1983 (Rs 15) (6)
Agricultural labour	61.15				13.34
Landless agricultural labour		52.26	64.86		
Wage labour				63.43	
Non-agricultural labour					14.51
Other non-cultivating households (other than 'wage labour')				49.69	
All cultivators				30.80	
HYV adopters				20.71	
HYV non-adopters				43.59	
Self-employed in agriculture					3.47

- Notes: 1 Column 2: Rs 20 per month, at 1960-61 prices, CPIAL deflator. Source: G S Bhalla, (1974:105).
- 2 Columns 3 and 4: Rs 15 and Rs 20 per month respectively, at 1960-61 prices, CPIAL deflator. Source: Table 22, pages 73 S Bhalla (1981).
- 3 Column 5: On labour and non-cultivating households; poverty line of 48-97 per capita per month at 1975-76 prices. CPIAL deflator used to update a 1960-61 rural poverty line of 15.90 for rural Punjab including Haryana, estimated by Bardhan (1970). Source: Sidhu (1991: 233, Table 6.10).
- 4: Column 5: On cultivators, HYV adopters and non-adopters, poverty line of 48.66 per capita at 1974-75 prices. CPIAL deflator to update 1971-72 NSS based data. Source: Sharma (1992: 142, Table VI.10).
- 5 Column 6: Rural Labour Enquiry/NSS data, Table 21.

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start of the 1960s; it weakened by 1971, and had disappeared by 1981 [Bhalla 1992].

The Sidhu (1991) and Sharma (1992) studies were both based on data gathered in 1975-76, that is, at about the time of the turning point for many of the variables thought to have been important in explaining the household and regional poverty patterns among landless households in Haryana in the early 1970s. This was also just before the larger cultivators changed their strategy for dealing with the problem of rising labour costs. Labour (and bullock) displacing mechanisation replaced the permanent labour contract as the chosen means. The evidence on the substitution of capital for labour, and of casual labour in place of workers on long-term contract, began to accumulate from about 1977-78 onwards.

The Sidhu (1991) study, based on 1975-76 data, addressed three main questions. Do agricultural labourers in successful new technology areas have more days of work? Do they get higher wages in such areas? And, if yes, does it get reflected in their consumption patterns and levels of living? His study confirmed, first, that the new technology had tended to raise the share of attached, or 'permanent' labourers in the total, and that there was "a definite negative relationship between the proportion of attached labour and the level of unemployment" [Sidhu 1991:260]. From this it was inferred that it was primarily demand conditions which had led to the predominance of long-term labour contracts, and that employers adopted the permanent labour solution both to ensure some labour supply in peak seasons, and to avoid the high costs of casual labour during these peaks. The practice was found to have "reduced the work availability for casual workers in terms of number of days", although it had not significantly affected the overall employment prospects of all the wage labourers (1991:261).

While it was found that mechanisation was tending to aggravate the unemployment problems of wage labourers, "the combined effect of controlled irrigation, high yielding seed varieties, and fertilisers on farm employment", as of 1975-76, still "dominated over that of mechanisation" [Sidhu 1991:27]. An average wage labourer got work for 289 days per year in Punjab and for 303 days in Haryana, and an average casual worker for 241 days in Punjab compared to 258 in Haryana. Thus the relatively better agricultural employment position in Haryana, discussed in later documents,⁶ had already emerged by 1975-76. The typical wage labour household in Haryana also possessed more animal wealth. However, wage rates for attached as well as casual labour were at that time higher in Punjab than in Haryana. Regression

analysis showed that alternative employment opportunities outside agriculture helped to reduce the incidence of unemployment among rural wage labourers. Last but not least, a negative and statistically significant relationship was found between the incidence of poverty among wage labour households and among other non-cultivating households, and the level of agricultural development of districts as measured by productivity per acre or per male agricultural worker. Sidhu found that "accelerated agricultural growth, even within the existing institutional set up does help, to some extent, in alleviating the problem of absolute poverty prevailing among wage labour and other non-cultivating households (1991:266). He concludes: "our results show that agricultural growth, availability of employment opportunities outside agriculture and higher wage rates tend to reduce poverty significantly" (1991:267). The "trickle down hypothesis... is more or less confirmed" (1991:266). In short, the Sidhu study verifies and extends the results obtained from field work conducted three years earlier.

The Sharma (1992) study, which focused on cultivators, generated results not much different from the Bhalla (1974) work based on a field survey conducted six years before, in 1969-70. There seem to have been few qualitative changes in the intervening period. The most important ones were, first, that while the proportion of large farmers adopting the new technology was higher, the "intensity of adoption" decreases with farm size. The result, by 1975-76, was that "the per acre output and income gains were higher for the small size groups" [Sharma 1992:123]. Second, it was established that among cultivators "the adoption of new technology... has made a substantial dent on absolute poverty and on the intensity of poverty" (1992:142) measured in terms of head count ratios and the Sen P measure, respectively.

The picture which emerges from the village surveys thus supports the view that the operation of a trickle down mechanism was the key element in the Haryana poverty reduction process. The impact on cultivating households was direct, immediate, and sustained. But for labour households, the evidence indicates that diverse factors were operating simultaneously. Most of them were favourable - wages and employment, for example. But the spread of the institution of long-term 'permanent labour' contracts in the first half of the 1970s, and the rise of mechanisation a little later, both operated to deprive some segments of the hired farm workforce of jobs. The net result, however, was an improvement in the economic welfare of the wage earning class, but this outcome was at least in part traceable to the expansion of non-farm job opportunities - a factor not directly attributable to the 'agriculture first'

strategy of the Haryana government, even in the early years of the 1970s.

QUALITY OF LIFE INDICATORS

Assessments of Haryana's creditable poverty reduction performance, based on economic indicators such as head count ratios, wage levels or employment, need to be balanced, however, by an examination of non-economic rural 'quality of life indicators'. This is necessary because there is a gross asymmetry in the Haryana rankings between these two kinds of measures. The Haryana record on provision of social consumption goods has been poor, and on some related mortality and other demographic indicators of welfare, the Haryana performance has been among the worst in the country. This asymmetry reveals the limitations of excessive reliance on the dynamics of 'trickle down' processes, however successful these may be in their own, economic, sphere.

Thus, among 16 states Haryana ranks sixth in terms of male child mortality, and 12 in terms of female child mortality rates. Moreover, no other state registers such a wide gap between male and female child death rates. The difference contributes to the appalling rural sex ratio: 876.66 females per thousand males in 1991. This is the worst sex ratio of any state in the country. The 1972-73 field survey, discussed earlier, found that the really bad sex ratios were an attribute of landed households; the sex ratios for agricultural labour households were far better. For men and women together, life expectancy comes to just under 55 years, a figure which places Haryana fifth in a ranking of 14

TABLE 8: PER CAPITA INCOME AND CONSUMPTION OF AGRICULTURAL LABOUR AND SMALL FARM HOUSEHOLDS

Indicator	0 to 5 Acre Farm Operators		
	Agricultural Labour Households	Non-Progressive	Progressive
Per capita income	382.41	316.70	437.55
Per capita consumption	454.41	447.50	525.40

TABLE 9: INCOME STRUCTURE, BY SOURCE, OF AGRICULTURAL LABOUR HOUSEHOLDS, 1969-70 (per cent)

Income Source	Northern Region	Central Region	Southern Region
From Agricultural labour permanent	65.9	60.0	13.4
From Agricultural labour casual	26.1	29.5	61.5
Dairying	5.8	2.7	13.3
Other sources	2.2	7.8	11.7

states Kerala stands first, followed by Punjab, Karnataka and Maharashtra, in that order.

Some of the reasons for the disproportionately high female child death rates, and the poor survival rates of women despite the relatively low incidence of poverty, emerge from the NSS 42nd round data on social consumption. Rural Haryana records the lowest incidence of hospital births in India less than 2.5 per cent of all rural births take place in hospital. Probing questions to find the reasons why so many births were taking place outside hospital elicited the response, in two-thirds of the cases, that domiciliary birth was 'preferred'. Although this response was a fairly common one in rural India in only four other states did more than half the 'non-hospital birth' respondents offer this as the reason. These states were Madhya Pradesh (57.41 per cent), Punjab (53.96 per cent), Gujarat (51.32 per cent), and Rajasthan (51.00 per cent). Two of these states - Punjab and Gujarat - are also among the richest in the country.

On the paediatric care and immunisation fronts also, rural Haryana's performance is unimpressive. Much poorer states, such as Tamil Nadu, Karnataka and Kerala, all appear to provide distinctly superior rural child care and immunisation services. Tamil Nadu, in addition, can boast of an outstanding pre-school age supplementary food programme.

In short, 'public' priorities on the rural health front evidently do not include the provision of the kind of social consumption goods covered by the NSS 42nd round (1986-87) survey. The health needs of women and children, in particular, appear to come lower down on the priority list than in almost any other state.

The literacy picture, however, appears to be getting better even faster in Haryana than it is in India as a whole. Haryana now ranks fifth among 14 states in male literacy and ninth with respect to female literacy. In 1971, the figures were ninth and 10th, for males and females respectively. For males in the 10 to 14 age group the picture is even better. Haryana has now moved up to second position. The comparable figure for females in this age group has gone up to fifth place, as compared to 10th place for the corresponding population of 1971. Rural education in Haryana thus seems to be involved in a catching up process. Recent field work⁵ indicates that the movement of rural children into high school and college education has gained momentum. Excellent rural and rural-urban transport both public and private has been playing an enabling role by improving access to higher education. This in turn is now leading to a major change in the level and character of work participation by young rural women.

In some states the public distribution systems have become important institutions

for ensuring the access of the rural poor to minimum foodgrain requirements. But in Haryana, kerosene and sugar are the only commodities purchased in significant quantities from rural PDS outlets. The staple foodgrain wheat, is generally not supplied through the rural public distribution system, the NSS 42nd round did not record even a single case of any rural PDS purchase of wheat. Moreover, very few respondents reported purchasing wheat at all, from any source - a mere 18 per cent of rural persons. This suggests the overwhelming importance of self-provisioning, either out of home produced wheat or out of in-kind wages. But these NSS results do not quite tally with the findings of independent field surveys. While Bhalla (1974) confirms that the bulk of cultivators' consumption is home produced, Sidhu (1991) finds that more than 80 per cent of the cereal requirements of wage labour and other non-cultivating households were met through market purchase.⁶ Since wage workers' and other non-farm households constitute about half the rural household population, the NSS estimate of 18 per cent purchasing wheat at all from any source, seems too low. But the fact that all or nearly all of those who buy wheat get it from non-PDS sources is correct. Although wage labour households would undoubtedly gain from 'green card' status along the lines of the Andhra experiment, there does not seem to have been much political pressure to extend the commodity coverage of the skeletal rural fair price shop system in Haryana. Indeed, one version of Haryana's Eighth Plan suggests that the pressure is coming from Delhi! Thus the rural public distribution 'system' may remain what it was - a minor appendage of a co-operative movement whose role is visualised almost exclusively either in terms of inputs for agricultural production, or in terms of agro-processing including sugar mills, distilleries, ginneries, spinning mills and dairy development units. In short, Haryana's public distribution system was never designed as an instrument for ameliorating the rigours of rural poverty hence it can hardly be

expected to function like one. More will be said about the place of PDS outlets in the Haryana scheme of things in the next section.

On most other elements in the usual basic needs array, Haryana scores near the top. Haryana is the only state where all drinking water sources are reported to be perennial and nearly 98 per cent of all drinking water comes from taps, tube-wells, handpumps or pucca wells. Tube-wells and handpumps are the dominant source, taps are the second most important source. In 1986-87 more than 60 per cent of dwellings were electrified, and less than 30 per cent were 'katcha'. As in Punjab, the vast majority of dwellings are regularly disinfected. However, on the in-house sanitation front, rural Haryana ranks at the bottom, with scarcely 1 1/4 per cent of all households reporting a latrine in or around the house. In this case there seems to be considerable political interest. Budget and plan documents talk in enthusiastic terms of upgrading the sanitation and sewerage facilities in villages and large towns. If plans presently afoot are carried through, there will be a considerable change during the present decade. The matter is discussed further in the next section.

To sum up, the growth process in Haryana seems to have had several desirable properties: it reduced both the head count ratios and the absolute number of poor rural people, it improved income distribution, and towards the end of the 1970s, it enabled a substantial number of people to step into non-agricultural jobs in rural areas themselves, or in nearby towns. High levels of public investments followed by private investment in agriculture in the first instance seems to have been the key to this success story. In short, the picture which emerges from the Haryana village surveys of the late 1960s and the early to mid-1970s supports the view that the trickle down mechanism, which originated in agriculture, is what worked in the Haryana poverty reduction process. For wage labour households, in addition, the expansion of non-farm employment played an increasingly important role, as the green revolution

TABLE 10 PER HOUSEHOLD SUPPLY OF UNPAID AND HIRED OUT FIELD CROP LABOUR (STANDARDISED MANDAYS)

Household Group	Region I (Wet Hilly Poor)	Region II (Prime Green Revolution Area)	Region III (Second Most Region)	Region IV (Arid, Backward Advanced)	Region V (Mediocre HYV Crop in One Season Only)
Landless labour households	463.6	404.1	320.4	302.1	173.7
0 to 2.5 acre operators	49.6	141.7	141.2	51.4	53.5
2.5 to 5 acre operators	132.3	174.4	178.1	101.9	109.4
All acreage class operators (other than landless)	168.2	288.5	234.5	131.7	166.7

Source: S. Bhalla (1981) based on 1972-73 field survey

'matured'. In the improved conditions of low income households, the public distribution system could have played, at best, a marginal role, for the excellent reason that it does not supply the staple foodgrain, wheat, at all.

Finally, Haryana's discreditable health, mortality, sex ratio, and sanitation figures reveal that 'trickle down' processes cannot at all be relied upon to generate benefits outside the strictly economic sphere. There are, it would seem, no automatic spread effects into either the social or the political spheres. The rural groups which dominated in the 1960s continue to dominate today, and there are no noteworthy concessions, in the form of policies and programmes to uplift those who eke out their existence at the bottom end of the economic scale. Nor are there any new schemes which might be thought to reflect an improvement in the political clout of the rural landless, or near landless workers, or of women as a generally disadvantaged rural group. The series of special provisions for members of scheduled castes, however, may be interpreted as an exception to this otherwise general proposition. It is even possible that the prominence given to some of these measures in recent years indicates that scheduled caste voters are an acknowledged constituency, worth cultivating by means of measures directed explicitly to their individual and group welfare. These and other measures are discussed in Section III.

III

Haryana Strategy in Perspective

This section begins with broad questions of development strategy in Haryana's own historical perspective. Interviews with state and central government officials associated with the making of Haryana policies and programmes provide a view from New Delhi as well as the Chandigarh assessment. The factual framework for these interpretations has been culled from a series of documents, in particular budget speeches, five-year plans and programme appraisals, and reports of official working groups and committees. The aim is to find out how the distinctive features of Haryana's development priorities and official perceptions emerged, and what shaped the current dismissive attitudes to conventional poverty alleviation packages. This section ends with an account of the programmes in operation, the sometimes conflicting comments of state and central government officials on them, and their suggestions for alternative approaches to some of the centrally-sponsored poverty alleviation programmes.

It is generally agreed that the governments which gained power in Haryana from 1966 were dominated by rural interests, in particular the 'bullock capitalists' allied with

the larger landowners. Moreover, it is argued that it was, at least in part, an accident of history that their vigorous pursuit of their own interests served others as well as themselves so well. Haryana's version of an agriculture-led growth strategy was well launched by the time concern began to be expressed by 'outsiders' about what might happen in the process to the landless and the land poor. Insiders tended to assume that when agriculture grew, everybody benefited. There seems to have been no real second thoughts on this score.

Even in subsequent decades, the notion that specially targeted poverty alleviation programmes might be needed never gained much ground, for several reasons. One was because events gave such ample support to the contention that 'trickle down' processes could be relied upon to do the job. As Haryana's green revolution took off, the improvements in the economic welfare of all sections of rural society were sufficiently rapid, and large enough, to be obvious to those overseeing events. Moreover, the fact, later recorded by Kakwani and Subbarao (1992) that rural consumption inequalities got reduced; the fact that work opportunities opened up for the landless [Sidhu 1991]; and that small farmers gained more per acre than larger ones, in income as well as output terms [Sharma 1992], all combined to take the edge off any rural based potential political opposition to an unadulterated 'agriculture first' growth strategy.

The role and emergence of the industrial sector of Haryana must also be noted. A remarkable feature in this context is the absence of an effective state level political presence of industrial interests. One reason, it seems, was that industries, concentrated mainly in Ambala district near Chandigarh and Faridabad near Delhi, were established by 'outsiders'. Faridabad was developed for resettlement of refugees from Pakistan, who lived in Delhi but worked in Faridabad. During the 1970s and the 1980s, large-scale industrial units were set up by well known Indian firms such as Eicher, Escorts, Goodyear, Kelvinator, and Larsen and Toubro. Even though Faridabad industries contribute more than half of the state government's budgetary revenues, interest in them is focused primarily on the concern for finding jobs for educated rural youth. The notion of dispersed and balanced industrial development with local rural linkages has given way to the notion of concentrating industrial activities at a few selected points with a cluster of ancillaries around larger units.

The strategy of 'industrial concentration', however, did not lead to enclave development. The impact of industrial agglomerations of large and small scale units in rural areas and market towns was tremendous. In the rural small and tiny sector,

local entrepreneurship thrived, much of it by way of tie-ups with 'mother industries' in the urban industrial townships. Today there are estimated to be about 6,000 such ancillaries feeding the Faridabad complex alone. These units now exist in rural areas side by side with trading and traditional, craft like ventures, some of which, like khadi or embroidered shoes, have also found for themselves an urban market. Given the high standards of rural transport, power, banking and related infrastructure in several districts, medium- and even large-scale industrial units have also been established in rural areas, independent of any connection with the units in the major industrial complexes. Together with the rise in rural construction, transport, and tertiary sector infrastructure and other activities, these industries provide the jobs which have enabled many rural wage dependent households to rise out of poverty.

In more recent years, nonetheless, there has been a resurgence of political interest in accelerated industrial and tertiary sector development. This interest has been revived by the realisation in the early 1980, that agriculture was not to be relied upon to absorb labour indefinitely. Industry, especially rural small-scale industry, is now seen as a better alternative than government-sponsored wage paid employment schemes. To this end the emphasis has shifted further in favour of the improvement of rural infrastructure, including amenities such as tapped drinking water and sanitation. By the mid-1980s rural occupational diversification was stated as an explicit goal, although the official imitation of this strategy seems to have followed reality rather than leading it. Rural infrastructure upgradation and specialised technical and vocational training are now described as the key to the success of the employment-oriented industrial dispersion policy.

The shift in emphasis, it is more likely, is mainly the product of a substantial change in the aspirations of village and small town residents, including, it should be noted, the members of rural wage labour households, many of whom are now commuting daily to non-farm jobs, in their own or other peoples' industrial and tertiary sector units in nearby villages and market towns.

Direct poverty alleviation programmes are treated, at best, as peripheral by officials. They do not merit much mention in political statements either. Certain officers undoubtedly would like to see particular welfare schemes pushed through vigorously, but the prevailing cynicism about the implementation of the 'programmatic approach' to poverty alleviation is unmistakable. A sample of responses to questions conveys the negative assessment.

The question: "what do you think of as the major cause of reduction in poverty in

Haryana?" elicited straightforward answers: "Infrastructure; nearness to Delhi markets and services". Within infrastructure, "roads and electricity"; in agriculture, "irrigation is decisive". To the question: "what is your most successful anti-poverty programme?", the replies came: "there is nothing as such"; "there was no programme as such; the outcome is the result of trickle down". To probing questions: "There is no scheme for pulling up the people at the bottom". On a programme which has attracted considerable attention: "The pension scheme is a racket".

Officials also tended to pour cold water on the idea that there is now, or ever was, a deliberate strategy or set of programmes aimed at diversification of the workforce, or the industrial structure, of Haryana generally, or of rural Haryana in particular: "The achieved diversification record is a by-product."

On education, health services, literacy, programmes to reduce infant mortality and so on it was asked: "Are these perceived as programmes which enable the poor to increase their capabilities?" One person said: "No, it enables the landholders, property owners". From another: "The emphasis on education is significant, but not as poverty alleviation – it is to enable people to get into services". Similarly, regarding co-operatives: "They are not for poor people – they are for extension of credit, provision of inputs for landed people".

Related comments from the central government end, tell another part of the story. "Haryana government officials don't want the kind of programme we have, but hey don't want to give up the money either". They ask: "Can't we divert it to the educated unemployed, or village infrastructural development?" "Punjab is saying the same things". "They can't get labour at Rs 18 – need to give double the wage". "They say: Tamil Nadu is giving money to each village for infrastructural development. Why can't we give centrally-sponsored scheme money for this?" "The country is so diverse for across the board common programmes to suit each and every one."

When told that some central government officers had suggested that Haryana would prefer to direct JRY (or similar) funds to i) rural infrastructure, and (ii) schemes for the educated unemployed, the view from Haryana in the first instance was "It is a question of balance – the material and wage components ... this is the crux of the matter". It was stated also that Haryana had "no concrete scheme" for the educated unemployed.

Conversations with officials together with documentary sources also reveal that pressure is exerted sometimes by the centre, on state government officials to alter rural development priorities and social welfare programme proposals in ways which would

bring them more in line with the content and objectives of conventional poverty removal programmes. Illustrations are given in the discussion of selected programmes below.

POVERTY ALLEVIATION PROGRAMMES

What kinds of programme does Haryana in fact promote, and which ones are carried out mainly because funds for them are available? In the second category come the entire set of asset creation and rural employment schemes: IRDP, TRYSEM, DWCRA, JRY and its subschemes such as the Million Wells Scheme, and DPAP. All of these are carried out, after a fashion, but the state government would like to see the coverage, prescribed norms, or emphasis of all of them revised in one way or another. The schemes which Haryana is prepared to initiate on its own, or push despite varying degrees of central government reluctance, relate to village infrastructure and amenities and non-targeted welfare schemes such as the initially almost universal old age pension scheme. There also seems to be considerable political backing for a diverse package of scheduled caste welfare programmes.

A review of IRDP performance in the state appears, at first glance to be quite respectable insofar as the share of the state in the total IRDP expenditure in the country corresponds to its share in the total number of poor persons – both are about 1 to 1.5 per cent. Haryana's own assessment of IRDP and TRYSEM, a related poverty alleviation programme, is rather derogatory. TRYSEM is described as 'a waste of money' and IRDP is held in low esteem by officials. The concurrent evaluations of IRDP done by the department of rural development also show that Haryana's performance was worse than all India in that none of the beneficiaries were able to cross the poverty line, and only 46 per cent of investment was found intact compared to the all India average of 73 per cent. The special programme for women and children, viz, DWCRA, is also not considered a good scheme. It has been difficult to identify suitable income generating activities for women. Marketing of production is also found to be a problem. Most important, however, is the fact that for many women wage labour at relatively high wages is considered by them as a better alternative than low earning self-employment activities.

The employment generating schemes – NREP, RLEGP and JRY – have been considered better even though the norm of 60:40 for wage and non-wage component of expenditure is considered faulty, as assets of lasting value cannot be created with such a low material component. The structure and nature of the unemployment problem in Haryana also calls for a more flexible

approach to employment generation in order that the special problems of educated rural youth or the problems of specific areas, e.g. waste land development or forestry, can be given more importance than short-term job creation.

In short, infrastructural development is identified by Haryana officials as the key to the success of any rural anti-poverty programme, whether it is visualised as such or not. Employability also depends on upgrading the skills of job-seekers. The need for supplementary unskilled labour programmes is recognised to exist only in pockets – and these, in turn, are identified with unirrigated or erosion-prone regions which are seen as the appropriate areas for DPAP type manual labour-intensive employment activities.

The state's own priorities are well illustrated by the contents and coverage of the community development programme. This category covers 11 schemes. Of these four are for women, one is for harijans and one for backward classes. Proposed outlays reveal that the 'Low Cost Rural Sanitation Programme' and the subsidy scheme for construction of harijan chaupals¹⁰ were the two most important ones financially, in that order. The proposed expenditure for all four women's schemes combined ranks at the bottom. The 'Model Villages Scheme', with a relatively modest proposed outlay, appears to be a programme of considerable political significance. It is listed first in presentation sequences and given the biggest write-up.

The Model Village Scheme is being implemented in Haryana by a rural development board. Its political attractiveness is evident from its composition. The governor of the state is the chairman, and the development minister is the vice-chairman. The 26 other members include five ministers and three non-official members. The model village scheme aims to provide certain 'basic modern amenities' for the villages selected. Only those villages are taken up whose panchayats contribute at least 25 per cent of the development cost.

The 'Low Cost Rural Sanitation Programme' is the one given top priority by the state government in financial terms, and in terms of their discussions with central government officials. Funds from several sources are being pooled. These include funds under the Community Development Block Programme, under a UNICEF-assisted rural sanitation programme, and the funds allocated to the Low Cost Rural Sanitation Programme itself. The Eighth Plan proposals envisaged provision of sanitary facilities to 75 per cent of the rural population. It appears also that the Haryana government plans to spend substantially more on toilets than the government of India guidelines envisaged. In this case, as in so many others, the materials versus wage costs components appropriate

in the Haryana context, including Haryana expectations and aspirations, may be different from the proportions found acceptable in some other regions.

The expenditure proposed for these three rural amenities schemes – model villages, rural sanitation and the CD Block Programme scheme – is greater than all IRDP schemes combined, and about the same as the JRY/NREP programme as originally proposed. The cost of the harijan and backward class chaupal programme is greater than the outlay of the state's Drought Prone Areas programme.

Aside from the chaupal schemes, Haryana has had a large number of special schemes for harijans, many of them focused on education. It appears that some sensitive but otherwise cynical administrators, think that these programmes, at least, are worth pursuing. A series of evaluation studies have been conducted, by and large, favourable reports [Government of Haryana 1981, 1982]. One of the earliest was the Post Matric Scholarship scheme for scheduled castes, a centrally-sponsored programme, which is rated as a success. The major problems have beenordinate delays in scholarship disbursement and the amount of the scholarships, which was inadequate to cover hostel fees and books.

Aside from this scheme, interest free loans are available from the Haryana government to post matric scheduled caste students for purchase of textbooks and stationery. The industrial training department also provides free education, hostel accommodation, medical services and clothing plus a stipend to SC students enrolled in engineering and non-engineering courses in industrial training institutes. There are two industrial training institutes specially for harijans. The state also provides a monthly merit scholarship to SC girl students who have secured at least 60 per cent marks to pursue their studies from ninth to 11th classes. For SC girls studying in primary and middle classes, there is a free uniforms scheme, and for all SC students there is a special coaching classes scheme for those studying science, mathematics and English. While problems of inadequate funding and implementation are reported, a series of evaluation studies on these programmes [Government of Haryana 1979:9] indicate that they are considered effective.

Aside from these schemes focused on education, there are a large number of schemes for 'economic uplift', from loans and subsidies for drinking water wells, housing and purchase of productive assets, to legal assistance to help harijans fight their cases involving harassment on account of untouchability, ejectment, correction of girdawari and 'to protect themselves against exploitation by landlords'.

The main conclusion of an overview study focused on economic uplift schemes was

that scheduled castes needed to be provided more benefits and facilities through regular programmes and 'general sector schemes' [Government of Haryana 1979:56]. This stand is best interpreted as yet another assertion of the greater effectiveness of mainstream 'trickle down' mechanisms as opposed to targeted ameliorative programmes, operated piecemeal. But the special harijan educational and other programmes most likely are destined to continue their independent existences. They are supported by sections of the bureaucracy; their performance is considered respectable; and in addition they have undoubted appeal to a significant segment of the electorate.

The Haryana Old Age Pension Scheme, however, by any reckoning must be counted the most outstanding element in the entire gamut of social welfare, employment generating, and other poverty alleviation schemes. The 1992-97 Draft Five-Year Plan sets aside for old age pensions more than three times the allocation to all the rural development schemes put together, including IRDP, DPAP, JRY, NREP, land reforms, community development and panchayats. In the more ambitious 1990-95 version, the figure was even higher, both in absolute and in relative terms – four times the outlay now proposed for rural development schemes. The difference between the two Eighth Plan editions is the product of political jockeying, financial stringency, and pressures from the central government, reportedly, to target the scheme more exactly. The scheme in short, has an interesting history.

Haryana introduced the old age pension scheme as a social assistance programme for old people without any means of support in the 1960s. In June 1987 the scheme was 'liberalised', so that all persons of Haryana domicile, aged above 65, not paying income tax and not drawing any other pension above Rs 100 per month, were entitled to receive it. In 1990-91 more than eight lakh people received pensions of Rs 100 a month under this scheme, which cost altogether in that year close to 85 crore.

For the Eighth Plan the state is said to have proposed what they called a new scheme, but which is actually a modified version of the existing scheme. The eligibility age threshold has been reduced to 60 years, and other new eligibility criteria have the effect of restricting the coverage somewhat so as to benefit the relatively poorer sections of society. To this end a variety of norms have been listed, relating, *inter alia*, to the area of land owned, if any; total income of all family members including dependents; and with a number of categories of persons explicitly excluded, in particular those whose children hold senior government jobs, are professionals such as doctors, pay income tax, or are sitting members of parliament, MLAs, or chairmen of boards and

corporations. The entire exercise of redefining eligibility criteria, however, does not seem to have drastically reduced the expenditure proposed by the state government to be included in the Haryana Eighth Plan. The new 1992-97 plan estimate is three quarters of the old one for 1990-95. The number of persons to be covered in the first year is more than 6.11 lakh persons instead of the 7.77 lakhs who received pensions in the last year of the Seventh Plan. Central government officials are therefore of the view that the entire coverage should be provided for out of non-plan sources. Although in this case the state government seems to have given in on the question of eligibility criteria, they expect to succeed in getting the 'new' scheme included in the Eighth Plan.

One result of the rise of this and similar programmes¹² is that in Haryana, social welfare schemes in recent years have come to occupy a pre-eminent position financially in Haryana's five-year plans, and the power sector has been demoted to second place. Thus a peculiarly 'modern' approach to providing for the 'weaker sections' seems to be emerging in the state. Social welfare schemes and educational assistance are to be provided to those who cannot be expected to compete, while the adult and able bodied are to be taken care of in the normal course of rapid economic development and its by-product, a change in the structure of the workforce in favour of non-farm activities. Most of the conventional anti-poverty schemes not only take a back seat in terms of financial outlays, they are also perceived as having played no role in the observed reduction in the incidence of poverty in rural Haryana over the years. Evaluation report accounts of the operation of these programmes in Haryana support the view that the employment and asset creation programmes, in particular, really did not have much of an impact in terms of poverty alleviation.

A word should be said, in addition, about the influence of central government views on stated priorities within approved programmes. Aside from the Haryana pension plan story, two other instances illustrate the character of the pressure. Drafts of the Haryana co-operation department's proposals for the Eighth Plan justify demands for increased staff by saying that: "The government of India is laying much stress for the successful implementation of the scheme under PDS in ...this office". Reference is also made to the recommendations of a "Sub Group constituted by the government of India for the development of Consumer Co-operatives". But the factual position is that most of the 33 central government co-operative stores under CONFED have been suffering – "heavy losses" because of "lack



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business expertise as well as administrative incompetence." "These problems have compelled these stores to stop business." The Eighth Plan draft proposes to rehabilitate at least four of the 25 stores in the red. The draft goes on to highlight the importance of these stores, in principle and to outline a plan of financial assistance under a scheme in which the GOI underwrites 75 per cent of the cost and the state government 25 per cent. The stores which are to be rehabilitated are in urban areas. As is clear from the above discussion on the NSS 42nd round evidence successive Haryana governments have taken little interest in providing foodgrains through the PDS in rural areas. Under land reforms documentary and other evidence shows that the state's initial first priority was a set of schemes relating to the modernisation of revenue administration including a pilot project to computerise land records followed a distant second by proposed outlays on consolidation of holdings and third by financial assistance to landless labour. The outcome of discussions with central government officials was a reordering of priorities in which consolidation of holdings was pushed up to first position.

The fact that the adjustments which have to be made are of this kind provides further evidence that Haryana perceptions and priorities reflect a political economy which refers to rely almost exclusively on trickle down processes while the central government would rather combine investment in economic development with programmes to help those who are unable to claim their due share of the fruits of planned development.

IV Recapitulation

The Haryana experience suggests that sustained growth in agriculture plus a liberalised policy of income and occupational diversification is the most effective cure for poverty. Public interventions through centrally sponsored programmes for poverty alleviation have been strictly peripheral to the observed reduction in poverty over the last 25 years. Public expenditure on some of these programmes has been to a large extent a waste of money. The state government is just not interested in them in their present form. They would rather use the money to invest in rural infrastructure, agriculture and in industrial development. Heavy investment in raising the productivity of the major commodity producing sectors and in creating infrastructure combined with broad-based social welfare schemes to cover the aged, the infirm and programmes such as those to subsidise the educational expenses of scheduled caste students, is the preferred

poverty reduction strategy of this relatively prosperous state.

This strategy, on the face of it, has worked. Haryana's head count poverty ratio which was always one of the lowest in India has been declining continuously to the point where Haryana now enjoys the second lowest incidence of poverty in the country. Moreover, despite population growth the absolute number of poor people in rural areas has gone down over the past 25 years. Secondary data based studies reveal that aside from economic growth this welcome result has been the product of improved distribution. Thus in Haryana economic growth has been associated with a reduction in consumption inequalities which was especially marked during the agriculture led growth phase in Haryana development. As the green revolution matured the expansion of non farm employment played a key role in poverty reduction among the landless or virtually landless rural households. A series of studies demonstrates also that in these developments the quality of rural infrastructure is crucial. Investment in the upgradation of rural infrastructure it appears is still the most effective anti poverty programme in sight.

Having said all this attention still needs to be drawn to Haryana's discreditable health mortality sex ratio and sanitation record. This record reveals that trickle down processes cannot be relied upon to generate benefits outside the strictly economic sphere. There are it appears no automatic spread effects into either the social or the political spheres.

Politically Haryana governments continue to be dominated by rural landed interests. Despite the very rapid growth of organised large scale as well as small scale industry manufacturing interests have failed to establish an effective political presence. Representatives of industry have not participated effectively in defining the development strategies of successive governments. However there are some signs that their influence is now increasing. Given present trends and increasing emphasis on diversification of the output and workforce structure the political pre-eminence of the erstwhile hulloak capitalists may be expected to diminish with time but immediate shifts in the balance of political power are not in prospect. Past Haryana strategies and priorities may therefore be expected to continue even though the trickle down process may be moving now into a new predominantly industry-led phase.

Notes

1 This overview is inspired by a reading of Rizwanul and Eddy (1985).

2 Analysis indicates that labour productivity plays at best an enabling role in explaining

inter state contrasts in the real wages of farm labour in India. See National Commission on Rural Labour (1991).

3 Especially the yearwise cropwise data on labour absorption in field crop production available from the Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in India.

4 This line of causation is mentioned specifically also in the Fourth Plan document. See Government of Haryana (1971).

5 Cropwise data from the comprehensive scheme for studying the cost of cultivation of principal crops in India reveals the decline of attached and the rise of casual farm labour in the second half of the 1970s.

6 See National Commission on Rural Labour Report of the Study Group on Employment Generation 1991.

7 The field survey for an ILO project was carried out in Haryana in the last quarter of 1991.

8 Share of cash purchases among non cultivating households in Haryana specified commodities.

Commodity	Wage Labour Households	Other Non Cultivating Households
Cereals	81.21	84.09
Gram and pulses	96.23	97.79
Milk milk products	21.91	20.81
Edible oils	92.71	93.57
Sugar and gur	92.24	96.46
Fuel and light	41.26	43.86

Source: Sidhu (1991: 205 Table 6.4)

9 This evidence comes from a 1991 field survey on rural non farm employment conducted by the author in Rohilk district of Haryana and Nalgondadistrict of Andhra Pradesh.

10 A chaupal is traditionally a meeting place commonly a raised stage or platform under and around a large shade tree which provided shelter located in an otherwise open space where an audience could be seated.

11 This is the record kept by the patwari of the crops grown by a specific cultivator on a specific piece of land. Landlords may try to get the crop grown recorded wrongly in their own instead of the tenant's name.

12 Targets were overfulfilled on 1990-91 not only for the old liberalised pension scheme (9.25 lakh persons instead of the targeted 8.48) but also for scholarships to physically handicapped students and pensions for the physically handicapped (targets respectively 650 and 25,000, actuals 1,000 and 28,998).

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Management of Poverty Alleviation Programmes in Karnataka

An Overview

Vinod Vyasulu

There are two areas in which Karnataka may have lessons to offer other states in regard to poverty alleviation programmes. One is in the creative integration of scientific and technological R and D efforts with such programmes; the second is Karnataka's brief experience with panchayati raj and decentralised planning. Both are necessary, but not sufficient, conditions for a successful poverty alleviation programme; sustained economic growth is also required.

"I know what 'it' means well enough, when I find a thing", said the duck: "it's generally a frog or a worm. The question is, what did the archbishop find?" The mouse did not notice this question, but hurriedly went on "... found it advisable. . . How are you getting on now, my dear?" it continued, turning to Alice as it spoke. "As well as ever" said Alice in a melancholy tone: "it doesn't seem to dry me at all." "In that case", said the Dodo solemnly, rising to its feet. "I move that the meeting adjourn, for the immediate adoption of more energetic remedies"

— Alice In Wonderland
by Lewis Carroll

IN this paper the poverty alleviation programmes of Karnataka are surveyed. Section I introduces Karnataka state within the Indian context. This is followed by a brief analysis of growth and the composition of state income in Section II. Section III discusses the poverty scenario and Section IV the role of R and D inputs into programmes of rural development and poverty alleviation, which is a unique aspect of Karnataka's experience. Section V discusses the effects of decentralised local self-government, once again unique to Karnataka, on the management of poverty alleviation programmes. The conclusions are presented in the last section.

I

Karnataka in National Perspective

The present-day state of Karnataka has inherited several traditions and cultures. Hyderabad-Karnataka districts such as Raichur and Bidar have been shifted from the nizam's administration to Karnataka's; the Bombay presidency areas, like Belgaum and Dharwad, likewise; Dakshina Kannada was part of Madras presidency. Kodagu was a category C state that joined Mysore. After Mysore was formed in 1956, the old Mysore tradition of administration became the common one, but it is important to remember that it was grafted on to various earlier traditions. It is also important to remember

that Mysore had an enlightened and respected civil service. (There are cases of persons who, having got into both the ICS and the Mysore civil service, chose the Mysore service as the more prestigious one. Later, it was merged into the IAS, a separate KAS functions at the district and secretariat levels.) Historically, there has been a dependence in Mysore for the provision of social services on the civil service, unlike say, in Gujarat. And, in all fairness, the civil service by and large was responsive to the needs of its citizens. To that extent, government programmes have that much more importance in Mysore in the context of development and welfare than in some other states; but they also have a positive tradition to fall back on.

In terms of population, the state ranks eighth, accounting for 5.31 per cent of the total population of the country. According to the 1991 (provisional) census, the total population of the state is 4.48 crore and has increased by 20.69 per cent over 1981-91; below the all India growth rate but with considerable inter-district variations. There are clear regional differences, with north Karnataka having features similar to the Hindi heartland in demographic terms – thus Bidar can be compared to Rajasthan – and Dakshina Kannada having features similar to Kerala. The other districts fall in between. But in spite of this variation, Karnataka is a progressive, middle ranking state in India.

It is not only in terms of population or SDP that Karnataka is a 'middle order' state within India. Indicators such as female literacy and infant mortality rates have in recent years been used as correlates of backwardness and poverty – most successfully in the construction of the Human Development Index by the United Nations Development Programme. Since the Centre for Monitoring Indian Economy (CMIE) provides such data at the district level, four such indicators – female literacy, per cent of agricultural labour to total workforce, size of average operational landholding, and IMR of children below two years of age were examined (Table 1) to see where Karnataka stood in the country. These data were

available for 411 districts in India (excluding Jammu and Kashmir and the north-eastern states) and the mean was used to represent the all India average. It is only in the case of size of operational holdings that Karnataka had 11 out of 20 districts below the all-India average. When the 25 'worst' districts of the country on each indicator were listed, only one district of Karnataka appeared in the list – percentage of agricultural labour. On the same indicator, four districts appeared in the 'worst' 25-50 group. Thus, on the other three indicators, no district of Karnataka was among the 50 'worst' in the country. Even if the 100 'worst' districts were listed, only Raichur appeared for female literacy; Shimoga and Chitradurga, in addition to the others worse off, in percentage of agricultural labour; and Mandya in size of average operational landholding. There was no Karnataka district in the 100 worst districts of India on below two IMR (Table 2).

When the top or 'best' 25 districts of the country are listed for all the four indicators, two districts of Karnataka appeared in the list – Bangalore for female literacy and Uttara Kannada for below two IMR. On the same two indicators, four districts appeared in the 'top' 25-50 group: Dakshina Kannada and Kodagu in case of female literacy, and Bangalore and Kodagu in case of IMR. On the other two indicators, no district of Karnataka was among the top 50 in the country. Among the top 100 districts less than half of the districts of Karnataka appear in the list (Table 3).

Under Bose's (1991) concept of OLR (overall literacy rating), Karnataka has an intermediate status – of category B, with OLR at 68.5 per cent. 17.8 per cent of its population are in category A districts, 68.5 per cent in B districts and 13.7 per cent in C category districts. (A category districts are those where male and female literacy levels are above 50 per cent; B those where literacy is above 25 per cent for both males and females; C those where female literacy is less than 25 per cent, but where male literacy may be above 50 per cent too).

In Karnataka the largest district in terms of population in 1991 was Bangalore (4.8 million); the smallest was Kodagu (0.5 million). The 1981-91 growth rate of the largest district was 38 per cent; that of the smallest 5.1 per cent. The total literacy rates were 66.2 per cent (Bangalore) and 28.8 per cent (Raichur); and the gender difference in literacy rates (GDLR score) calculated by Bose was 23.6 per cent and 11.7 per cent (i.e. male literacy rate - female literacy rate). Taking all this together, Bose classifies Karnataka as a demographically progressive state, along with Kerala, Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat, Punjab and Himachal Pradesh.

The sex ratio in the state has consistently been adverse - dropping from 983 females for 1000 males in 1901 to 960 in 1991 - except for Dakshina Kannada and perhaps Hassan district, where it is favourable. In gender terms, this does not speak well for the status of women. Poverty alleviation programmes must therefore target poor women if the objective is sustainable development. To the extent that these indicators are correlates of poverty, Karnataka is not as badly off as many other states in India. If we can go by this district level data. It is also not among the best. It is clearly, within the Indian context, a 'middle' state, and its policies and programmes, if they are to be realistic must reflect this relative ranking. To put it differently, such programmes may be important to reduce/prevent distress in the short run, but the future lies in promoting economic activity and strengthening various linkages so that the resulting synergy sustains the growth/development process over the medium and long term.

There is unevenness in the distribution of infrastructure in the state. Bangalore is a metropolis on par with the 'mahanagars' of India, but the other cities are far behind. There is excessive conglomeration in the capital located in the south-eastern corner of the state. Bangalore dominates Karnataka just as Calcutta dominates West Bengal. It is five times larger than the second city of the state. This is in stark contrast to Kerala and even Tamil Nadu. Power is largely hydel based; roads are barely adequate. The railway network, divided between broad and metre gauge, is quite inadequate. Bangalore is linked by broad gauge to only a few of the district headquarters. This has its impact on industrial location, as the nature of railway links encourages location in Bangalore because of the hindrances of trans-shipment of goods if located in otherwise suitable places.

While a great deal of empirical work on Karnataka's economy and polity has been done in the last two or three decades, much remains to be done in the field of the economic

history of this state. Compared to West Bengal, Tamil Nadu and Andhra Pradesh, Karnataka has been relatively understudied. Thus, within the Indian context, Karnataka, while stuck in a low equilibrium trap, also had less population pressure on land compared to the other southern states; it enjoys a climate that did not ravage it with earthquakes, floods, etc. There is poverty, but it could be tackled given a relatively efficient civil service, a large number of research institutions with development concerns, an overall progressive social milieu, and sufficient political will. Unlike, say, Kerala, it has not been the scene of political mobilisation and mass movements. Caste factors play a role in the political process, and that role is sometimes positive, sometimes not. Unlike Kerala or West Bengal, movements on the basis of class are yet to emerge. It is in this overall context that Karnataka's plans, aspirations and successes must be understood.

II Growth and Composition of State Income

Karnataka is a middle income state. The state domestic product at current prices increased from Rs 169.64 crore in 1960-61 to Rs 19613.58 crore in 1990-91 (Table 4). Per capita income has increased from Rs 295.7 in 1960-61 to Rs 4367.85 in 1990-91, amounting to a 1337 per cent increase with a 9.07 per cent growth rate. During the 1980s the increase in the per capita income was 173.65 per cent, with 9.58 per cent growth rate. In terms of constant prices, per capita income has increased by

only 32.25 per cent, i.e. from Rs 1596.1 to Rs 2110.94, accounting a 2.57 per cent growth rate between 1980-81 and 1989-90 even though net state domestic product grew at 4.46 per cent during the same period. This low level of real growth may be explained in part, in terms of the rapid increase in the price level and the population, and in part by stagnation in agriculture. In certain years the increase in state income has been marginal, and in certain other years such as 1985-86 there has been a decline; but the fluctuations have not been around a rapid rising trend.

In the 1980s, there was drought in almost every other year in some part or other. Along with the failure of the monsoon, the excessive dependence on hydel sources of power has also contributed to low growth. Frequent power cuts resulting from inadequate power supply have been causing problems for farmers using energised pump-sets. Industry has had to learn to survive in a power starved environment. Yet, energy is used inefficiently. This has been the subject of much debate in the late 1980s. This debate has led to the elaboration of a new paradigm DEFENDUS - but policy lags behind.

Traditional systems of water-harvesting, like tanks in Kolar, have fallen into disuse thus shifting the burden to large irrigation projects alone, and the record of large projects has been dismal. Traditional systems have broken down and have not been replaced by new functioning systems. Water management systems are in flux though there are small signs of hope also.

The performance of irrigation and power has not been very impressive as the irrigation potential created has not been commensurate

TABLE 1 INDICATORS OF DEVELOPMENT KARNATAKA

District	Female Literacy (Per Cent)	Agricultural Labourer (Per Cent)	Average Operational Holding (Hectares)	IMR
Bangalore	59.71	9.00	1.80	79
Bangalore rural	32.86	NA	NA	NA
Belgaum	32.47	26.00	2.50	99
Bellary	26.22	38.00	3.20	133
Bidar	24.82	42.00	3.90	105
Bijapur	33.62	38.00	4.80	121
Chickinagalur	43.98	20.00	2.50	104
Chitradurga	36.30	31.00	3.40	113
Dakshina Kannada	59.13	19.00	1.30	57
Dharwad	37.53	38.00	3.60	113
Gulbarga	20.14	39.00	4.80	107
Hassan	37.65	13.00	1.80	99
Kodagu	52.66	16.00	3.90	83
Kolar	32.25	23.00	1.70	97
Mandya	31.48	22.00	1.10	103
Mysore	32.07	22.00	1.60	98
Raichur	17.83	43.00	4.10	116
Shimoga	43.42	33.00	2.10	103
Tumkur	35.79	21.00	1.80	112
Uttara Kannada	48.25	NA	1.20	91

Note: NA = Not Available.

Source: CMIE Publications, Bombay.

with investment during the Seventh Plan – the problem of the poor capital – output ratio. Only about a quarter of the net sown area in the state has irrigation facilities, the lowest amongst the southern states. Even in the best of circumstances, Karnataka is never likely to have more than 50 per cent of its area under irrigation. Thus overemphasis on irrigation as against developing dry land technology is an error in the Karnataka context. (These issues have been cogently discussed in V M Rao's presidential address to the ISAE annual conference at Hyderabad, December 1991.)

There is a considerable time lag in utilising the irrigation potential created, incurring huge costs under major and medium irrigation projects; this is in part due to delay in command area development (*Economic Survey, 1990-91*). Another factor is that during the three consecutive years 1987-88, 1988-89 and 1989-90, there has been a sizeable shortfall in public investment and also cuts in plan outlays in the core sectors of irrigation and power. Given the fiscal crisis, this problem is likely to continue. Scarcity of funds, inadequate levels of project management, and undue emphasis on large projects to the neglect of water harvesting techniques based on people's participation in a decentralised environment of self-governance, have contributed to this situation.

AGRICULTURAL SITUATION

It may be noted at the outset that there have been no structural changes in agriculture in Karnataka through land reform. If there were reforms – in the 1970s – they were tenancy reforms, and given that land distribution was not very unequal in Karnataka (compared, say, to Bihar), the reforms did not bring about much change. Feudal type exploitation in Karnataka was not based on land ownership but on control of resources and credit. Thus a person owning two hectares would work on the land of another owning a similar amount as a hired labourer. It has been argued by Narendar Panu (1981) that the Karnataka land reforms of Devaraj Urs were 'reforms to pre-empt change'.

Kohli also expresses scepticism:

Strong leadership and patronage-based support facilitated the implementation of some redistributive programmes. Conversely, however, exaggerated claims were made on behalf of these small successes. The tenancy reforms of Karnataka especially require scrutiny. The evidence indicates that while some achievements were made, several serious qualifications on the reformist performance are in order: (1) reform policies in Karnataka were not aimed at securing the redistribution of surplus lands; (2) given the size of the

tenancy problem, the achievements are not all that significant; (3) those who lost their lands were not the well-entrenched landowners in close association with the ruling faction; and (4) the beneficiaries of reforms were not always, and not even predominantly, the rural poor.

Thus, the option of growth via changes in agrarian structure was ruled out in Karnataka. Perhaps the fact that there has been no agricultural revolution in Karnataka can be linked to this political choice by its ruling elite. But that is another story.

An analysis of agricultural growth in the state at the district level brings out the broad contours of economic growth in the recent past. Growth rates of area under production

of major crops have been analysed for the period 1980-81 to 1989-90 (Tables 5 and 6). During the 10-year period, the net area sown has recorded a compound growth rate of 0.79 per cent, from 98,98,612 hectares in 1980-81 to 1,07,07,803 hectares in 1989-90. The total irrigated area has increased at a compound growth rate of 4.41 during the same period, from 13,60,733 hectares to 20,94,282 hectares. Coming to the area and production of principal crops in the state, the area under food crops has grown at a rate of 0.62 per cent, from 71,03,809 hectares in 1980-81 to 75,56,417 hectares in 1989-90, while the production of food crops has increased by 0.43 per cent. But the major food crops of the state, viz, rice,

TABLE 2: RELATIVE RANKING OF KARNATAKA DISTRICTS ON SELECTED INDICATORS

Indicator	Districts					
	Below All-India Average	Among Lowest 25 Districts of India	In 25-50 Group	In 50-100 Group	In 100-150 Group	In 150-200 Group
Female literacy	Bellary, Bidar, Gulbarga, Raichur	-	-	Raichur	Gulbarga	Bidar
Agricultural labour per cent	Bangalore, Hassan, Kodagu	Raichur	Gulbarga, Dharwad, Bijapur, Bellary	Shimoga, Chitradurga	Belgaum	Kolar, Mysore, Mandya, Tumkur, Chikmagalur
Average operational holding	Bangalore, Belgaum, Chikmagalur, DK, Hassan, Kolar, Mandya, Mysore, Shimoga, Tumkur, UK	-	-	Mandya	UK, DK	Mysore, Kolar, Hassan, Tumkur
IMR (B2)	Bangalore, Belgaum, DK, Hassan, Kodagu, Kolar, Mysore, UK	-	-	-	Bellary	-

Source: CMIE, *Profiles of Districts*, November 1993.

TABLE 3: RELATIVE RANKING OF KARNATAKA DISTRICTS ON SELECTED INDICATORS

Indicator	Districts				
	Among Top 25 Districts of India	In 25-50 Group	In 50-100 Group	In 100-150 Group	In 150-200 Group
Female literacy	Bangalore	DK, Kodagu	UK, Chikmagalur, Shimoga	Hassan, Dharwad, Chitradurga, Tumkur	Bijapur, Bangalore, Belgaum, Kolar, Mysore
Per cent agricultural labour	-	-	Bangalore	Hassan, Kodagu	Chikmagalur, Tumkur, Mysore, Mandya
Average operational holding	-	-	Mandya, UK	DK	Mysore, Kolar, Hassan, Tumkur, Bangalore
IMR (A2)	DK	Bangalore, Kodagu	UK, Kolar, Mysore, Hassan, Belgaum	Shimoga, Mandya, Chikmagalur, Bidar, Gulbarga	Tumkur, Dharwad, Chitradurga, Raichur, Bijapur

Source: As in Table 2.

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ragi and jowar, have shown negative growth rates in production. The area under these three crops grew at the very small rates of 0.09, 0.80 and 0.89 per cent respectively. This essentially means that food crops production has reached a plateau and that there is only small growth in the area under food crops. Productivity per hectare could not have grown at all.

Growth rates of production of food crops vary immensely across the districts. Many of the rice growing regions like Uttara Kannada, Chitradurga and Mysore show negative growth rates in production; Raichur district shows a growth rate of 1.90 per cent for the same. Many ragi and jowar growing districts have registered a decline in production. For example, in the case of ragi, Bangalore (-1.76 per cent), Mysore (-3.53 per cent) and Gulbarga (-3.50 per cent), Bidar (-4.22 per cent), Dharwad (-4.06 per cent) in the case of jowar.

As far as cash crops, pulses, sugarcane and groundnut are concerned, they show a positive growth rate in both acreage and total production. Area under sugarcane has increased by 9.21 per cent while that of groundnut by 5.67 per cent. Production of sugarcane and groundnut increased by 6.40 per cent and 7.46 per cent respectively. Cotton has recorded a decline in terms of area under cultivation, whereas the total cotton produced has grown at a positive rate.

Area under pulses has increased at a rate of 1.10 per cent whereas production shows a decline of 0.66 per cent.

This implies that cultivation of cash crops like sugarcane and groundnut has increased during this period; but the productivity increases are dismal. This is the crisis of Karnataka's agriculture.

INDUSTRY SECTOR

The analysis covers the period 1960 to 1980 and is based on the ASI data on the census sector that is, those that are factories and excluding some small and most of informal sector production. This provides districtwise information on key performance indicators like value added, employment, etc. The data for the 1980s has not been processed by the bureau of economics and statistics; hence the need to limit the analysis to these years only and that too at an aggregate level as even two-digit level data are not available. Two distinct phases can be discerned in the movement of trends for most of the variables. After a period of slow and gradual increase (roughly up to 1972-73), input, output, (and hence value added) underwent a rapid and near exponential growth in the later period. Though the magnitude of these variables differed across

the districts, compound growth rates showed very little variation. The compound growth rate of industrial value added for the state during the period was 6.54 per cent with Dharwad and Uttara Kannada setting the maximum and minimum limits respectively (13.75 per cent and 1.12 per cent) (Table 7)

This somewhat optimistic picture is slightly offset by the relatively dismal performance on the employment generation front. Employment figures reveal a marginal increase and seem to be hardly affected by the increases in value added. The overall employment growth in the state is of the order 5.7 per cent over 1960-80 (Table 7).

TABLE 4 STATE DOMESTIC PRODUCT AND PER CAPITA INCOME

Year	SDP at Current Prices (Rs Crore)	Per Capita Income at Current Prices (Rs)	SDP at Constant Prices at 1980-81 Prices (Rs Crore)	Per Capita Real Income 1980-81 Prices (Rs)
1960-61	691.64	295.70	-	-
1965-66	1163.72	447.70	-	-
1970-71	1858.11	641.21	-	-
1971-72	1915.64	646.42	-	-
1972-73	2012.43	663.69	-	-
1973-74	2815.35	907.20	-	-
1974-75	3177.71	1000.16	-	-
1975-76	3093.40	950.80	-	-
1976-77	3282.91	985.52	-	-
1977-78	3813.07	1117.33	-	-
1978-79	3995.07	1142.47	-	-
1979-80	4821.71	1345.21	-	-
1980-81	5865.82	1596.13	5865.82	(596.13)
1981-82	6735.04	1789.56	6229.02	1655.11
1982-83	7412.87	1926.11	6407.00	1664.81
1983-84	8984.07	2284.59	6829.00	1736.64
1984-85	10071.69	2508.07	7364.00	1833.71
1985-86	10509.50	2564.30	7076.00	1726.59
1986-87	12123.70	2899.78	7741.00	1851.60
1987-88	13870.45	3253.76	8139.00	1909.26
1988-89*	16446.54(PR)	3786.72	8999.70	2072.13
1989-90**	18011.69(Q)	4075.08	9323.00	2109.27
1990-91@	19613.58	4367.85	9479.06	2110.94

Notes: - Data not available; * Partially revised estimates; ** Quick estimates, @ Anticipated estimates

Sources: 1. Gayithri (1990)

2. Economic Survey - 1990-91 and 1987-88, Government of Karnataka, Bangalore

TABLE 5 GROWTH RATES IN AREA UNDER PRINCIPAL CROPS IN KARNATAKA, 1980-89

(Per Cent)

District	Rice	Ragi	Jowar	Total Food Crops	Sugar Cane	Cotton	Groundnut	Total Pulses
Bangalore	-1.30	-2.80		-0.78	-13.38		4.10	0.19
Belgaum	-1.42	-16.12	1.20	1.20	10.09	7.70	2.36	-0.95
Bellary	2.78	1.33	13.95	3.40	-4.10	-1.57	10.90	1.64
Bidar	4.33		0.92	-2.47	4.15	-8.31	13.75	3.99
Bijapur	-7.91		2.05	0.69	8.56	25.30	2.30	3.10
Chickinagalur	-0.97	2.55	1.40	1.37	11.39	-5.46	5.89	5.60
Chitradurga	-0.86	0.44	-4.41	-0.63	2.48	3.98	16.10	1.03
Dharwad	-0.13	-5.97	0.17	-0.07	17.72	-16.60	2.69	10.15
Dakshina Kannada	-0.03			0.64	15.65		23.76	5.86
Gulbarga	3.95	-21.80	-5.51	-3.40	3.62	-4.02	5.50	2.16
Hassan	-0.75	3.37	-5.86	0.87	2.36	1.14	17.80	-2.01
Kodagu	-0.78	-8.54		-0.64	17.09			-13.34
Kolar	4.70	-2.01	2.28	-0.79	0.10	30.40	9.40	-1.54
Mandya	0.22	4.13	6.53	0.04	1.24		13.33	-6.37
Mysore	2.60	0.51	-2.60	0.19	6.38	19.13	4.75	
Raichur	1.90	4.59	0.58	1.23	-14.61	-13.60	3.50	-0.22
Shimoga	-1.78	-2.00	0.78	-0.62	13.43	15.14	11.03	5.03
Tumkur	-0.12	2.38	-10.46	-1.30	-7.39	-6.42	10.62	-5.67
Uttara Kannada	-0.62	-5.51	4.76	-0.37	0.50		22.10	3.50
State	0.09	0.80	0.89	0.16	9.21	-5.45	5.67	1.10

Sources: Bureau of Economics and Statistics, Government of Karnataka, Reports on Area and Production of Principal Crops; computed from data.

Employment growth was highest in Bijapur and Raichur where the base is low (12 per cent each) while Dakshina Kannada showed a negative growth (-34 per cent). This indicates that industrial growth has not been adequately backed by employment generation. To put it differently, industries seem to have developed along capital-intensive lines. If one may see this in another perspective, this suggests little diversification of economic activities in rural Karnataka – the little industrialisation that has taken place is probably of the 'enclave' type.

A look at some key ratios (Table 8) for the two time points (1961 and 1981) clearly brings out the nature of industrial growth in the state over these 20 years. Employment/number of factories has in fact declined in seven districts, while some districts reveal substantial increases. However, overall state figures show only a marginal increase, 297 to 332. Value added/employment ratios have increased tremendously across all the districts. However, this would, considering the growth in invested capital, be more of an indicator of increasing capital intensity of production rather than any improvement in labour productivity. Capital/output ratios appear to have risen in most districts, implying a deterioration in the efficiency of use of capital.

Another interesting phenomenon has been the high growth in emoluments, especially in relation to employment growth. This would mean that disparities among workers have risen, whereby existing employees have managed to improve their share with employment levels remaining stagnant. This too supports the hypothesis of 'enclave' type industrial growth with little or no forward and backward linkages to the rural areas.

To sum up, a plateauing of foodgrain production and sluggish increase in employment appear to be major constraints to growth; and hence to a reduction in poverty levels. In fact, a rank correlation analysis of agricultural production and industrial value added for the year 1980 tends to suggest a strong relationship between the two (a rank correlation coefficient 0.58, significant at 0.01 level). This would imply that agricultural growth is an essential prerequisite for industrial development – not a very surprising statement.

If poverty alleviation programmes are not to be a permanent aspect of public policy, they must facilitate productive employment generation. Not everyone believes that this can be best done by measures to promote equity. However the problem of employment generation can also be tackled in part by effective government intervention through measures that increase demand through an increase in the purchasing power of the majority, to provide markets for wage goods and by other measures like encouraging

generation of appropriate technologies which reduce drudgery and/or increase productivity, rather than programmes that generate jobs but not assets, skills, products, etc. Since fundamental changes have been politically ruled out in India, Karnataka, given the advantage of the fact that a large number of academic/research institutions are located there especially in Bangalore, has made efforts to do just this; this is discussed in Section IV.

III Poverty Scenario

While on the one hand, the growth of state income has not been very impressive, on the other hand, whatever increase has taken place has often not been reaching the poorest of the poor. One indication of this is the proportion of agricultural labourers in the total workforce which has been on the rise over the years. It has increased from 14 to 32 per cent between the 1961 and 1981 censuses. In fact "the dependence on agricultural labour is a plausible sign of chronic poverty" [Rao 1989].

The incidence of poverty by occupation (Table 9) reveals that the intensity of poverty is higher among agricultural labourers than other sections of the population of Karnataka. Those who do not have any land or have only small amounts of land are the ones bearing the brunt of poverty. On the other hand, the incidence of poverty is the lowest among employees in the service sector. However, since the primary sector contributes a substantial share of the state domestic product (though it has declined over time), without its share in employment declining

proportionately, a majority of the belong to the rural population.

The figures on the composition of income (Table 10) reveal that, while contribution of the primary sector declined from 62.69 per cent in 195- to 34.3 per cent in 1989-90, that of secondary and tertiary sectors increased from 11.45 and 25.86 per cent to 28.6 and 37.1 per cent, respectively even in 1981, more than two-thirds of workforce were dependent on agriculture for their livelihood.

The NSS data on household consumption expenditure for the year 1983 (Table show that the poorest 10 per cent of

TABLE 7 GROWTH RATES OF INDUSTRIAL ACTIVITY IN KARNATAKA, 1960-81

District	No of Factories	Value Added	Emp
Bangalore	7.76	6.77	6.1
Belgaum	3.22	11.04	8.1
Bellary	5.62	5.60	6.1
Bijapur	2.87	9.67	11.1
Chichinagalur	7.83	9.66	11.1
Chitradurga	4.13	1.98	3.1
Dakshina Kannada	1.81	1.96	-0.1
Dharwad	2.13	13.75	7.1
Gulbarga	8.56	5.46	4.1
Hassan	4.60	3.95	5.1
Mandya	7.53	5.15	6.1
Mysore	4.13	5.21	4.1
Raichur	6.43	4.16	10.1
Shimoga	8.23	7.40	3.1
Uttara Kannada	8.21	1.12	5.1
Kolar/Tumkur/Kodagu	10.31	18.70	14.1
State	5.33	6.54	5.1

Source: Computed from Annual Survey of Industries, various years.

TABLE 6 GROWTH RATES IN PRODUCTION OF PRINCIPAL CROPS IN KARNATAKA, 1980-89

(Per Cent)

District	Rice	Ragi	Jowar	Total Food Crops	Sugar Cane	Cotton	Groundnut	To Pul
Bangalore	-1.30	-1.76		-0.27	-13.56		8.90	0
Belgaum	10.96	-16.43	2.09	1.51	8.48	11.75	0.32	-5.1
Bellary	2.78	0.26	2.03	3.40	-6.40	2.51	11.35	7
Bidar	4.33		-4.22	-2.47	2.06	11.74	10.55	1
Bijapur	-3.10		3.60	2.56	10.08	27.07	5.34	0
Chitradurga	-0.94	-5.27	-4.76	-1.64	4.50	12.54	15.74	-2.1
Chickmagalur	-1.92	2.90	3.97	0.55	11.24	-14.71	10.51	6
Dharwad	-10.44	-4.13	-4.06	-3.78	17.70	10.80	2.75	0
Dakshina Kannada	0.99			1.04	14.96		22.31	5
Gulbarga	4.85	-19.20	-3.50	2.43	0.96	-35.08	7.18	-1
Hassan	-1.11	-0.66	-4.36	-1.64	4.06		14.90	5
Kodagu	-3.62	9.34		-3.33	17.35			-26.1
Kolar	9.37	8.71	3.95	7.89	5.63	-10.69	14.04	1
Mandya	0.76	1.39	-3.11	-0.45	1.63	-6.79	13.23	-5
Mysore	-9.16	-3.53	-8.43	-1.87	8.24	20.02	2.10	2
Raichur	1.90	6.23	1.72	1.23	-19.11	-8.19	4.51	-0
Shimoga	-0.79	-4.89	1.60	-0.87	16.07	26.42	16.25	-1
Tumkur	3.99	1.52	-5.31	1.57	-7.36	3.69	11.97	-4
Uttara Kannada	-0.62	-6.15	6.43	-2.98	2.39		27.90	-6
State	-0.11	-0.08	-0.27	0.43	6.40	3.11	7.46	-0

Source: As in Table 5.

population in Karnataka spends less than 4 per cent of the aggregate consumption expenditure. The mean monthly per capita expenditure of the poorest decile on food is Rs 33 which actually consists of three-fourths of their total expenditure. This is less than one-fourth of the food expenditure of the highest decile.

The unemployment situation was better in Karnataka compared to all-India. Table 12 presents the incidence of unemployment, i.e., number of persons (age five+) employed in the labour force) for the 2nd, 38th and 43rd rounds of NSS for Karnataka as well as all-India. Unemployment rates were found to be relatively lower in rural areas compared to urban areas. The data also reveal that the 'current status' unemployment rates are higher than the 'usual status' rates, indicating 'not continuously unemployed' mount those categorised as 'usually employed'. Chronic unemployment rates (i.e., usual status), seem to have remained almost at the same level for males, i.e., about 1 to 2 per cent in rural areas and around 6 per cent in urban areas, over a decade, i.e., from 1977-78 to 1987-88. However, in the case of females, there has been a decline (by 83 per cent) in the early 1970s and a subsequent increase (by 88 per cent) during the early 1980s in rural areas, and a gradual decline in urban areas.

A 7.2 per cent growth in population was matched by 3.4 per cent growth in employment in rural areas, compared to 20.2 per cent population growth in urban areas matched by 15.8 per cent growth in employment, between 1983 and 1987-88. Clearly, growth of job opportunities has been inadequate.

Various estimates of poverty compiled by a study group on anti-poverty programmes (government of India 1990) in Karnataka suggest a decline in the percentage of the rural population living below the poverty line. The Ahluwalia study (1978) shows a decline from 49.1 per cent in 1960-61 to 4.74 per cent in 1970-71; that of Kakwani and Subba Rao (1990) shows a decline from 52.5 per cent in 1972-73 to 42.6 per cent in 1983. Poverty estimates of the Planning Commission (1985-90) reveal a decline from 48.3 per cent in 1977 to 35 per cent in 1983, and those of the World Bank (1989) reveal a decline from 54 per cent in 1970 to 41 per cent 1988. Although it is not intended to go into the debate on the various estimates and their accuracy, it clearly emerges from the figures that the estimates of the Planning Commission are far below those of any other estimate. This is true especially for the year 1983. Minhas et al (1991) have recently attempted to explain this, but that is another story.

POVERTY ALLEVIATION PROGRAMMES

With regard to poverty alleviation, Karnataka is grouped in the category of states with the lowest decline in the incidence of poverty. The report (government of India 1990) also states that regional disparities in poverty in these regions (inclusive of Karnataka) have increased and regional concentration of poverty has become more pronounced.

To gain further insights, reference may be made to the fundamental work of V M Rao (1988), from which we quote:

It is useful to categorise the anti-poverty programmes into three broad groups, representing the three distinctive but complementary approaches to the problems of poverty:

(a) minimum needs programme, consisting of schemes to provide infrastructure and amenities essential for improvements in the rural living conditions, indicative of the approach of delivering a wide range of development inputs and services free or at nominal cost;

(b) employment programmes intended as a direct measure to generate and support incomes of rural poor; and

(c) programmes like IRDP promoting self-employment activities capable of helping the poor to become viable and development-oriented.

The scale and composition of the anti-poverty programmes in Karnataka during the Sixth Plan (1980-85) are indicated in Table 13.

It can be seen from the table that anti-poverty programmes formed a substantial component of the Sixth Plan, accounting for about one-sixth of total expenditure. However, it is equally relevant to note that a full 80 per cent of the anti-poverty

expenditures went towards giving relief to the poor-provision of minimum needs and employment generation – and only 20 per cent was spent on the self-employment programmes focused on the objective of making the poor viable. A plausible way of explaining this composition weighted in favour of relief rather than viability is the following. Given the wide spectrum of policies available to the policy-maker to help the poor, governments in developing economies with non-radical democratic regimes find it both easy and politically convenient to adopt an anti-poverty strategy relying primarily on relief measures. The relief measures produce immediate and palpable benefits for the poor, evoke less resistance from the rural strong and rich, and are within the capacity of a rule-cum-procedure-bound bureaucracy to set up and administer.

An interesting question to ask in this development setting is whether the planning system would be able to achieve smoothly the progressive shift needed in the development strategy from relief to viability

TABLE 9: INCIDENCE OF POVERTY BY OCCUPATION, 1983

Occupation	Proportion of Poor
Workforce in industry	0.69
Workforce in service sector	0.5
Workforce in agricultural and allied activities of which:	0.62
(i) Agricultural labourers, farm workers and allied workers	0.8
(ii) Others in agriculture and allied activities	0.5

Source: Government of Karnataka, 'An Approach to Karnataka's Seventh Five-Year Plan 1985-90: A Paper for Discussion'

TABLE 8: SOME RATIOS OF INDUSTRIAL PRODUCTION IN KARNATAKA

District	Employment/Number of Factories		Value Added/Employment		Capital Output Ratio	
	1961	1981	1961	1981	1961	1981
Bangalore	543.24	387.54	2.12	52.12	0.77	1.63
Belgaum	69.44	456.90	0.72	15.35	0.67	2.14
Bellary	209.62	284.20	1.98	28.24	7.82	1.94
Bidar	—	285.76	—	8.85	—	1.08
Bijapur	49.84	250.04	0.53	11.21	0.85	2.08
Chikmagalur	17.00	152.00	1.52	12.90	0.01	1.05
Chitradurga	375.74	451.26	1.81	20.28	0.84	1.50
Dakshina Kannada	187.75	137.64	0.82	41.71	0.55	2.49
Dharwad	75.12	286.34	0.54	28.80	1.48	1.24
Gulbarga	667.00	329.91	1.41	36.50	2.27	2.00
Hassan	98.33	152.00	1.75	14.93	1.38	1.23
Mandya	708.75	550.07	3.01	22.36	1.18	2.91
Mysore	359.56	324.59	0.84	21.55	0.53	2.53
Raichur	128.43	192.68	1.15	21.78	3.20	2.32
Shimoga	1190.13	669.75	1.31	86.51	1.42	4.49
Uttara Kannada	636.50	308.93	2.29	18.79	3.56	5.93
Tumkur/Kolar/Kodagu	68.00	161.24	0.35	64.33	0.04	0.88
State	297.03	332.17	1.63	40.15	1.05	2.07

Source: Computed from ASI data.

Assuredly, unless such a shift is achieved, the system will not only find itself helping more and more poor without overcoming the problem of poverty itself. It would seem appropriate here to mention two common features of the rural situation in Karnataka. First, an outcome of the extensive relief-like programmes is the growing dependence of the rural poor on government assistance and the emergence of strong political lobbies putting pressure on such assistance on a continuing basis and expanding scale. When such assistance is forthcoming fairly easily, as at present, many among the rural poor are likely to be unwilling to bear the risks, delays and anxieties involved in taking up self-employment activities. Second, failures in IRDP often traced to inadequate co-ordination, linkages and implementation procedures arise, in fact, from basically weak markets for the product or activity owing to deficiency of demand or availability of attractive urban products.

The scale of expenditure alone is not enough to indicate the significance of anti-poverty programmes in the developmental efforts of Karnataka. As a further indicator, we give in Table 14 the results of a rough exercise done by us based on the data for a recent year, 1983-84, to estimate the coverage of the poor by the two major individual-oriented programmes, viz. employment generation and asset creation. The exercise was done for the state as a whole and for the four broad regions in Karnataka. In Table 14 the regions are arranged in ascending order of a proxy for agricultural productivity, viz. gross value of agricultural production per hectare, shown in column 2 of the table. While no precision could be claimed for the results given in the table, the indication that about 11 per cent of the poor were covered in a single year – half each by the two programmes – appears to be a reasonable basis to assume that these programmes are substantial enough to have an impact on the condition of the poor.

The other clue given in Table 14 is that there is no simple and discernible

relationship between agricultural productivity on the one hand, and the coverage and composition of beneficiaries on the other. A priori, it is possible to think of two mutually contrasting hypotheses about this relationship. If the programmes are markedly focused on the backward areas, one would expect a negative relationship to show up between agricultural productivity and the coverage of poor, especially the coverage by asset creation programmes. On the other hand, the relationship between agricultural productivity and coverage of poor would be positive if the government programmes tend to favour the relatively developed areas offering easier and more responsive conditions for taking up such programmes. To judge from the inter-regional variation seen in Table 14, the situation in Karnataka does not fall neatly under either of the two hypotheses, possibly, being an outcome of contradictory pulls and forces.

Another point to bear in mind is that, in terms of meeting the targets of expenditure and of number of beneficiaries to be covered, the performance of IRDP in Karnataka and in its four main regions was quite satisfactory. Tables 15 and 16 contain the relevant information for the first four years of the programme. It is obvious that years and regions with shortfalls in achieving the expenditure and beneficiary targets were few, and that the programme recorded noticeable acceleration in the last two years included in Tables 15 and 16. By way of a further indicator of IRDP performances, Table 17 shows that the percentage of scheduled caste beneficiaries to total beneficiaries is growing over time, with the increase being particularly marked in the relatively backward plains area. However, the acceleration of IRDP over the first four years appears to have been achieved at the cost of a thinner spread of the credit disbursed by the programme (Table 18). The credit disbursed per beneficiary declined sharply in the last year preceded by an unsteady pattern in the first three years. Thus, the overall picture that we get from Tables 15

through 18 is of a programme picking momentum in aggregative terms but at a cost, perhaps, of diluting the help and attention given to individual beneficiaries.

REGIONAL VARIATIONS IN POVERTY

In Karnataka poverty, as may be expected is not uniform across all the districts. Data reveal that there are considerable disparities across districts in terms of development. In the absence of poverty estimates at the district level an attempt has been made to study the disparities in terms of district levels of development and other indicators like occupational pattern. The index of levels of economic development calculated by the Centre for Monitoring Indian Economy (CMIE) reports (Table 19) for the year 1980 and 1985 reveals that Bangalore Kodagu, Chickmagalur, Shimoga, and Bellary are clearly on the higher level, with Dakshina Kannada reaching a very high level during 1985. The districts at the lowest level include Gulbarga, Tumkur, Kolar and Bidar. Apart from Dakshina Kannada the districts that experienced an improvement (in relative terms) in development by 1985

TABLE 11: FOOD CONSUMPTION BY EXPENDITURE DECILES* 1983

Decile	Rural	Urban	Total
0-10	31	38	33
10-20	43	58	49
20-30	48	54	51
30-40	62	64	60
40-50	60	69	62
50-60	66	76	72
60-70	75	82	79
70-80	79	100	80
80-90	95	111	105
90-100	128	165	143

(* Mean monthly per capita expenditure on food in Rs.)

Source: NSS data from Government of Karnataka, 'An Approach to Karnataka's Seventh Five-Year Plan 1985-90: A Paper for Discussion', p 7 Bangalore

TABLE 10: SECTORWISE COMPOSITION OF STATE INCOME (AT CURRENT PRICES) AND EMPLOYMENT

Sector	Year												
	1956-57	1960-61	1970-71	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Primary	62.69	61.25	59.57	43.4	43.2	40	40.9	39.7	36.3	38.5	36.3	35.9	34.1
Secondary	11.45	15.16	18.57	25.1	24.3	25.9	25.4	26	28.4	26.7	26.9	28.1	28.6
Tertiary	25.86	23.59	21.86	31.5	32.5	34.1	33.7	34.3	35.3	34.8	36.8	36	37.1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
Employment													
Primary		77.97	70.69	65.1									
Secondary		11.52	12.50	-									
Tertiary		10.53	16.89	-									
Total		100	100	100									

Sources: 1 Various issues of *Economic Survey*, Government of Karnataka, Bangalore.

2 *Census of India* 1961, 1971.

3 'Approach to Karnataka's Seventh Five-Year Plan', Government of Karnataka, Bangalore.

are Belgaum, Dharwad, Chitradurga, Uttara Kannada, Gulbarga and Tumkur. On the other hand the districts that fared the worst are Kodagu, Mysore, Raichur, Kolar and Bidar. This index suggests that while regional disparities have persisted over time, there is a marginal decline in the disparity, as measured by Sen's Gini Coefficient during his period (Table 19).

Per capita current income at the district level, which is another indicator of disparities, reveals that in 1960-61 (Table 20), while Kodagu's per capita income was Rs 727.50, the highest among all the districts, Bidar district had the lowest per capita income of Rs 199.24. Altogether there were seven districts which had per capita incomes above the state average of Rs 295.72. In 1988-89 eight districts had per capita incomes above that of the state average (the districts are not the same in these two years). Kodagu retained its top position with its per capita income of about Rs 6,910, while Kolar had the lowest at Rs 2,422. There was a gradual decline in income disparity from 1960-61 to 1980-81 followed by a marginal increase in the late 1980s. While there is a substantial improvement (in relative terms) in income in the districts Bangalore, Belgaum, Gulbarga and Mysore, the districts of Hassan, Kolar, Shimoga and Tumkur have had a setback. In terms of the rankings in per capita income of various districts during 1960-61, the districts of Bidar and Raichur were on a lower level of development, and they have had a further setback in 1988-89. Although the per capita income of these districts has had an increase in its absolute size, in relative terms there is a setback.

Agricultural productivity and growth changes between 1961-81 and 1981-86 have been described by Vivekananda (1992). There are a few districts which have achieved high growth from a high base - they include Mandya, Shimoga, Mysore and Belgaum. The districts with a high base and medium growth are Dakshina Kannada, Chikmagalur, Hassan, Tumkur and Bellary. There are certain districts which have not performed well despite a high base - Kodagu, Uttara Kannada, Kolar and Bangalore. On the other hand, there are certain districts that have achieved high growth on a low base - Chitradurga, Bidar and Raichur. Last, certain districts continue to have low growth on a low base - Dharwad, Gulbarga and Bijapur.

Vivekananda has also studied agricultural development and distribution of gains across various regions of Karnataka. On agricultural development *vis-a-vis* the occupational pattern, the regions with high agricultural development have lower participation in agricultural labour, and vice versa. It can be observed from Table 21 that even with regard to the change in the occupational pattern,

the backward districts have experienced a greater increase during 1961-81 in agricultural labour than the developed districts. Based on this, one may infer that the extent of poverty has been on the increase in the backward areas. Vivekananda claims that sustained growth of agriculture has led to a significant withdrawal of females from the workforce. In less developed districts like Raichur, Gulbarga, etc., the increase in female agricultural labour is very high.

INSTITUTIONAL CREDIT

Karnataka has fared well in terms of banking activity. A few indicators, like population served per branch, which was 41,000 in 1969 (as against 69,000 at the all India level), was reduced to 10,400 in 1989 (as against 13,800 at the all India level). In terms of branch expansion also, Karnataka has fared well as the number of commercial banks has increased from 761 in 1969 to 3,200 (approximately) by March 1991. Table 22 shows the growth in deposits and advances. While deposits in commercial bank branches have increased from Rs 255 crore during 1969 to Rs 8,951 crore during 1989, advances have increased from Rs 186 crore to Rs 8,377 crore during this period.

While the participation of these financial institutions in the removal of poverty can be appreciated, skepticism has been expressed in various field-based studies regarding the efficacy of these programmes in aiding the poor. Bank credit is very often biased in favour of the larger farmers. This is mainly an outcome of the hold a large farmer has over the co-operatives and his better accessibility and acceptability to

commercial banks [Rao 1988]. Also, follow-up facilities are not provided by the system. As a result many of the poor who avail of credit facility from the banks end up selling off the asset. The target approach and the intervention of politicians have also been contributing to a great extent to the less than satisfactory performance of these programmes. The IRDP is a gigantic arithmetic operation to cover every year a specified number of poor dispersed all over the country [Rao 1988:2413].

Many loopholes have been highlighted with regard to the performance of various programmes. First, mis-identification has been one of the main drawbacks. This is due to the fact that many political functionaries are intervening in the operation. Mis-identification to the tune of 1 to 4 per cent has been estimated in the mid-term evaluation attempted by the government of Karnataka (1987).

With regard to the Rural Landless Employment Guarantee Programme (RLEGP), although the programme was not totally successful, the benefits of RLEGP reached the poor to some extent [Vivekananda 1989].

TABLE 13. RELATIVE LEVELS OF EXPENDITURE ON ANTI-POVERTY PROGRAMMES IN KARNATAKA DURING THE SIXTH PLAN

Name of Programme	Per Cent of Total
Anti-poverty programme expenditure to total Sixth Plan expenditure	17
Composition of anti-poverty programme expenditure (in per cent)	
(a) Minimum needs programme	55
(b) Employment generation programme	25
(c) Self-employment programmes	20
	100

Source: V M Rao (1988)

TABLE 12. INCIDENCE OF UNEMPLOYMENT

Rounds (Years)	Male			Female		
	Usual Status (Principal)	Current Status Weekly	Daily	Usual Status (Principal)	Current Status Weekly	Daily
Karnataka						
<i>Rural</i>						
32 (1972-73)	1.38	2.28	7.66	4.13	4.68	11.54
38 (1983)	1.02	2.27	6.61	0.69	3.11	8.32
43 (1987-88)	1.60	2.30	2.50	1.30	2.90	5.30
<i>Urban</i>						
32 (1972-73)	6.00	6.53	10.38	17.76	8.51	13.76
38 (1983)	5.36	5.45	8.97	5.48	6.07	9.28
43 (1987-88)	5.60	6.20	9.50	4.10	3.60	10.90
<i>All-India</i>						
<i>Rural</i>						
32 (1972-73)	2.22	3.57	7.12	5.52	4.13	9.18
38 (1983)	2.12	3.72	7.52	1.41	4.26	8.98
43 (1987-88)	2.80	4.20	4.60	3.50	4.40	6.70
<i>Urban</i>						
32 (1972-73)	6.48	7.12	9.40	17.76	10.93	14.55
38 (1983)	5.86	8.69	9.23	6.90	7.46	10.99
43 (1987-88)	6.10	6.60	8.80	8.50	9.20	12.00

Source: Various volumes of *Survekshani*.



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Another positive effect is that as a result of this programme there was less crowding in the labour market for agriculture. However, there are certain weaknesses. Works are assigned to contractors, hence there is no guarantee that the target groups get the employment, and target fulfilment rather than poverty alleviation is the main worry of the officials implementing the project. Because of this, selection of beneficiaries was not attempted properly by the concerned functionaries.

The most important poverty alleviation programme linked to institutional credit is the Integrated Rural Development Programme (IRDP). This programme was started in 1981-82 and the bank credit support for it has been substantial. A mid-term review in 1986 revealed that banks had assisted more than eight lakh people who were below the poverty line and extended credit support to the extent of Rs 182 crore. The subsidy amounted to Rs 72 crore. Per capita net credit given in the state was Rs 2 102 as against the national average of Rs 1 872. The initial target of covering 1 05 lakh families per year in a state was first met by Karnataka.

With regard to the performance of the Integrated Rural Development Programme (IRDP) Rao and Aziz (1989) have expressed dissatisfaction. Although the IRDP has an impressive spatial spread and beneficiary coverage, the support has been highly inadequate. In the absence of any arrangements for backward and forward linkages, this programme is serving the relief needs of the beneficiaries rather than helping them to become economically viable. Ironically, the programme has had some impact on the rural poor who have and but much less on the landless poor. Competitive politics rather than long term development planning for the poor appears to be the chief source from which the IRDP strategy derives its stimulus and sense of priorities.

Regarding interventions in the areas of technology extension and credit, Rao (1988) notes that benefits derived from the new technologies accrue more to large farmers.

Thus the technological change in agriculture is a factor intensifying the degree of differentiation among the farmers by increasing the economic distances among the three categories: (a) those making substantial gains, (b) those becoming viable but not affluent, and (c) those remaining non-viable. The viable farmers are likely to find many areas of common interest with the large farmers while the non-viable are prone to find their economic status drifting down to the levels of landless labourers (1988:2411).

This, to some extent, substantiates the earlier finding that inter-regional disparities

and income inequalities among individuals have not been substantially reduced in Karnataka, despite substantial intervention by the government.

Summarising the performance of the anti-poverty programmes, Rao notes that "our anti-poverty strategy has no credible component of new economic opportunities for the lowest rural stratum. This implies that this stratum will have

to rely chiefly on the politicisation route towards the main stream" (Rao and Aziz 1989:16).

If the experience of Kerala is anything to go by, the importance of the politicisation route cannot be underestimated – especially in a state like Karnataka which has ruled out options like agrarian reform in favour of technology based solutions, to which we now turn.

TABLE 14 COVERAGE OF POOR BY EMPLOYMENT AND ASSET PROGRAMMES (1983-84)

Region	Range of Gross Value of Crop (Per Hectare) Production in Districts Falling in the Region	Percentage of Beneficiaries to Poor	Percentage of Beneficiaries Covered by		
			Employment Programmes	Asset Programmes	Total
Northern plain (7 districts)	391 to 819	12	43	57	100
Southern plain (7 districts)	782 to 1 513	9	60	40	100
Coastal area (2 districts)	1 479 to 1 750	10	51	49	100
Western ghats area (3 districts)	1 717 to 2 550	13	56	44	100
Karnataka		11	51	49	100

Source: L. S. Venkataramanan, Agricultural Productivity, Growth and Labour Absorption in Agriculture in Karnataka, Institute for Social and Economic Change, Bangalore, 1986 (mimeo), p. 18.

TABLE 15 PERCENTAGE OF ACTUAL EXPENDITURE ON IRDP TO TARGET

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	100	82	118	183
Southern plain	115	130	106	120
Coastal area	138	168	166	107
Western ghats area	56	109	159	131
Karnataka	105	113	123	143

Source: Rao (1988).

TABLE 16 PERCENTAGE OF ACTUAL IRDP BENEFICIARIES TO TARGET NUMBER

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	86	69	172	242
Southern plain	139	80	146	156
Coastal area	103	133	195	147
Western ghats area	53	98	226	173
Karnataka	105	83	170	193

Source: Rao (1988).

TABLE 17 PERCENTAGE OF SC/ST BENEFICIARIES TO TOTAL BENEFICIARIES

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	18	22	28	NA
Southern plain	16	23	35	NA
Coastal area	13	11	19	NA
Western ghats area	12	8	22	NA
Karnataka	16	19	28	28

Source: Rao (1988).

TABLE 18 AMOUNT OF ASSISTANCE PER BENEFICIARY

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	1 795	2 891	2 297	905
Southern plain	2 175	2 835	2 382	1 021
Coastal area	2 846	2 729	2 342	970
Western ghats area	1 753	1 568	2 145	1 007
Karnataka	2 100	2 675	2 308	956

Source: Rao (1988).

IV R and D Input

A direct attack on poverty was introduced in the Fourth Plan, although there were stray attempts, such as land reforms and community development programmes, during the earlier plans. They are of different types – self-employment, additional employment generation, skill formation, area development, welfare schemes for weaker sections, minimum needs programmes, and the like. These are by and large centrally sponsored programmes. At the state level, Karnataka has many state sponsored programmes such as Anthyodaya, Neglubbhagya, Rural Employment Guarantee Scheme and the like. They follow the same pattern as the central schemes. The expenditure on some of these programmes in the 1980s is shown in Table 23.

A feature unique to Karnataka, as far as I know, is the systematic effort to link up R and D efforts in scientific research institutions to rural development. In 1975, the Karnataka State Council for Science and Technology (KSCST) was set up, with the chief minister as president and the finance minister and the director of the Indian Institute of Science, Bangalore, as vice-presidents. The director of the Indian Institute of Science serves as chairman of the executive committee of the council and an eminent scientist functions as its secretary and chief executive – first Amulya Kumar N Reddy of the Indian Institute of Science; and more recently, B R Pai of the National Aeronautical Laboratory, Bangalore.

It is thus a body that brings together political authority, the rural administration and scientific talent. The objectives of the KSCST are:

- to identify areas for the application of science and technology to the development needs, objectives and goals of Karnataka, and, in particular, to the prevailing conditions of backwardness, rural unemployment and poverty;
- to advise government on the formulation of policies and measures including technical, administrative and legal devices, which will promote such applications to identified needs, objectives and goals; in particular to health, education and manpower utilisation with special emphasis on the development of human skills in the rural areas and in the slums; and which will promote the scientific management of the natural resources of the state;
- to promote effective co-ordination and to develop and foster communication and other links between centres of scientific and technological research,

government agencies, farms and industries so that promising research and development work is initiated, promoted and effectively deployed in agriculture, in government and elsewhere.

- to initiate, support and co-ordinate applied research programmes in universities and other institutions in areas identified to be specially suitable for the application of science and technology.
- to prepare science and technology plans relevant to the development needs of the state;
- to consider and advise the government on such other matters as are relevant to the application of science and technology to the problems of Karnataka state.

The KSCST has been active in mobilising the considerable scientific resources available in the state to meet these objectives. An indication of its activities is given in Table 24. It may be noted that the expenditure on R and D projects is not a negligible proportion of the expenditure on anti-poverty programmes. In recent years, the efforts of the KSCST are also being brought down to the district level. Consider the following efforts (Table 24). In order to ensure a perennial drinking water supply in the villages, the government of Karnataka undertook a massive programme of drilling borewells and fitting them with handpumps in the 1970s. More importantly, the focus was on maintenance of handpumps. By the mid-1970s, large scale failure of handpumps (60 per cent) was reported. The KSCST studied the nature and causes of failure and came out with useful solutions. Engineers of the PHE department were trained, as were village artisans, in handpump repair and maintenance. Thus the repair capability is available at the panchayat level and provides opportunities for part-time employment to the local youth in new areas.

Another major effort by KSCST has been directed towards generating biogas for water pumping and illumination. A water supply and electricity distribution system has been designed for an entire village, improving per capita water consumption from 17 to 21 litres and also ensuring at least one 20 watt fluorescent lamp for each house, thus contributing to the literacy effort, and, once again, both providing some employment *in situ* as well as strengthening village level self-reliance.

One more important achievement has been in the development of efficient kilns for burning of bricks and tiles. Break-throughs have been made in improvement of the thermal efficiency and in modelling of the thermal process of tile and brick manufacture. This, coupled with the generation of new building technologies

using local materials, can go a big way toward setting up village based industries that would generate employment and income.

Women have benefited from the development of an efficient wood-burnin stove, the smokeless 'astra ole', of which several lakh have been installed. What interesting here is that the technical input have been of the highest order. The equations to describe combustion in the 'astra ole' represent frontier level science not applications of knowledge available in undergraduate text books. But it has also made clear the need to translate the

TABLE 19: INDEX OF LEVELS OF ECONOMIC DEVELOPMENT

Districts	1980	1985
Bangalore	231	256
*	2	1
Dakshina Kannada	117	167
*	8	2
Chickmagalur	215	149
*	3	3
Kodagu	298	142
*	1	4
Shimoga	128	119
*	4	5
Bellary	125	112
*	5	6
Belgaum	109	109
*	9	7
Dharwad	106	108
*	11	8
Mysore	121	107
*	6	9
Chitradurga	94	96
*	12	10
Hassan	108	96
*	10	10
Uttara Kannada	94	95
*	12	11
Raichur	120	83
*	7	12
Mandya	85	82
*	13	13
Bijapur	82	71
*	14	14
Gulbarga	71	65
*	17	15
Tumkur	66	63
*	18	16
Kolar	78	61
*	15	17
Bidar	73	60
*	16	18
Regional disparity (Sen's Gini Coefficient)	0.2335	0.2141

Notes: 1 Represents ranks
2 All-India average is 100.
3 Karnataka state average is 107.
4 About nine districts in Karnataka are above the all-India average and are in the top 99 districts – Bangalore, Dakshina Kannada, Chickmagalur, Kodagu, Shimoga, Bellary, Belgaum, Dharwad and Mysore.

Source: CMIE – district level data.

problems of the poor in rural areas to scientific R and D questions that will interest scientists. It has also shown how important it is for scientists to have first hand experience of rural areas and poor people, and to get feedback from them to improve their designs. And in this there is need for collaboration with social scientists and grassroots activists. It has shown that there are no quick solutions – the efforts of R and D have to be planned and efficiently managed. Even after technologies have been developed there are formidable problems of dissemination. If the KSCST experience is any indication a span of less than 10 years is simply unrealistic.

All this it must be noted may constitute a necessary condition for the success of poverty alleviation programmes – not a sufficient one that again emerges from Karnataka's experience.

V

Towards Decentralised Management

There was a major change in the management of poverty alleviation programmes with the Karnataka Zilla Parishads, Taluk Panchayat Samithis, Mandal Panchayats and Nyaya Panchayats Act of 1984 which took a long time to get the assent of the president. While panchayat raj concepts have a long history the Karnataka experiment of the 1980s was piloted by Ramakrishna Hegde and Abdul Nazir Sahab at the political level. But there were many in different walks of life who supported the experiment.

These institutions came into operation from April 1, 1987 after elections were held and continued till the end of 1991 when the new government superseded these institutions through an ordinance. (This supersession was challenged in the supreme court who ordered that elections to these bodies be held by June 30, 1993.)

This act has enabled the creation of an institutional framework for planning and management at the grassroots level. Zilla parishads, mandal panchayats and grama sabhas constitute the institutional set up in implementing programmes for the area. They are meant to make improvements in the development programmes in the sense that they are designed to suit the requirements of the area and set priorities according to needs. This is a radical measure aimed at effecting decentralisation of powers and finances and is meant to ensure self-governance by people at the local level.

As Chandrasekhar (1986) writes, these institutions are entrusted with "local government and judicial functions and the execution of certain works and development schemes of the State Five Year Plans", and

for "decentralisation of powers and functions for the purpose of participation by the people on the plans and in local and governmental affairs". The values of self-governance, growth of democratic institutions and participation are recognised as necessary for the promotion of a more equitable and dynamic society in rural Karnataka.

In the system, below the state the district is the unit at which decentralisation begins. It is the level at which technical competence, possible development of old and new technology, the methods of transfer of technology, organised human resources etc. are available. Below the zilla parishad (an elected body) is the taluk panchayat samithi (a co-ordinating body), then the mandal panchayat – an elected body. The gram sabha is the fourth or grassroots level. From among the elected members of the zilla parishad one will be elected as adhyaksha and another as upadhyaksha with the ranks of

TABLE 21 CHANGE IN OCCUPATIONAL PATTERN IN MALE AND FEMALE WORKERS DISTRICTWISE 1961-81

Districts	Increase in Agricultural Labour	
	Male	Female
Belgaum	7.26	23.99
Bellary	11.52	28.40
Bidar	3.66	13.81
Bijapur	6.14	17.67
Chickmagalur	5.74	21.35
Chitradurga	11.73	23.81
Dakshina Kannada	5.07	4.02
Dharwad	9.63	34.26
Gulbarga	7.35	36.93
Hassan	3.97	13.50
Kodagu	3.56	7.83
Mandya	6.24	9.88
Mysore	7.15	14.97
Raichur	15.80	40.68
Shimoga	14.68	33.16
Tumkur	6.93	20.69
Uttara Kannada	2.84	11.40

Source: Vivekananda (1992)

TABLE 20 PER CAPITA DISTRICT INCOME AT CURRENT PRICES IN RUPEES

	1960-61	1970-71	1975-76	1980-81	1985-86	1988-89
Bangalore	256.28	735.20	1215.26	2129.31	3619.71	5693.15
*	14			2		2
Belgaum	266.65	551.00	844.68	1501.63	2037.23	3865.32
*	10			11		7
Bellary	305.73	777.93	1022.51	1576.58	2032.21	3789.50
*	6			10		8
Bidar	199.24	472.85	766.18	1360.14	1871.61	2776.98
*	19			15		17
Bijapur	202.79	451.45	694.07	1062.29	1560.58	2711.90
*	18			18		18
Chickmagalur	479.39	1001.93	1327.40	1915.83	2752.28	4614.66
*	4			4		4
Chitradurga	274.19	654.78	1642.48	1674.20	1962.45	3621.47
*	9			7		9
Dakshina Kannada	356.80	691.14	1198.63	1984.23	2671.65	4163.79
*	5			3		5
Dharwad	256.98	571.70	823.71	1350.86	1957.81	3237.91
*	13			16		11
Gulbarga	223.00	599.01	737.81	1397.23	1779.58	3154.47
*	17			14		13
Hassan	301.35	636.61	983.35	1399.06	2017.25	3000.32
*	7			13		14
Kodagu	727.50	2008.29	2535.01	3039.06	4359.97	6410.12
*	1			1		1
Kolar	238.00	473.70	772.25	876.78	1485.37	2421.93
*	15			19		1
Mandya	258.36	557.44	970.50	1661.37	2055.71	3176.42
*	12			8		12
Mysore	258.75	620.39	1115.60	1645.32	2311.88	4748.02
*	11			9		3
Raichur	226.74	717.43	870.74	1467.91	1709.85	2838.49
*	16			12		15
Shimoga	577.58	779.64	1354.40	1859.31	2400.66	3474.78
*	2			5		10
Tumkur	282.68	458.78	870.14	1237.44	1740.20	2798.35
*	8			17		16
Uttara Kannada	577.45	653.81	1294.59	1809.72	2491.05	4021.99
*	3			6		6
State	295.72	641.21	1004.61	1596.13	2263.86	3786.72
Regional disparity	0.2139	0.1914	0.1703	0.1432	0.1529	0.1532

Note: * Individual ranks

Sources: 1 L. S. Venkataramanan et al. *Dynamics of Rural Transformation in Karnataka 1956-76* ISEC 1985

2 Government of Karnataka *Economic Survey 1990-91*

minister of state and deputy minister in the state government, respectively. The chief executive of the zilla parishad will be an IAS officer of middle level seniority, reporting to the adhyaksha, who writes his confidential performance report. This ensures the accountability of the civil service to the political authority. Once provision of finances have been made in the state budget the money is automatically transferred to the zilla parishad. This is an important innovation in Karnataka. There is a provision for a finance commission which will determine how state funds are shared among districts over a five-year period. One commission has submitted its report.

The tier next in importance to the zilla parishad is the mandal panchayat – an area with a population of not less than 8,000 persons and not more than 12,000 – with scope for specific exemption in the hilly Malnad areas. There are also reservations of seats – 25 per cent for women, and at least 18 per cent for SC/ST. There are many innovative provisions which cannot be further discussed here – but the literature on this issue is quite large. The point to note is that compared to a system in which development works were decided upon and managed by officials, this system ensures people's participation and local accountability.

To this extent, Karnataka's case is different from others, with the possible exception of West Bengal. This is in view of the fact that developmental responsibilities have been delegated and transferred to panchayat raj institutions and rural development and poverty alleviation programmes are among them. The empowerment of the mandal panchayats to levy taxes and the zilla parishads to charge licence fees, collect rents from property and raise loans with the approval of the state government, is expected to enable the zilla parishads and mandal panchayats to supplement their funds. The funds for these organisations otherwise mainly consist of transfers from the state government.

The system has been evaluated by a high powered committee set up by the government of Karnataka when the system had been operational for two years, with K. S. Krishnaswamy as chairman and L. C. Jain and P. S. Appu as members. The evaluation was based mainly on visits and discussions at various levels. First questionnaires were canvassed among the concerned functionaries such as heads of departments and secretaries to the government of Karnataka, the main functionaries of panchayat raj institutions like adhyakshas, chief secretaries of zilla parishads, and a random set of pradhans of mandal panchayats. Responses were sought with regard to the achievements, statutory

provisions, administration and financial arrangements, sanctioning powers, programme implementation and planning system for development. Discussions were later held with the respondents and other officers of zilla parishads. Inspectors in the field were also consulted. What follows is based on the report of this committee.

Many of these institutions have used these powers to good advantage to supplement the finances transferred by the state government. They have mobilised substantial sums by way of donations and contributions from local people for construction of schools and other buildings. In some instances, zilla parishads have used innovative methods to combine local contributions by users of certain facilities with tied or borrowed funds available from other sources, for instance lift irrigation schemes in Bellary and horticulture schemes and seed farms in Raichur. Overall, both zilla parishads and mandal panchayats have

given ample evidence of their willingness and ability to mobilise local resources both real and financial [Government of Karnataka 1989:12]. An improvement is generally expected as this system ensures a constant check on the various functionaries involved in delivering the services.

Analysing the overall performance of the new system, the committee states that the actual performance of zilla parishads and mandal panchayats is an impressive virtue in all districts. The operation of schools and health facilities has improved considerably. Good progress has been made in the allocation of housing sites under various schemes. Performance in the fields of inland fisheries, horticulture and forests has also been good. Generally, development works are being executed more speedily than before and there is better control of field staff.

Satisfaction has also been expressed with regard to the performance of various pover-

TABLE 22 PERFORMANCE OF COMMERCIAL BANKS AND REGIONAL RURAL BANKS IN KARNATAKA 1989 TO 1991

Indicator	Unit	1969	As at the End of March				
			1978	1982	1989	1990	1991 (Anticipate)
1. Bank branches							
(a) Commercial banks	Number	761	2480	2625	3090	3167	3200
(b) Regional rural banks	do		4	421	1059	1067	1067
Total	do	761	2484	3046	4149	4234	4267
2. Deposits							
(a) Commercial banks	Rs. crore	255	1341	2285	7007.02	8165.84	8951.1
(b) Regional rural banks	do	NA	3.99	29	199.6	256.26	265.1
Total	do	255	1344.99	2314	7206.62	8422.1	9216.2
3. Advances							
(a) Commercial banks	Rs. crore	186	1091	1750	6340.81	6866.21	8376.1
(b) Regional rural banks	do		6.91	56	111.34	362.14	419.1
Total	do	186	1096.9	1806	6652.15	7228.35	8795.2

Source: Government of Karnataka, various issues of *Economic Survey*.

TABLE 23 EXPENDITURE UNDER DEVELOPMENT PROGRAMME SCHEMES (from 1980-81 to 1991-92)

Year	NREP Expenditure	RLFEP Expenditure	JRY Expenditure	DPAP Expenditure	WGDP Expenditure
1980-81	353.76			715.15	191.00
1981-82	1278.12			598.84	230.00
1982-83	2558.46			524.57	266.00
1983-84	2661.82	87.73		891.85	367.20
1984-85	4508.63	1855.68		1045.71	388.20
1985-86	3547.32	2133.56		896.75	399.02
1986-87	2959.73	2802.81		1094.52	606.69
1987-88	4069.84	3262.34		909.94	589.70
1988-89	4500.57	3469.20		1057.13	966.92
1989-90			10942.80	1041.56	849.57
1990-91			10892.31	1140.02	880.43
1991-92			11163.39	1195.99	881.63

Notes: 1. Breakup allocation under DPAP for the years 1974-75 to 1978-79 are not available. The cumulative allocation for these years is indicated.

2. These pertain to panchayat raj department, government of Karnataka. There are schemes with other departments/ministries, but we do not have the data.

3. * Western ghats development programme.

Source: Panchayat Raj Department, Government of Karnataka.

violation programmes. There has been improvement in the selection of beneficiaries and implementation of these programmes, compared to the pre-zilla parishad system. This is captured in the NREP case study discussed above.

This is a good achievement in view of the fact that mis-identification and biased selection of beneficiaries were among the main drawbacks of the programmes. The committee report credits the new system for the improved functioning of poverty alleviation programmes. On the question of identification of priorities and of persons eligible for relief, the report notes the advantages of the new system have already become noticeable. Local differences have been identified promptly, within the flexibility that they have. Resources are allocated for the purpose. There have also been initiatives on the part of local bodies to use the labour available under RLEGP, NREP or other programmes to construct or repair buildings needed for essential local purposes such as schools, public health centres and community halls.

However, one of the drawbacks of the new system is that gram sabha meetings have been convened in a hurry without giving adequate publicity to the agenda. In some cases attendance was observed to be low and consisted of people mobilised by mandal panchayat functionaries. In some cases there has been criticism of selection of beneficiaries and the priorities effected in these meetings. To remedy this, the committee emphasises the need for strict adherence to the requirements for convening gram sabha meetings. It recommends that the mandal pradhans and concerned officers attend these meetings regularly with adequate preparation.

Other remedial measures suggested by the committee include establishing proper institutional linkages between mandal panchayats and zilla parishads. Another area of concern highlighted is the persisting

intervention from the various departments of the state government in Bangalore. The committee stated that "notwithstanding the substantial transfer of power to zilla parishads, the actual operations of these bodies are seriously circumscribed by administrative and financial restrictions. The committee has also documented the efforts of the state secretariat to curb the zilla parishad via circulars; and counselled vigilance on this score (p 94).

Instead of building upon this foundation, the government of Karnataka in 1992 by special legislation superseded the entire system. The cynic could argue that this proves that the system worked well!

VI Conclusion

What emerges from this discussion? A great deal has been spent on poverty alleviation programmes, and there have been leakages in these programmes. But they have also reached the poor and made some impact. They are not a total failure. This would appear to be true in varying degrees of other states as well.

Karnataka depended more heavily than others on irrigation projects. Here, the decline of traditional systems coupled with the low returns to investment on major systems, and the highly politicised implementation of the projects, meant that the complementarity between water and other programmes was lost. This is an area where attention needs to be focused – the area of dryland technology. It must be noted that a foundation for further work, has already been laid in Karnataka [Ninan and Chandrasekhar 1992]. The 'target' approach has led to the programmes being implemented mechanically. The synergy possible at the field level was lost. Karnataka's experience suggests that democratic decentralisation is at least in part the answer to this problem.

There are two areas in which Karnataka may have lessons to offer. One is in giving

a scientific/technological R and D input into poverty alleviation programmes. A promising start has been made, more needs to be done, but other states may learn from this experience. The lessons of experience are sober lessons. The task of harnessing R and D to poverty alleviation and rural development is a tough one. It requires the latest results and the most sophisticated of brains, not old or second-hand knowledge and machinery. In Karnataka, it took about 10 years for tangible results to emerge, e.g. the community biogas experience at Pura showed that even when top level scientists are involved, purely technical solutions in a rural context require systematic research, and creative solutions have to be developed, which takes time and patience. The knowledge does not exist in ready-made, useable form – and this is in Karnataka which had a core of technologists sensitised to the problems of rural areas. Even now, much remains to be done to diffuse and disseminate these technologies. Clearly, that too will require innovative solutions to be developed, and this too will take time. Like all research, it carries risk, but it has potential for high returns. Thus, all these are programmes for the medium term. The research and development infrastructure in Karnataka can, in all probability, provide such support to other states: what is needed is a suitable mechanism to release this scientific energy. Once these programmes yield results, they may be expected to result in productive employment in several areas, thus setting the stage for a gradual reduction/withdrawal of poverty alleviation programmes.

The second is in its brief experiment in panchayati raj and decentralised planning. Here too a promising start was made, but unfortunately, aborted. But much has been learned from this brief experiment; mainly, the need to guard against vested interests, which are many, and to persist with this political innovation.

Both these factors may be seen as necessary conditions in any successful

TABLE 24: DETAILS OF PROJECTS OF KSCST

Circulars	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
of ongoing projects	18	15	16	18	25	20	16	17	13	22	33	39	34
of ongoing projects with rural bias	12	10	8	10	13	13	11	14	8	18	17	21	23
of ongoing demonstration projects	1	2	3	5	9	7	7	6	6	5	12	10	11
of projects and programmes completed (cumulative)	9	15	19	22	24	28	35	44	48	51	57	67	78
of persons involved	130	112	120	130	175	140	120	110	104	120	160	125	140
of institutions involved	3	4	5	5	9	10	9	5	5	5	9	11	17
expenditure on major projects (Rs in lakh)		6.84	6.34	8.89	9.92	12.64	13.66	15.42	15.63	23.91	40.96	28.47	41.09

Source: Annual Reports of KSCST, Bangalore.

poverty alleviation programme. It would be premature to conclude that they are sufficient conditions for their success. Further, poverty alleviation programmes need to be seen as temporary measures — their success must mean that they 'create conditions in which they can be phased out. This implies that the growth processes in the economy have to be reinvigorated. It remains to be seen if the structural adjustment programmes that the government of India is embarking upon will lead to such growth. If radical solutions like basic land reform on the Korean or Taiwan model are politically ruled out; and rural diversification of the village/district economic base does not take place at a faster rate, based on off-farm and non-farm activities; and the many other conditions needed to support such policies do not obtain; then it is difficult to see how such a growth process can be sustained. To this question, research scholars must now turn their attention.

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Declining Incidence of Rural Poverty in Kerala

K P Kannan

In Kerala, the incidence of rural poverty has declined in the 1980s in spite of the slow rate of growth of the economy. The explanation for this is that various state intervention programmes especially the public distribution system have had a positive impact on poverty. The experience of Kerala shows that, with or without growth it is possible to alleviate poverty through well designed and implemented programmes and that social protection for the most vulnerable groups should be a necessary component of development policy.

I

The Problem and Context

During the first half of the 1970s when there was a lively debate on the incidence of poverty in India, Kerala presented a paradoxical picture. On the one hand Kerala had achieved remarkable progress in such human development indicators as education and health but on the other hand it remained one of the poorest states as measured by household consumption expenditure.¹ It is now well known that the achievements in social development were the result of elected state intervention over a long period of time. Such intervention was in turn the result of pressures generated within Kerala society through organised movements. This anomaly between high social development and high incidence of poverty seems to have been overcome in the 1980s with a sharp reduction in the incidence of poverty despite a lower rate of growth of the economy. This paper addresses the latter phenomenon.

With a view to focus the discussion in a broader perspective, we may conceptualise following Dreze and Sen (1990) the problem of poverty alleviation in terms of two dimensions: the creation of entitlements in the sense of the access of the poor to consume commodities (or commodity bundles) and the building up of capabilities for a dignified human existence. The first referred to as entitlements in the sense

the set of alternative bundles of commodities over which a person can establish command, whereas the second is associated with such elements as the standard of living as well as broader aspects of the ability to be socially useful and influential. The interaction of entitlements and capabilities results in a certain functioning, what people do and what they are doing and beings. On the basis of this conceptualisation we have classified the poverty alleviation programmes in Kerala in table I. Since the achievements in the sphere of building up of capabilities such as education and health are well known and well documented, we do not discuss them here.

Our discussion here is organised in the following manner. Section II presents a profile of poverty in Kerala in its three dimensions (headcount, poverty gap and its

intensity) on the basis of evidence from consumer expenditure surveys as well as its changing structure. These results based on all India surveys are sought to be tested against the results obtained through a survey on socio-economic and health conditions in Kerala in 1987. Section III deals with the context and the possible routes through which poverty could decline. The extremely limited scope for the trickle down process to work and the active role of public intervention measures are underlined here. Section IV recognises the important role of public intervention in general but deals only with state directed programmes. Section V is a brief case study of food security programmes such as the public distribution system and supplementary nutrition programmes mainly for children below the age of 10. The last section by way of concluding observations, makes an assessment of the impact of the various poverty alleviation programmes and their sustainability in the context of the constraints on the development of commodity producing sectors in the Kerala economy. We conclude by noting that social protection of the poor, especially those vulnerable among them, is as important as a growth strategy that will ensure adequate employment to the labouring poor.

II

Profile of Poverty

All the indices which measure the extent of poverty rest on the identification of a poverty line. In India, the Planning Commission's norm of a monthly per capita consumption of Rs 20 at 1960/61 prices is accepted as the poverty line. On this basis, Dandekar and Rath (1971) re-estimated and found that a monthly per capita consumption expenditure of Rs 15 and Rs 22.50 at 1960/61 prices delineates the rural and urban poverty lines respectively. Bardhan (1973) worked out the required monthly per capita consumption expenditure on a state specific basis. Accordingly the poverty line for rural Kerala was Rs 16.10 at 1960-61 prices. This norm attributes a minimum required level of expenditure for sustenance. The second norm defining the poverty line is derived from the first and looks at poverty from a nutritional angle. The norm specifies the poverty line as the minimum expenditure

required for a daily per capita intake of 2,250 calories. Dandekar and Rath (1971) estimated that for Kerala a monthly per capita expenditure level ranging between Rs 34 and Rs 43 corresponds to a minimum intake of 2,200 calories per capita per day. The Planning Commission (Government of India, 1979) redefined the norms as monthly per capita expenditure of Rs 49.09 and Rs 56.64 at 1973/74 prices, reflecting daily per capita intake of 2,240 and 2,100 calories for rural and urban areas respectively. However, the rural poverty line based on the 1960/61 estimate and inflated by the consumer price index for agricultural labourers will work out to only 80 per cent of the above figure of Rs 49.09. Kakwani and Subbarao (1990) have called this the poverty line for the ultra poor. Recently Minhas et al (1991) have calculated the poverty line for rural and urban Kerala at 1973/74 prices on the basis of price index constructed for the middle range population.

There are a number of studies relating to the incidence of poverty in India. We refer here to the recent studies pertaining to the states. Ahluwalia (1978) estimated poverty in rural India and 14 Indian states for the period 1956/57 to 1973/74, measuring absolute poverty in terms of real per capita consumption using head count (HC) ratio and Sen's index. At the all India level, he found that there was marked fluctuation in the incidence of rural poverty declining till 1960/61 and rising sharply through the mid 1960s, reaching a peak in 1967/68 and again declining thereafter. Extending the period to 1983, Mahendra Dev et al (1988) have shown that the incidence of rural poverty at the all India level declined between the period 1964-65 and 1983, particularly after 1977/78. However, the coefficient of variation of poverty occurrence has increased over the years, implying the widening of gaps among the states. Kakwani and Subbarao (1990) studied the incidence of rural poverty for the period 1972/73 to 1983. The trends in poverty gap ratio and Watt's measure showed that the reduction in poverty was more for the ultra poor than for the poor and the magnitudes of reduction in poverty level are higher for the period of growth 1977/78 to 1983 than for the period 1973/74 to 1977/78. Mahendra Dev et al (1991) share the same view; they found that the decline

was more pronounced in the 1980s. Bhattacharya et al (1991) showed for the period 1952/53 to 1983 that the percentage of rural poor rose sharply between 1964/65 and 1966/68. The incidence of rural poverty stagnated during 1970-74 and then registered a sharp decline for the rest of the period. But they conclude that though poverty declined secularly from the late 1960s, the proportion of poor and their absolute number still remain high. As the HC ratio seldom fell below 40 per cent, the study inferred that the bottom 40 per cent of India's rural population have remained chronically poor, and moreover another 20 per cent remained vulnerable to changes in the economy.

Minhas, Jain and Tendulkar (1991) also conclude that there was a sharp decline in the incidence of poverty during the period 1970/71 and 1987/88, the combined HC ratio registered a continuous decline from 56.3 per cent to 45.9 per cent during the entire period. The decline between 1983-84 and 1987/88 is particularly striking because the last year was a bad agricultural year and quite unexpectedly the ratio declined in that year.

As part of the all-India studies, estimates of the incidence of poverty in Kerala are available for a number of years as shown in Table 2. There are some marked features to the trend in incidence in rural poverty in Kerala. First of all, Kerala presents a trend similar to that of all-India: beginning from the early 1960s, the incidence of rural poverty peaked during the mid-1960s and then began to decline since the late 1960s. However, the process of decline seems to be sharper in Kerala with the 1980s registering significant declines in the incidence of poverty. What is significant from the Kerala point of view is that since the beginning of the 1980s Kerala presents a lower incidence of poverty than all-India for the first time. This is borne out by all the studies presented in Table 2. Here the poverty line refers to (i) the Planning Commission's estimate of 1960-61 as worked out by Bardhan for Kerala (1973) and adjusted by the consumer price index for agricultural labourers for estimates given by Mahendra Dev et al (1988), Ahluwalia (1978) and Bhattacharya et al (1991); (ii) Planning Commission's estimate at 1973-74 prices and adjusted by the consumer price index for agricultural labourers for the estimates given by Kakwani and Subbarao (1990), and (iii) the estimate based on the 1973-74 prices index constructed for the middle range population for estimates given by Minhas et al (1991). We have called the poverty estimates of (i), 'chronic poverty', the same as the 'ultra poor' referred to by Kakwani and Subbarao (1990).

As the trend in poverty in rural Kerala is not fluctuating over different NSS rounds during the 1970s and 1980s, we may be tempted to infer that a vulnerable group is

present to a lesser extent in Kerala. It would appear that around 20 per cent of Kerala's rural population have remained chronically poor.⁴ If we consider the estimate of the incidence of poverty given by Minhas et al (1991), then it is as high as 44 per cent for Kerala. In this sense, there is a vulnerable group of poor in Kerala equivalent to the chronically poor.

STRUCTURE OF RURAL POVERTY

From 32nd and 38th Rounds of NSS we note that the majority of the rural poor are within agricultural labour households. The Kerala scenario is similar to the all-India picture with predominance of poverty in agricultural households, as is evident from Table 3. The quantum share of all landless/land-poor labour households in the poverty structure of Kerala stands in contrast to the all-India picture in which the self-employed in agriculture (i.e., poor peasants) is the second biggest segment of the rural poor. The share of self-employed in agriculture in rural poor of Kerala is quite low in comparison to the all-India figures. This might be due to the crop-mix (in favour of cash crops), enabling the generation of high value per unit area. The majority of the poor in Kerala belong to the labour households; they are either assetless or asset poor.

Thus two essential features emerge from the above analysis: (i) there is a decline trend in the incidence of rural poverty in Kerala, the downturn being significant in the late 1970s; (ii) the structure of poverty is tilted towards labour households whether agricultural or non-agricultural.

The evidence so far presented on incidence and structure of poverty in Kerala is based on consumer expenditure data, a measure of the income of the poor. In speaking, it is income data that should be taken into account, but there are well known problems in obtaining such data. Income reported by about 10,000 households in Kerala were collected in July 1987 for a study on the health status of the rural population [Kannan et al 1991]. Apart from income and health status, data on a number of other socio-economic characteristics such as ownership of land, education and housing conditions were collected. Interestingly, per capita income thus derived was close to the per capita state domestic product reported by the department of economics and statistics. This however does not mean there was under-reporting. On the contrary, it is well known that the SDP measure does not capture the remittances to the Kerala economy. It may be that the under-reporting of household income thus matches that of government sources. Using the income and other socio-economic data (which could be used to

TABLE 1 : TYPOLOGY OF POVERTY ALLEVIATING PROGRAMMES IN KERALA

Aim -> Means	Creation of Entitlements	Building up of Capabilities
Targeted programmes	1 <i>Food security:</i> Supplementary nutrition to the vulnerable among the poor, (e.g. pregnant mothers, pre-school and school-going children up to 10 years)	1 <i>Education:</i> Support for literacy and pre-literacy programmes, financial assistance to village libraries and scheduled caste/tribe students.
	2 <i>Social security payment:</i> To vulnerable among the poor (e.g., monthly pension to old aged and other destitutes, old aged agricultural and other rural labourers).	2 <i>Housing:</i> House building programmes, financial assistance for house building.
	3 <i>Income/employment generation:</i> Integrated Rural Development Programme; National Rural Employment Programme and Rural Landless Employment Guarantee Programme	
Non-targeted programmes in which the poor benefit significantly	1 <i>Food security:</i> Public Distribution System through (i) ration shops and (ii) fair price shops.	1 <i>Education:</i> Free education up to the high secondary level in both public and private (aided) schools
		2 <i>Health:</i> Free health care in public health institutions.

tercheck on under-reporting) we have used a brief profile of poverty in Kerala which closely resembles the profile emerging from the earlier analysis. We examine here the incidence of poverty, the characteristics of the poor, their spatial distribution by districts, non-income dimensions of poverty, quantification of the chronically poor in terms of income and non-income characteristics.

Using the 1960-61 norm of Rs 16.10 capita per month of consumer expenditure reduced to cross the poverty line in rural Kerala at 1987-88 prices, we found from the survey data that 43 per cent of households and 45 per cent of the population come below the poverty line. For possible underestimation of income, we resorted to a number of imputations of households to produce an estimated incidence of the poor. Those households in the above group retaining characteristics as ownership of land of less than 2.5 acres, higher educational qualifications of household members, electric roof of the house, use of LPG or electricity for cooking, piped water supply to the house, etc., were eliminated. This leaves us a figure of 30 per cent of households and 31 per cent of the population below the poverty line.

The characteristics of the poor are along the stated lines except for one – education. Most of the structure of poverty, Table 4 shows that three-fourths of the working members in poor households are casual labourers; 44 per cent of them are engaged in agriculture and the other 31 per cent in agriculture. Scheduled castes and tribes have a greater incidence of poverty; they constitute 23 per cent of the poor while their share in the total population is less than 10 per cent. The share of Muslims is less with their share in the total population. Christians account for only 14 per cent of the poor whereas their population share is around 20 per cent. Hindus other than SC/ST also have a lower share: 41 per cent against their share of 48 per cent in the total population.

On the basis of general living conditions it is possible to identify the broad groups of rural labour households which are poor. Apart from the agricultural labour households, they are mostly from households engaged in fishing in the coastal areas (where population density is around four times the state average of 750 per sq km and living conditions are deplorable); coir processing, in which a large number of women are engaged in beating coconut husks and spinning yarn, again in the coastal areas; in factory workers, again predominantly in workers whose poverty is more due to lack of adequate employment (not more than 100 days per year) than to wages;loom weaving, and; other traditional occupations.

TABLE 2: TRENDS IN POVERTY IN KERALA AND INDIA

Year	Mahendra Dev et al (1988)								
	Kerala			India			Kerala's Rank		
	HC	PG	SI	HC	PG	SI	HC	PG	SI
1961-62	0.497	0.321	0.210	0.382	0.261	0.140	11	13	13
1963-64	0.526	0.299	0.210	0.453	0.271	0.160	10	10	9
1964-65	0.617	0.361	0.290	0.457	0.276	0.170	14	15	14
1965-66	0.728	0.358	0.330	0.472	0.285	0.210	15	15	14
1966-67	0.682	0.353	0.310	0.561	0.317	0.240	14	14	13
1967-68	0.631	0.335	0.280	0.558	0.313	0.240	12	12	10
1968-69	0.648	0.360	0.310	0.505	0.292	0.200	13	15	11
1969-70	0.691	0.346	—	0.491	0.284	—	15	14	—
1970-71	0.618	0.352	0.290	0.454	0.277	0.180	14	15	11
1972-73	0.519	0.298	—	0.429	0.270	—	10	11	—
1973-74	0.475	0.301	0.200	0.449	0.262	0.170	10	12	9
1977-78	0.417	0.291	0.158	0.402	0.264	0.140	8	11	8
1983-84	0.276	0.217	0.093	0.329	0.243	0.100	7	6	7
1986-87	0.209	0.208	0.063	0.256	0.212	0.084	5	6	5

Year	Ahluwalia (1978)				Battacharya et al (1991)			
	Kerala		India		Kerala		India	
	HC	SI	HC	SI	HC	SI	HC	SI
1956-57	—	—	0.541	0.23	—	—	—	—
1957-58	0.596 (8)	0.29 (9)	0.502	0.22	—	—	—	—
1958-59	—	—	0.465	0.19	—	—	—	—
1959-60	0.623 (10)	0.29 (12)	0.444	0.17	—	—	—	—
1960-61	0.578 (13)	0.25 (13)	0.389	0.14	—	—	—	—
1961-62	0.503 (12)	0.21 (13)	0.394	0.14	—	—	—	—
1963-64	0.528 (11)	0.21 (9)	0.445	0.16	—	—	—	—
1964-65	0.607 (12)	0.29 (14)	0.468	0.17	—	—	0.457	0.170
1965-66	0.707 (14)	0.33 (14)	0.539	0.21	0.728	0.34	0.487	0.189
1966-67	0.671 (13)	0.31 (13)	0.566	0.24	0.681	0.31	0.560	0.237
1967-68	0.634 (11)	0.28 (10)	0.565	0.24	0.631	0.28	0.557	0.232
1968-69	0.646 (12)	0.31 (11)	0.510	0.20	0.648	0.30	0.505	0.199
1969-70	—	—	—	—	0.691	0.31	0.490	0.186
1970-71	0.620 (12)	0.29 (12)	0.475	0.18	0.619	0.28	0.452	0.168
1972-73	—	—	—	—	0.550	0.22	0.464	0.176
1973-74	0.493 (9)	0.20 (10)	0.461	0.17	0.498	0.20	0.461	0.164
1977-78	—	—	—	—	0.416	0.16	0.402	0.143
1983-84	—	—	—	—	0.277	0.18	0.328	0.108

Year	Kakwani and Subbarao (1990)				Minhas et al (1991)	
	Kerala		India		Kerala	India
	HC	PG	HC	PG	HC	HC
1970-71	—	—	—	—	0.690 (16)	—
1973-74	0.609 (10)	0.204 (11)	0.605	0.188	—	—
1977-78	0.517 (8)	0.168 (8)	0.563	0.175	—	—
1983	0.396 (6)	0.099 (7)	0.484	0.133	0.472 (12)	0.490
1987-88	—	—	—	—	0.440 (11)	0.449

Note: Figures in brackets denote Kerala's rank among the states. Ranking is done in the ascending order, from the least poor to the most poor.

HC = Head Count Ratio, PG = Poverty Gap, SI = Sen Index.

TABLE 3: STRUCTURE OF RURAL POVERTY BY HOUSEHOLD TYPES

	Incidence of Poverty by Household Type		Percentage Share in All Rural Households below Poverty Line	
	Kerala	All-India	Kerala	All-India
Agri labour 1977-78	54.79	55.90	40.52	44.74
Households 1983	47.40	45.45	NA	45.59
Self-employed 1977-78	23.10	28.00	17.96	34.58
in agriculture 1983	21.01	24.84	NA	32.04
Self-employed 1977-78	35.59	35.71	15.05	10.15
in non-agriculture 1983	NA	26.93	NA	10.29
Other labour 1977-78	18.51	36.24	23.17	6.68
Households 1983	37.56	27.93	NA	5.99
Other rural 1977-78	2.63	22.00	3.30	3.85
Households 1983	NA	18.32	NA	6.17

Source: NSS 32nd and 38th rounds. Figures of the latter are from Sarvekshana.

Education, or the lack of it, does not come out so strongly as a factor because of the widespread schooling of children in Kerala. As shown in Table 5, though the relatively less educated has a greater chance of being poor, this correlation is stronger only when combined with low wage and/or low employment occupations such as casual labourers in agriculture. To what extent are the income poor, poor by other indicators? To answer this, we analysed the habitat conditions of the poor. Conditions of housing indicate that around 25 to 45 per cent of the income-poor households cannot be said to be poor. As for drinking water, the majority depend on the traditional source — wells — and 39 per cent of them have their own wells. Sanitary conditions are perhaps much less satisfactory; only around a quarter of the households have some private facility. Electrification of poor homes is the least; only 16 per cent of the income-poor reported such a facility.

Since the non-income indicators show some significant differences and do not go along with income levels as reported by the households, we could separate the chronically poor on the basis of these indicators. Since the poor are not uniformly poor on all these indicators, we have used the condition of housing as a visible sign of poverty. By clubbing households with poor housing conditions, 18 per cent of households and 17 per cent of the population were estimated to be chronically poor.

On the basis of the 1987 survey data we have been able to examine the regional dimension of poverty in terms of districts. The results are given in Table 6. The regional dimension is less sharp than the occupational dimension. However, three northern districts, viz, Palghat, Malappuram and Kasargod, are the most poor. More than 70 per cent of the poor are rural labourers in 11 out of the 14 districts. Even those districts which report a much lower incidence of poverty have a higher share of poor among agricultural and other rural labourers. We, therefore, feel that poverty eradication in Kerala should primarily aim at occupational groups with an emphasis on regional development in selected districts in the north, i.e., the erstwhile Malabar region.

TABLE 4. PERCENTAGE DISTRIBUTION OF WORKING MEMBERS IN POOR HOUSEHOLDS BY COMMUNITY AND OCCUPATIONAL GROUP

	Hindu	Christian	Muslim	SC/ST	All
Casual labourers in					
Agriculture	41	35	31	66	44
Non-agriculture	32	30	37	23	31
Self-employed in					
Agriculture	10	15	7	5	9
Non-agriculture	15	19	24	6	15
Permanent workers other than agriculture	2	2	2		1
Total	41	14	22	23	100

III Context of Poverty

With the formation of the state of Kerala in 1956 as part of the reorganisation of Indian states, a distinct sociocultural and administrative entity was created which could pursue a development strategy laid down nationally with some room for modification of priorities and emphasis dictated by local conditions. As a result of the emergence of a radical political movement with strong emphasis on redistribution, there was significant social pressure to reorient the development strategy. This did result in some modest changes of a long term nature, such as the abolition of tenancy in land, as well as progress in social development, especially in such areas as education and health, with distinct benefits to the poor.

GROWTH PERFORMANCE

From the point of view of poverty alleviation, one of the arguments in favour of the need for maximising economic growth *per se* is that it will 'trickle down' to the poor. Even in the absence of state intervention, a sustained process of growth, especially in agriculture, could lead to a decline in poverty through significant changes in the labour market in favour of the poor. A process of labour absorption and consequent increase in employment and wages could significantly raise the income of labour households. This process is likely to be strengthened in the face of increasing labour productivity. This seems to have happened in states like Punjab and Haryana (for the latter see the Haryana case study in this issue). However, such examples of favourable conditions for growth-led decline in poverty through a process of increasing agricultural productivity have been few and far in India. As can be seen from Table 7, the growth performance of the Kerala economy since the early 1960s to the mid-1970s has not been unimpressive; however, it was hardly adequate to increase the per capita availability of employment (in fact it declined). However, the incidence of poverty peaked during this period. The availability of food (due to national shortage) and the high incidence of unemployment among

rural labour households seem to have contributed to this phenomenon. To it must be added the high rate of growth population, reducing the per capita growth in income to around 1 per cent. In contrast the growth performance since the mid-1970s to the end of 1980s has been nothing less than dismal. The primary sector, mainly agriculture, showed negative growth, and there was a deceleration in the secondary sector. Thus the growth of the commodity producing sectors as a whole was less than 1 per cent. The redeeming factor was the growth in the service sector, induced by large scale remittances since the mid-1970s. The rate is likely to have been higher than shown here since remittance income does not figure in the calculation of state domestic product but only of the income generated out of it. Though demographic pressure declined since the mid-1970s, per capita growth was lower than in the first period because of low overall growth. Detailed studies have been done on the performance of agriculture and industry, and the basic reason has been identified as low growth (stagnation) in productivity. The problem has been one of inability of the commodity producing sectors to meet the requirement of dynamic efficiency, i.e., a higher rate of growth of productivity *vis-a-vis* production wage [see, for example, Kannan 199, Kannan and Pushpangadan 1988, 199, Subrahmanian 1990]. And yet, during the period since the mid-1970s the incidence of poverty has been steadily declining, reaching a level below the national average since the early 1980s. This decline, despite a low rate of growth of the economy, should be viewed in the context of the enlarged and enhanced public intervention programme to help alleviate poverty.

TABLE 5. PERCENTAGE DISTRIBUTION OF WORKING MEMBERS IN POOR HOUSEHOLDS BY EDUCATIONAL ATTAINMENT

	Education		
	1	2	3
Casual labourers in			
Agriculture	48	26	26
Non-agriculture	40	24	36
Self-employed in			
Agriculture	21	26	53
Non-agriculture	37	27	36
Permanent workers other than agriculture	13	12	75
Total	41	25	34

Notes: 1 Education 1 denotes households with no member with an school education 7th standard or above.
2 Education 2 denotes households with at least one member with 7th standard or higher but none with SSLC or above.
3 Education 3 denotes households with at least one member with high school (SSLC) education but none above it level.

Although growth was low, the dynamics economic change in Kerala has been such that changes in the labour market favoured the position of the labouring poor. Though by itself could not reduce poverty, we will first discuss the important routes through which poverty could have been reduced. These are (i) land redistribution, (ii) the role of prices, (iii) demographic changes and (iv) employment and earnings.

(i) *Land Redistribution* At the time of the formation of the state Kerala was one of the states with a highly skewed distribution of land. Despite having carried out the most far-reaching land reforms in India, the distribution of land has not been altered significantly [Raj and Tharakan 1983] in favour of the landless. Transfer of ownership of land to tenants (since 1971) might have contributed to a decline in poverty insofar as some small tenants were also below the poverty line. But this is likely to have added only a marginal impact since the majority of the poor are landless. Land reform, however, did confer small plots of land on the poor, thus providing the much needed security for dwelling. This could have helped the process of decline in poverty directly through removal of the psychological barriers for bargaining for their wages, thus strengthening the position of agricultural labour unions. In this sense, the effect of such a land reform might have worked through the labour market; this is borne out by the increasing trend in wages, as we shall see later below.

(ii) *Role of Prices* Prices play an important role in determining the purchasing power of the poor, especially the prices of food and other basic items consumed by them. Analysis of the consumer price index for agricultural labourers (see Table 8) shows that the growth rate in Kerala is close to that

of all India, although in recent years the index is growing somewhat higher than all India. Despite the large trade deficit, Kerala's ability to hold the price line for goods consumed by agricultural labourers at the all-India rate could be due to the functioning of an effective public distribution system. Thus the movement of prices was no less or more favourable to the poor in Kerala compared to the all India situation.

(iii) *Demographic Pressure* Demographic pressure in Kerala has been one of the highest in India, resulting in an unfavourable land-man ratio. In the absence of a meaningful redistribution of land

to the landless poor and the slow pace of industrialisation, demographic pressure seems to have contributed to the problem of poverty in Kerala. However, Kerala has been characterised by a demographic transition without a corresponding economic transition since the 1970s. A remarkable result of this process has been the achievement of replacement level fertility by the end of the 1980s [Bhat and Rajan 1990] and a population growth rate of 14.0 per cent during 1981-91, which is expected to decline to around 1 per cent per annum by the end of this century. All this has meant that from now on demographic behaviour has ceased to be a constraint in economic development and particularly in reducing/eliminating poverty in Kerala. Thus the beneficial impact of this development is likely to be felt only in the years to come.

(iv) *Employment and Earnings* Here two kinds of problems have been experienced by the poor. The first relates to the low labour absorbing nature of Kerala's agriculture. Paddy cultivation, the most labour intensive crop, has accounted for less than 30 per cent of the cultivated area. The remaining area is utilised for high value and low labour

absorbing cash crops. Therefore owners of land stood to gain more than workers from the value added. Second, as discussed earlier, the growth performance of agriculture after the mid 1970s has been one of stagnation. Except paddy all other crops either registered a decline or showed no trend in land productivity [Kannan and Pushpangadan 1990]. The per capita annual days of employment of agricultural labourers also declined for the same period (from 160 to 147 days) as revealed in the rural labour enquiry/employment reports. The performance of the industrial sector though not as dismal as the agricultural sector is similar [Subrahmanian 1990]. However, employment growth in this sector has been disappointing. Employment growth in such sectors as construction, trade and services, as a result of remittances, was hardly adequate to alleviate the increasing rate of unemployment. Work seekers registered in the employment exchanges increased from 11.7 million in 1975 to nearly 3 million in 1990; the latter represents close to 30 per cent of the labour force. There may be some overestimation in this source since some of

TABLE 7. GROWTH RATE OF STATE DOMESTIC PRODUCT AT 1970-1 PRICES

Sector	Growth Rate		
	Whole Period	First Period	Second Period
Primary	1.21	2.71	-0.64
Secondary	3.74	4.51	2.78
Tertiary	3.95	4.61	4.37
Total	2.69	3.28	1.96

Note: First period refers to 1960-61 to 1974-75 and second period refers to 1975-76 to 1989-90. The growth rates have been worked out using the linked exponential function.

TABLE 6. STRUCTURE OF POVERTY IN DISTRICTS (in percentage of the population in the respective categories)

District	AL	ORL	PWOTA	SEF	SEOA	Total	Popn below Poverty Line
Alappuzha	41.9	30.9	7.0	11.8	13.4	5.6	47.9
Ernakulam	46.4	34.9	1.9	3.8	13.0	7.2	24.5
Kannur	68.3	8.3	0.8	13.3	9.2	2.7	27.4
Kozhikode	39.8	36.1	1.2	7.7	15.3	7.4	33.4
Malappuram	44.6	33.0	2.2	5.2	15.1	12.7	42.0
Palghat	53.0	26.7	0.2	5.8	14.4	14.7	42.5
Thiruvananthapuram	35.3	36.8	3.5	7.3	17.2	5.9	20.0
Idukki	54.1	29.0	1.1	4.7	11.1	6.3	22.7
Kollam	53.5	16.6	0.5	24.1	5.4	4.2	25.7
Thiruvananthapuram	48.1	27.1	1.7	13.9	14.3	5.2	21.0
Kottayam	34.3	32.0	0.6	5.0	28.2	8.2	34.0
Thiruvananthapuram	47.0	18.0	1.8	20.3	12.9	4.9	32.0
Thiruvananthapuram	28.9	39.6	2.0	14.8	14.8	6.8	30.0
Vandriam	31.6	42.9	0.5	4.3	20.6	8.6	32.4
Thiruvananthapuram	43.0	31.0	1.0	9.0	15.0	100.0	30.7

Note: AL = Agricultural labourers
ORL = Other rural labourers
PWOTA = Permanent workers other than agriculture
SEF = Self employed farmers
SEOA = Self employed other than agriculture

TABLE 8. GROWTH RATE IN CONSUMER PRICE INDEX AND MONEY WAGE RATE OF SELECTED RURAL WORKERS

	Growth Rate		
	Whole Period	First Period	Second Period
CPI AL			
Kerala	6.83	7.37	6.95
India	6.75	7.83	6.98
PFL (Kerala)			
Men	9.56	8.70	10.25
Women*	10.17	10.96	9.45
RCUS (Kerala)			
Men*	10.27	9.21	11.25
Women*	10.87	9.70	11.90

Notes: First period = 1960-61 to 1974-75
Second period = 1975-76 to 1987-88
Whole period = 1960-61 to 1987-88
* Period I starts from 63-64
CPI AL = Consumer price index for agricultural labourers
PFL = Paddy field labour
RCUS = Rural construction labour unskilled

those who are registered may be engaged in some gainful employment. However, the estimates based on the national sample survey gives an equally alarming picture of the problem of unemployment. The results of the 38th round (1983) showed that the incidence of unemployment as per the usual status criterion was around 11 and 17 per cent for men and women respectively in rural areas in Kerala, as against 2 and 1 per cent for India as a whole. The current daily status incidence of unemployment for the above categories was 24 and 31 per cent in Kerala, which was 2.5 to 3.5 times the rates for all-India. In sum, while employment is a potential means for redistribution of income and reduction of poverty, it has not functioned as such in Kerala as a result of the extremely slow growth in employment.

In this gloomy scenario, there was one route which was favourable to a process of reducing poverty – not a 'rickle down' but a 'forcing down' process. This was the phenomenon of unionisation of workers cutting across regions, occupations, gender and rural/urban distinctions. Since this process was part of a generalised process of political mobilisation and the parties involved came to power at the state level from time to time since the mid-1950s the labouring poor could effectively use their power for bargaining. Though this factor is not a sufficient condition for securing higher wages and other benefits, there is no doubt that it was crucial in the context of Kerala [Kannan 1988, 1992]. Wage rates of agricultural labourers in Kerala for men and women were consistently higher than other Indian states except the agriculturally prosperous states of Punjab and Haryana [Jose 1988]. However there are two factors which determine the real earnings of the poor and which have been discussed earlier, viz, employment and prices. The former was declining, and to offset the effects of the latter growth in money wages should be greater than the consumer price index for the poor. In Table 8 we present the rates of growth in the

consumer price index for agricultural labourers (CPIAL) and the money wages of agricultural labourers and unskilled construction workers in rural areas representing the poor. It is evident from the figures that money wages of the rural poor have been growing faster than the consumer price index and the difference has been widened since the mid-1970s. From the early 1960s to the mid-1970s, the difference in the growth rates of money wages of rural labourers was between 1.3 and 3.6 percentage points higher than the CPIAL, while the difference since then has been between 2.5 and 5 percentage points. The question is: has this been adequate to enable the poor to cross a level of income corresponding to the poverty line? Evidence given in Table 2 points to a reduction in the poverty gap in the early 1980s compared to the 1970s and 1960s. The crucial constraint in this respect is not the wage rate *per se* but the availability of adequate employment.

In respect of employment, per capita annual employment has been declining from 194 and 143 days for male and female agricultural labourers in 1964-65, to 160 and 142 days in 1974-75 and further to 147 and 115 days in 1983-84. The redeeming factor from the standpoint of poverty alleviation has been the increasing rate of growth in wage rates. As we can see from Table 9, during the mid-1960s and 1970s the actual income of agricultural labour households was around half the required income to cross the poverty line, whereas with reduced per capita employment it was nearly 90 per cent in the early 1980s. This is consistent with the decline in the poverty gap measure given in Table 2. However, this was still not adequate to help cross the poverty line.

Therefore, neither historical antecedents nor growth performance and structural features of the Kerala economy were conducive to a process of reducing poverty without directed state intervention and other forms of public action emanating from the organised poor.

IV Context of Public Action for State Intervention

Though not elaborated here, state intervention in reducing poverty in Kerala should be seen in the overall context of public action. The major thrust of the socio-political environment was towards issues of distributive justice. Towards the end of the colonial period there were two major issues. One was the question of land reform aimed at easing, and later on abolishing, the burden of the tenants. The other was the socio-reform movement aimed at socio-emancipation of what were referred to as backward and depressed classes. The demands of these movements took the form of, among other things, access to education and government jobs. Perhaps this was directed at emancipating the poorer classes among the socially deprived, but within the context of nationalist politics, and later socialist politics, the poorer sections became one of the important political constituencies. It is this context which gave an explicitly distributive thrust to the policy of Kerala state since its formation. The coming to power of pro-poor political parties gave an impetus to this process but even those political parties who might not be characterised as pro-poor had to go some way in meeting the demands and aspirations of the poor as an electoral strategy, at least. One may say that the poor were moving from a position of clients to that of citizens. They were able to articulate their rights and demands through organised movements as well as through political parties. It is in this context that one has to view the state policies and programmes in Kerala, with a view to building up human capabilities in general and programmes for the alleviation of poverty in particular. State intervention in the Kerala context should therefore be seen as a response to public action on distributive justice over a long period of time.

TABLE 9: ACTUAL AND POTENTIAL INCOME OF AGRICULTURAL LABOUR IN KERALA IN
RELATION TO REQUIRED INCOME FOR CROSSING THE POVERTY LINE

Year (1)	Required Income ^a (2)	Actual Income ^b (3)	Potential Income ^c (4)	(Rs/year)	
				(3) as Per Cent of (2) (5)	(4) as Per Cent of (2) (6)
1964-65	1,474	813	1,225	55	83
1974-75	5,254	2,068	3,704	49	87
1983-84	6,148	4,863	10,343	89	188

Notes: a Required income is based on the per capita income required to cross the poverty line at 1960-61 prices and inflated by the consumer price index for agricultural labourers taking into account the average size of the household.

b Actual income is taken from the Rural Labour Enquiry Reports and the 1983-84 survey of rural labour households by the department of economics and statistics, government of Kerala. It includes non-wage income which contributed 11 per cent in 1983-84.

c Potential income is the total of actual income if employment is provided for the days reported as not worked due to want of work at the prevailing wage rate.

Source: Kannan (1990).

TABLE 10: IRDP: FAMILIES ASSISTED AND
EXPENDITURE

Year	No of Families Assisted	Total Financial Assistance (Rs Lakh)	Assistance Per Family (Rs)
1	2	3	4
1978-79*	32,146	511.45	1,591
1979-80	74,552	1,892.67	2,539
1980-81	58,992	1,890.67	3,205
1981-82	96,832	2,885.14	2,980
1982-83	127,798		
1983-84	120,547	4,031.25	3,344
1984-85	104,816	3,817.78	3,642
1985-86	71,376	2,452.51	3,436
1986-87	143,399	6,200.57	4,324
1987-88	110,684	4,945.17	4,468

* Year of Starting.

Source: Economic Review, various issues.

The poverty alleviation programmes (PAPs) considered here include not only those that are designated as such. Following the classification given in Table 1, we examine here those programmes aimed at the creation of entitlements to the poor. These are (i) food security, (ii) social security, and (iii) income and employment generation.

FOOD SECURITY

(i) *Public Distribution System (PDS)* The rationale for PDS arose as a result of the food deficit nature of the state due to its specialisation in non food crops. The PDS was started in 1964 covering the entire population, excluding those who produced enough for their own consumption. The coverage is more than 90 per cent of the total households in the state. Over a period of time, the PDS has established itself and now has two components. One is informal rationing through a network of ration shops (numbering around 13 000) which are spatially well spread out. In 1981 the number of families with ration cards was 41 lakh (i.e. 93 per cent of total households) and in 1991 50.6 lakh (i.e. 90 per cent of total households). Nearly two thirds of the total cereal purchase of poorer households are

met through the PDS, the highest in the country.

(ii) *Supplementary Nutrition Programme (SNP)* The SNP has come to occupy an important role in food security because it is targeted at the vulnerable among the poor. The first component of supplementary nutrition covered in 1987/88, around 1.28 lakh pregnant mothers and 6.72 lakh pre-school children. They represent around 20 per cent of the total pregnant mothers and children below five years respectively annually. The second component of SNP caters to school children in classes I to IV (and wherever class V was attached to primary schools) and covered more than 70 per cent of the total children in this group up to the end of the 1980s. Because of the crucial role of these two programmes in alleviation of poverty, we have dealt with them in greater detail in section V.

SOCIAL SECURITY PAYMENTS

These payments involve a unilateral transfer of income from the state budget to those who are identified as weak and unable to participate in the economic process. These are the various kinds of monthly pensions that now cover destitutes of all kinds

physically and mentally disabled and old aged workers in agriculture. Since 1989/90 the monthly pension scheme was extended to cover aged workers in non agricultural occupations as well. In terms of coverage it has increased from 1.3 lakh persons during the end of the 1970s to 5.19 lakh by 1987/88 and 5.75 by the early 1990s. As a proportion of the total population in the state in the age group of 60 and above in 1991 the number of persons covered by the old age pension schemes account for about 20 per cent. If we assume that all those who receive such pensions are genuine and we have good reasons for believing so in view of the vigilance of various political parties and their unions and the checking measures of the village officers, this could be taken to represent another measure of the incidence of chronic poverty in Kerala.

OTHER PROGRAMMES

(i) *Integrated Rural Development Programme* Started on an all India scale in 1978-79, this has been an important poverty alleviation programme of the central government in the 1980s. The programme was extended to all community development blocks in Kerala since 1980-81. After identifying the poor families in rural areas (a procedure which does not seem to follow the official measure of poverty nor have an adequate mechanism to check the validity of the reported income), financial assistance is extended by way of loan and subsidy to

TABLE 11 RURAL EMPLOYMENT PROGRAMME (NREP AND RLEGP)

Year	Mandays Generated (Lakh)	Total Expenditure (Rs Lakh)	Foodgrains Utilised (in MT)	Per Manday Expenditure (Rs)	Foodgrains (Kg)
1	2	3	4	5	6
1981-82	128.00	1 708.51	NA	13.35	NA
1982-83	93.00	1 266.00	NA	13.61	NA
1983-84	119.00	1 777.00	NA	14.93	NA
1984-85	193.40	4 290.13	5 399.6	22.18	0.28
1985-86	149.96	3 993.13	41 735.0	26.63	2.78
1986-87	219.04	6 045.57	95 676.0	27.60	4.37
1987-88	184.07	5 027.32	74 720.1	27.31	4.04

Source: *Economic Review*, various issues.

TABLE 12 PUBLIC DISTRIBUTION OF ESSENTIAL COMMODITIES IN KERALA

Year	Rice (000 Metric Tonnes)	Wheat	Sugar	Kerosene (000 KL)	Palmoil (000 MT)	Cloth Std Bales	Shops (000s)	Families (Lakhs)
1975	531	490					11.39	36.16
1976	904	220					11.57	38.73
1977	1363	65					11.78	40.30
1978	896	36					11.86	40.37
1979	549	33					11.75	40.48
1980	770	48	126	167		13806	10.86	40.57
1981	1063	44	123	178		8698	11.47	41.02
1982	1159	59	126	190		3646	11.46	41.09
1983	1288	202	150	208	37	6101	11.86	41.90
1984	1325	147	127	222	48	5573	12.16	42.98
1985	1384	110	142	235	43	3833	12.50	43.73
1986	1560	98	140	258		6714	12.63	44.48
1987	1598	104	146	292	43	9166	12.84	47.31
1988	1546	150	141	308	64	-	12.83	48.07
1989	1270	209	148	322	31	-	12.91	49.07
1990	1649	232	151	338	71	-	12.98	49.98
1991	1671	333	145	334	29	-	13.01	50.57

Source: *Statistics for Planning and Economic Review*, various issues.

TABLE 13 PER CAPITA DISTRIBUTION OF ESSENTIAL COMMODITIES

Year	Rice	Wheat	Rice+Wheat (Kg)
1975	24.5	22.6	47.1
1976	38.9	9.5	48.4
1977	56.4	2.7	59.1
1978	37.0	1.5	38.5
1979	22.6	1.4	24.0 (43.4)
1980	31.6	2.0	33.6
1981	45.5	1.9	47.4
1982	49.5	2.5	52.0
1983	53.9	8.5	62.4
1984	54.1	6.0	60.1 (51.1)
1985	55.5	4.4	59.9
1986	61.5	3.9	65.4
1987	59.3	3.9	63.2
1988	56.4	5.5	61.9
1989	45.4	7.5	52.9 (60.7)
1990	57.9	8.1	66.0
1991	58.0	11.6	69.6 (67.8)

Note: The average family size was taken as 6.0 till 1980 and 5.7 from 1981-91 to estimate the total number of persons. The per capita distribution could be marginally lower than the actual because a small quantity of rationed commodities are distributed to institutions such as hostels. Figures in brackets indicate five year averages except the last which is a two year average.

take up economic activities capable of generating income to cross the poverty line. The number of families benefitted and the total financial assistance extended are given in Table 10. Clearly, the inadequacy of the financial assistance, not to speak of the nature of activities, is an important drawback and hence its limited impact, even after more than a decade, in alleviating poverty. Given the thin line dividing the households on the basis of the poverty line as well as the scope for leakage, inclusion of households which are not eligible by official criteria has also been a problem. According to a study by the state planning board (1983), around 23 per cent of the households selected were ineligible ones. This however is only one of the problems in the implementation of the IRDP; there are a number of others including that of marketing of products.⁷

(ii) *Rural Employment Programme*: This was also started in the national context of emergency programmes of employment through public works to meet the widespread drought situation in 1971-72. Later this was formalised under two heads, the National Rural Employment Programme (NREP) and the other targeted for landless rural labourers, the Rural Landless Employment Guarantee Programme (RLEGP). These two were merged in 1989-90 and is known as Jawahar Rozgar Yojana. The financial outlays, employment generated and foodgrain used to pay part of the wages (so as not to add to inflationary pressure) are given in Table 11.

These measures, if effectively implemented, would have a favourable impact on poverty in rural Kerala through generation of employment in slack seasons. However, the impact seems to be very marginal. In terms of additional mandays generated they do not add up to much, a mere five to six days per annum per rural labourer in the mid-1980s. However, the combined impact of all the poverty alleviation programmes listed in the beginning of this section seems to have been such as to reduce the incidence of poverty in rural Kerala. An approximate quantitative assessment of this impact emphasising the need to improve the quantitative benefits to the vulnerable section, as well as an employment-oriented growth strategy, are discussed in Section VI.

V

Food Security System: Case Study

This section is concerned with an elaboration of the food security system as it obtains in Kerala. The selection of food security is intended to emphasise its crucial role in poverty alleviation in a state which is chronically deficient in the production of food due to its specialisation in non-food crops. As it exists now, the two main

components of the food security system in Kerala are (i) the public distribution system (PDS), and (ii) the supplementary nutrition programme (SNP) for children and pregnant women.

PDS AS FOOD SECURITY

The PDS in Kerala, as it is organised today, was started nearly three decades ago, in 1964. The coverage is almost the complete population, around 95 per cent, leaving only those who declare sufficient production for their own consumption. The PDS has two components. One is a system of informal rationing through a network of nearly 13,000 ration shops, the other is a system of fair price shops through which a number of essential items are sold. The importance of the latter is only marginal since the quantity distributed is only around 10 per cent of that distributed through the ration shops.

The effectiveness of a public distribution system to reduce poverty depends on a number of factors. These are: the availability of essential commodities on a regular basis, affordability to the poor in terms of the prices of these commodities *vis-a-vis* in the open market, the share of these items in the total purchase; spatial coverage of the public

distribution as between rural and urban areas; physical access to the shops and above all the credibility of the PDS as a food security system to the poor. Although the PDS in Kerala is still constrained by a number of factors, including the inability of the state to obtain greater allotment of rice from the

TABLE 16. BENEFICIARIES OF SCHOOL MID-
DAY PROGRAMME

Year	Total Number of Pupils (Class I-IV)	Number of Bene- ficiaries (lakhs)	Percentage
1962-63	20.50	15.67	77
1970-71	28.68	20.84	73
1975-76	26.71	19.40	73
1980-81	25.95	17.78	67
1981-82	25.86	15.96	62
1982-83	25.48	15.82	61
1983-84	25.01	15.39	60
1984-85	25.28	14.81	59
1985-86	25.95	19.04	75
1986-87	25.87	19.04	73
1987-88	26.19(44.27)	32.00	124 (72)
1988-89	25.96(44.44)	32.00	122 (72)
1989-90	25.27	20.00	79
1990-91	24.72	13.80	56

Note: Figures in brackets indicate the number of children in classes I to VII when the programme was sought to be extended.

TABLE 14. PRICE AND SPATIAL COVERAGE OF PDS

Item		Price (Rs/kg)		Share in Total PDS		Share of PDS in Total Purchase	
		Kerala	India	Kerala	India	Kerala	India
Rice	R	2.74(4.24)	2.42	83	71	51	17
	U	2.76	2.62	17	29	46	19
Wheat	R	2.19	1.98	77	56	92	13
	U	2.18	2.12	23	44	91	19
Sugar	R	4.61(6.18)	4.87	81	79	56	61
	U	4.32	4.38	19	21	50	47
Edible oil	R	15.26(31.01)	12.12	70	59	9	11
	U	15.31	12.54	30	41	14	15
Kerosene	R	NA	NA	80	55	92	26
	U	NA	NA	20	45	83	59

Note: Figures in brackets refer to average retail price at the end of December 1986. Edible oil refers to palm oil in PDS and coconut oil in the open market. R = Rural, U = Urban.
Source: NSS 42nd Round.

TABLE 15. SUPPLEMENTARY NUTRITION AND HEALTH PROGRAMMES FOR WOMEN AND CHILDREN

Year	SNP		ICDS		SNP + ICDS		ANP		CPWC	
	NC	NB	NC	NB	NC	NB	NC	NB	NC	NB
1979-80	1,750	3.00	1,154	0.93	2,904	3.93				
1980-81	2,000	3.25	1,354	1.11	3,354	4.36				
1981-82	4,029	5.18	2,029	1.93	6,058	7.11				
1984-85	431	0.15	7,696	7.70	8,127	7.85	4,033	4.80	2,411	1.36
1985-86	472	0.31	8,100	7.80	8,572	8.11	2,213	1.10	1,798	1.28
1986-87	410	0.40	8,272	7.82	8,682	8.22	1,985	0.97	1,790	1.28
1987-88	470	0.39	9,227	7.75	9,697	8.14	1,705	0.93	1,652	1.22
1988-89	463	0.40	10,064	7.69	10,527	8.09	1,611	1.04	1,652	1.22
1989-90	459	0.37	9,651	6.60	10,110	6.97	1,611	1.04	1,550	1.22
1990-91	471	0.44	9,850	7.30	10,321	7.74	1,509	0.97	1,433	1.10

Notes: NC = Number of centres;
NB = Number of beneficiaries in lakhs
SNP = Special Nutrition Programme
ICDS = Integrated Child Development Scheme

Source: State Planning Board, *Economic Review*, various issues.

central government, very low quality of rice distributed, highly inadequate distribution of cooking oil, etc. it seems to meet the above mentioned factors reasonably well given the overall constraints, thereby gaining the credibility of the people in general and the poor in particular as a food security system.

Our main thesis has been that the decline in the incidence of poverty in Kerala below the national level has been largely induced by a number of state directed programmes. With regard to the PDS we can see from Table 12 that the total quantity of essential commodities has been increasing. But the real test of availability should be seen in terms of per capita distribution as presented in Table 13. This shows that the per capita distribution has been increasing steadily since the early 1980s for all essential items.

On the question of price share of rural areas and share of the PDS in total purchase some useful information is given by the 42nd Round of the national sample survey. These are presented in Table 14 for Kerala and all India. The prices of essential commodities distributed through the PDS in Kerala are marginally higher (except for sugar) than all India which could be due to the higher costs of transportation (due to the geographical location of the state and the spread of the ration shops within the state) as well as handling costs. However, these prices were lower than the market prices obtaining in Kerala. In 1986-87 the price of rice in the ration shops was 65 per cent of the open market price while that of sugar was 75 per cent. The distribution of the commodities as between rural and urban areas shows that in Kerala the rural sector obtained slightly more than its share in population. In 1981 the share of rural population was around 81 per cent which declined to 74 per cent in 1991. Therefore the share of rural population in 1986-87 is likely to be around three-fourths. Excepting edible oil, the rural sector received more than its share in the population. This is in contrast to the all India picture except in the case of rice and sugar. However, much more crucial is the extent of dependence of households on the open market for essential commodities. This shows that nearly all the requirement of wheat and kerosene and more than half for rice and sugar are met by the PDS in Kerala. However, only a small fraction of the cooking oil requirement is met by the PDS. Rural households have a marginally lower dependence on the open market than urban households. This again is in sharp contrast to the all-India situation, where the dependence on the open market remains quite high except for sugar (for rural households) and kerosene (for urban households). At the all-India level, rural households have a greater dependence on the open market than do urban households.

In terms of poverty alleviation, the market dependence criterion should be seen in terms of the poorer households rather than all households. As per the NSS 42nd Round results, the bottom 20 per cent of rural households meet nearly two-thirds of their requirement of cereals and sugar and all their requirement of kerosene from the PDS.

In the changed national context, serious problems have developed with regard to the state's ability to sustain the PDS. As part of the new economic reforms, the central government withdrew the subsidy to the foodgrains allotted to the states beginning from April 1992. This has meant an increased burden of Rs 156 crore per annum to the Kerala government. Since the fiscal situation of the Kerala government is in a state of crisis, the government has decided to stop the subsidy except for the poorer households. This has unleashed a controversy in which an argument has been made for retaining the subsidy in view of the vulnerability of the state with regard to availability of food and prices. If the government restricts the subsidy to the poor it will have to take into account both the chronically poor (as in most estimates) as well as those poor who are just above the chronically poor but remain within the alternative estimate of poverty, as in the case of Minhas et al (1991). This means nearly half the households will have to be considered poor for obtaining subsidised foodgrains and other commodities from the PDS.

SUPPLEMENTARY NUTRITION PROGRAMME

This programme consists of two components: one, SNP for pregnant women and pre-school children, and the other school meals programme for children in the primary schools. These programmes have been in existence for more than two decades.

As can be seen from Table 15, the coverage of the SNP for pregnant women and pre-school children was expanded significantly only from the early 1980s. The objective of this programme is to combat malnutrition by providing 300 calories and 15 grams of protein per child, and 500 calories and 25 gm of protein for pregnant and nursing mothers for 300 days in a year. The programme is implemented through a network of nearly 12,000 'anganwadies' managed by educated (usually high school and above) young women who receive a very small honorarium of around Rs 250-350 per month. Health personnel visit these centres periodically and provide health care services and educational programmes.

In addition there are two associated programmes, viz., the applied nutrition programme through which women are helped to develop kitchen gardens, preparation of nutritious food with locally available materials, etc. Under the composite

programme for women and children (CPWC), child care centres such as the anganwadies and other facilities are built.

The ratio of pregnant women to children below five years is around 1:6. On this basis 1.3 lakh pregnant women were benefitted by this programme annually since the early 1980s. This works out to around 22 per cent of the total pregnant mothers in the state. The number of pre-school children benefitted also works out to around 22 per cent of the total children in the age group. This could be reckoned as another measure of poverty in the state. As for the impact on nutritional status, more detailed studies would certainly be needed. However, it is not without significance that an assessment of the Integrated Child Development Scheme, a central government programme under which

TABLE 17. MONEY EQUIVALENT OF BENEFITS OF VARIOUS POVERTY ALLEVIATION PROGRAMMES TO RURAL LABOUR HOUSEHOLDS (Rs/rural labour household)

	1983-84	1986-87
PDS (rice only)	624	468
School Meals Programme	120	139
Supplementary Nutrition Programme	102	100
Monthly pension to destitutes	44	57
Monthly pension to old age agricultural labourers	60	89
IRDP	161	252
NREP and RLCP	246*	410
Other subsidies	38	79
Total	1395	1594

*1984-85

Note: See Appendix for details on how these figures have been worked out.

TABLE 18. IMPACT OF VARIOUS STATE INTERVENTION PROGRAMMES ON POVERTY ALLEVIATION

	1983-84	1986-87
1 Combined benefits of all programmes given in Table 17 per rural labour household (Rs)	1395	1594
2 Benefits per capita ¹	276	116
3 Average annual income per rural labour household (Rs) ²	5440	6184
4 (1) as percentage of (3)	26	26
5 Per capita annual consumer expenditure of rural households (Rs) ³		
6 (2) as percentage of (5)	1327	NA
7 Per capita net domestic product (Rs) ⁴	21	-
8 (2) as percentage of (7)	1963	2397
	14	13

Notes: (a) As per the NSS 38th round the family size of rural labour household was 5.05.

(b) For 1983-84 the annual income is obtained from GOK (1985) and for 1986-87 this income has been inflated by the CPI AL.

(c) This is obtained from NSS 38th round.

(d) GOK *Economic Review* relevant years.

the SNP is implemented, reported that the incidence of moderate and severe malnutrition in the state is 47 and 10 per cent respectively, the lowest among the states in the country.

The programme for feeding school-going children in classes I to IV (and in class V if it is attached to the primary school) has a longer history than supplementary nutrition and health care to pre-school children. Although this programme existed selectively in the former state of Travancore-Cochin, on a Kerala-wide scale it was started in 1961, i.e., more than three decades ago. The full commodity support for the programme came from a voluntary relief organisation, Cooperation for American Relief Everywhere (CARE) till the end of the 1970s and partially till the mid-1980s, when it stopped the support. The programme continued with the support and financial assistance of the state government. The objective is to provide approximately 410 calories and 15 gm of protein, which would account for one-fourth of the normal daily requirement of a child. It is need-oriented in the sense that only those who wish to take part are served the meals, during lunch time, in the schools. The government makes available the commodities for the programme and some money for meeting expenses for cooking fuel, etc. During times of delay or financial stringency, the latter amount is raised by the parent-teacher associations which have been formed in almost all schools in Kerala. A part-time person is employed for cooking/cleaning, etc., and the food is served by the teachers as part of their duty. As a proportion of the school-going children in this age group, the children who benefited under this scheme works out to 70 per cent, which has registered a sharp decline to around 50 per cent in 1990-91 (see Table 16). The stress on the programme due to demographic factors has practically ceased since the 1980s.

VI An Assessment

Given the slow rate of growth of the Kerala economy since the mid-1970s, the 'trickle down' theory cannot explain the decline in the incidence of poverty in rural Kerala. Our explanation of the decline in incidence in the 1980s is in terms of the expansion in the directed state intervention programmes since the early 1980s. To get an idea of the impact of these programmes, we have worked out the money equivalent of the benefits for 1983-84 and 1986-87, presented in Tables 17 and 18. The details of the calculations are given in the Appendix. Since much of the rural poverty is accounted for by rural labour households, we have worked out the benefits on a per rural labour household basis. Table 18 presents these benefits in terms of rural labour household income, consumption and per capita state

Appendix
ESTIMATES OF SIZE OF RURAL LABOUR HOUSEHOLDS AND PER HOUSEHOLD INCOME TRANSFER THROUGH VARIOUS POVERTY ALLEVIATION PROGRAMMES

Year	Total Popn	Rural Popn	Family Size	Rural hhs	Rural Labour hhs	Agriculture Labour
1	2	3	4	5	6	7
1974-75						
Percentages	100	81		100	42.18	27.41
In lakhs	234	190	(6.0)	32.00	13.50	8.7
1983-84						
Percentages	100	81		100	49.61	27.0
In lakhs	270		(5.7)	37.80	18.75	10.2
1986-87						
Percentages	100	75		100	49.61	27.0
In lakhs	283	21	(5.7)	32.26	18.48	10.0

Notes: These estimates of the number of rural labour households are not precise because of paucity of firm data for the years selected here. However, they do reflect here approximate orders of magnitude and are unlikely to err more than plus or minus 5 per cent.

Total population and the rural population are based on the census figures. The share of rural population for 1974-75 and 1983-84 are taken from the 1971 and 1981 Census figures. For 1986-87, the share of rural population has been taken at 75 per cent since the 1991 figures show a share of 74 per cent. The figures on family size are for the whole population and are also from the census reports; however the reports of the labour enquiry surveys show a slightly lower family size for rural labour households. The share of rural labour households out of the total rural households is obtained from the rural labour enquiry reports for 1974-75 and 1983-84, and the figures for the latter have been applied for the 1986-87. These estimates of the number of rural households have been used to calculate the household transfer of income through the various poverty alleviation measures. The details are given below.

Public distribution system. It was found that nearly two-thirds of the total purchase of rice per week per household by the poor households come from the public distribution system [George 1979 and NSS 42nd Round]. The implicit income gain has been taken as the difference between the PDS and open market price of rice. In 1983-84 these were Rs 2.40 and Rs 4.43 per kg respectively. The income gain was therefore Rs 624 per household. Similarly in 1986-87 the prices were Rs 2.74 and Rs 4.24 per kg respectively and the income gain was Rs. 468.

School meal programme. Here we take only the minimum cost incurred in providing the meal at 410 calories and 15 grams of protein per child for 180 days. The equivalent of calories in terms of rice would be around 83 grains. The minimum cost of rice and pulses plus the cost of fuel would be around one rupee in 1983-84, and we have taken the same for 1986-87 as the retail price of rice declined slightly but the price of pulses and fuel increased.

Pension to destitutes. Here it is assumed that the amount distributed on this account is implicit income transfer to rural labour households because in the absence of this income transfer the burden of maintaining the destitutes would have fallen on them. The share of destitutes is taken as the percentage of the rural population. In 1983-84 this came to Rs 82 lakh (81 per cent of Rs 1,018 lakh) spread over 18.75 lakh rural labour households. This worked out to Rs 44 per household. In 1986-87 this was Rs 57 per household.

Old age pension to agricultural labourers: Agricultural labour households are subsidised under rural labour households. In 1983-84 the per household income transfer worked out to Rs 60 and in 1986-87, Rs 89.

Supplementary nutrition programme: The number of beneficiaries for SNP taken here for 1984-85 due to non-availability of data for 1983-84. At the rate of one rupee per child for 30 days would be reckoned at Rs 1,907.55 for rural children, which worked out to Rs 102 per labour household in 1983-84. For 1986-87 this was Rs 100 per household (75 per cent of Rs 2,466 lakh spread over 18.48 lakh rural labour households).

IRDP: While working out the income transfer under this head, we do not assume that the income was for consumption purposes. This is indented as investment in self-employment to generate income. However our intention is to work out the total income transfer to poorer households under various programmes. In 1983-84 this was Rs 215; however 25 per cent of this has been deducted for leakages, etc., coming down to Rs 161 per household. Similarly in 1986-87 this worked out to Rs 252.

NREP: There are two components here. The money expenditure works out to Rs 172 per household after deducting for leakages, etc., for 1984-85 (this year is taken due to incompleteness of data). Similarly, the foodgrain component has been valued at the retail price of Rs 4.43 per kg. This works out (after deducting 25 per cent for leakages, etc.) to Rs 74 per household. Together the income transfer works out to Rs 246 in 1984-85 and Rs 410 in 1986-87.

Other benefits: There are a number of specific programmes, though smaller in scale, aimed at the poor. We have taken here only three important items, viz., unemployment assistance (which is intended for the unemployed registered in the employment exchange for a specified period of time), scholarships for students belonging to scheduled castes and tribes, and expenses of the Kerala State Scheduled Castes and Scheduled Tribes Development Corporation on various programmes. This should therefore be considered as an estimation of the transfer payment under this miscellaneous category. For unemployment assistance the share of rural areas is taken as 81 per cent for 1983-84 and 75 per cent for 1986-87. Of this the share of the rural labour households is taken as 49.61 per cent. For the other two items, the share of the rural areas is taken as above and the entire amount assumed to accrue to the rural labour households.

net domestic product. By 1983-84 the income effect of the various programmes was 26 per cent of the annual income of the rural labour household. This was 21 per cent in terms of household consumer expenditure. Given a family size of 5.05 per rural labour household, this has meant that the income effect was equal to the consumption of one member of the rural labour household. The picture is more or less the same in 1986-87 as well. Given the fact that the poor usually belong to those households that are constrained by unemployment as well as instability in employment, lack of education and access to better employment opportunities, social barriers, etc., the state intervention programmes have indeed contributed to the decline in chronic poverty. This however does not mean that vulnerability to poverty has ceased among those who have crossed the poverty line. As we have discussed in Section II, an alternative measure of poverty using the price index relevant to the middle range population gives an estimate which is twice that given by the estimate using the consumer price index for agricultural labourers. Therefore the price factor is an important determinant of the incidence of poverty.

This brings us to the crucial role of the public distribution system in meeting the foodgrain requirements of the poor. The recent change in economic policy is also a cause for alarm as far as poverty reduction is concerned. The withdrawal of the subsidy on foodgrains distributed through the PDS means that the implicit income effect to the poor will now be much less. This is a crucial factor determining the level of poverty. While there is a case for removing the subsidy for those who can afford to pay a higher price,

it is important that this subsidy is retained for all those vulnerable to poverty if poverty alleviation is to be retained as a national objective. In the Kerala context, nearly half the households could be deemed as vulnerable, deserving subsidy for commodities distributed through the PDS.

From the point of view of poorer households, the PDS is crucial in view of the fact that basic commodities are directly distributed. This is in contrast to any other alternative programme in which money transfer is effected which might not be translated into actual consumption of basic necessities by members of the household. In the Kerala context, it is important to note that the PDS is spatially well distributed and that poorer households can buy rations on a weekly (or even part of week) basis, depending on their purchasing power. Instead of subjecting such crucial social protection programmes as the PDS and the SNP to any scheme of cutting subsidies in the name of economic liberalisation, the attempt should be to improve their functioning and enhancement of benefits to the poor. Such a focus is compatible with the need for

human resource development, which will show up in the quality of the labour force in the long run.

The experience of Kerala in relation to poverty alleviation also throws up two important issues of growth with social justice. The first is that, with or without growth, it is possible to alleviate poverty by well designed and implemented programmes. Here it is important to target the most vulnerable among the poor. These are the desitutes, pregnant women, children and old age persons. The programmes that we have examined here would be valid even in a context of growth because these sections deserve special attention due to the fact that their capabilities are less than those who are in the labour force. What is needed in the Kerala context is strengthening of these programmes to give substantial assistance to the beneficiaries. However this warrants higher rates of growth so that these programmes can be enhanced and sustained. Moreover, from the point of view of those who are in the labour force, there is need for much higher rates of growth. In the Kerala context, those who have work, whether in the organised or unorganised sector, have proved their ability to secure higher wages, but the continuing constraint is that of high levels of unemployment. Therefore a pattern of growth which could generate adequate employment to the rural poor would not only alleviate but eliminate the problem of absolute poverty in a state like Kerala. This is unlike many other states where rural labourers will not be able to come out of their poverty by enhanced employment alone, their wage rates have also to be enhanced.

If there is a lesson in the Kerala experience in terms of poverty alleviation, it is this: that social protection expressed in terms of meeting the basic consumption requirements of the poor, especially those vulnerable among the poor, should be a necessary component of development policy. However this is not a sufficient condition. For that, there should be a growth strategy which would provide adequate employment to all those who are in the labour force from the poorer sections of the population.

Notes

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1 See Dandekar and Rath (1971). Although the measurement of poverty in India in terms of per capita consumption expenditure is supposed to take into account non-food requirements, they do not in any way give us an idea of human capabilities resulting in certain functionings (e.g. being educated and healthy). This nevertheless has been recognised as an important dimension. At the international level, the measurement of the Human Development Index (HDI) by the UNDP and the emphasis on human resources development by such agencies as the World Bank is reflective of this recognition. Interestingly, in the Kerala context this broader dimension of poverty was recognised in the early 1970s. While re-examining the existence of mass poverty in India based on calorie requirement, a study undertaken by the Centre for Development Studies sought to broaden the horizons of poverty studies by examining the impact of state intervention in the distribution of food and creation of employment and redistribution of assets on the one hand, and the effect of providing education and health to the poorer segments in society, on the other (CDS/UN 1975). Nowhere else in India can the human development dimension be better illustrated than in Kerala because of its spectacular achievements in the face of continuing economic constraints. A study [Shivakumar 1991] on measurement of HDI for the Indian states places Kerala at the middle range (>0.5) along with Punjab, Haryana and Maharashtra. As we can see from Table 2, the achievements in social development indicators is in sharp contrast to that of the per capita GDP. Although the latter is an underestimation because of the exclusion of remittance income, growth in per capita income is by no means impressive in Kerala.

2 The first comprehensive study highlighting the importance of public policy in advancing social development and establishing food security in Kerala was by the Centre for Development Studies (CDS/UN 1975). Subsequently a number of detailed studies have been carried out on specific areas. See for example Nair (1981), Panikar and Somun (1984), Kannan, et al (1991).

3 Kakwani and Subbarao defined ultrapoor as those with 80 per cent or less of the monthly per capita expenditure of Rs 50 defined by the Planning Commission as the poverty line for rural India at 1973-74 prices.

4 The much criticised estimates of the Planning Commission showed that the decline in rural households below the poverty line between 1977-78 and 1987-88 was from 47.4 to 16.4 per cent, the fastest among all the states in India. The criticism was mainly of the methodology used. Planning Commission estimates were used for an inter-state comparison of the decline in rural poverty since the ranking is unlikely to be affected [see Vyas and Vidya Sagar 1994].

5 Recent evidence shows a decline in the share of operational holdings among the poor. Analysis of the 26th and 37th rounds of the NSS on ownership and operational holdings of land in India between 1971-72 and 1981-82 found that the incidence of tenancy has indeed come down to a significant extent in Kerala, both in terms of households and area. At the same time the bottom 40 per cent of

the rural population experienced a decline in their already meagre share of ownership holding but there was a significant increase in the case of the top 20 per cent from 69.6 per cent to 77.16 per cent of the total ownership holdings. This has resulted in an increased skewness of the distribution of ownership holdings between 1971 and 1981 [Nair et al 1991].

- 6 While the population growth rate has been brought down to an appreciable extent Kerala remains one of the most densely populated states in India. In 1901 the population per sq km in Kerala was 165 as against 77 for all India. In 1991 these figures were 741 and 767 respectively.
- 7 The marketing of the products produced by IRDP households emerged as a real bottleneck and the government formed in 1989-90 an organisation called Kerala Rural Development and Marketing Society (KERAMS). Their main objective has been to organise the sale of the products of IRDP beneficiaries as well as rural artisans, women's organisations and voluntary organisations. A modest beginning seems to have been made with sale proceeds of Rs 6.5 lakh in 1989-90 rising to more than Rs 15 lakh in 1991-92.
- 8 The total quantity of rice and wheat distributed by the Kerala State Civil Supplies Corporation during the five years 1981-85 was around 4.20 (000) tonnes which was a mere 6 per cent of that distributed through the ration shops for the period.

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Alleviating Poverty

Maharashtra Employment Guarantee Scheme

S Mahendra Dev

In spite of the limitations in its design and implementation the EGS has made positive impact on the levels of living of the rural poor in Maharashtra. However, the EGS alone cannot remove the poverty in rural areas of the state. And any replication of the scheme in other states should involve prior establishment of decentralised district planning and implementing body, and assurance of adequate funds through additional taxation.

I Introduction

INDIA is one of the few countries in the world where all kinds of anti-poverty programmes have been tried out. Apart from the central government sponsored schemes, state governments have tried various types of poverty alleviation programmes. The state of Maharashtra also implemented some of these schemes. However, what distinguishes Maharashtra from other states for a case study is the novelty of its main wage employment programme namely the Employment Guarantee Scheme (EGS), which was introduced in the early 1970s.

Before going to the organisation of the paper, a few words about Maharashtra and objectives of the present study are in order. In terms of population and geographical area, Maharashtra is the third largest state in India. The state had the second highest per capita State Domestic Product (SDP) among all the Indian states in the year 1990-91. The high per capita SDP however hides enormous urban-rural contrasts¹ and regional disparities.²

The relative prosperity of the state also hides a great deal of rural poverty. In a state where more than 65 per cent of the total labour force depend on the agricultural sector, it is obvious that the levels of living of the substantial proportion of the state's population depend on the performance of agriculture. Moreover, agriculture productivity in the state is very low because of low rainfall and low irrigation facilities.³ Droughts occur repeatedly in the state, the recent one being the drought of 1991-92. Because of low productive and uncertain agriculture there has been acute seasonal and disguised unemployment for a majority of small and marginal farmers and agricultural labourers.

Since its formation in 1959, the government of Maharashtra has been trying to contain rural poverty through several programmes. The approach of the state towards poverty alleviation seems to be in two forms, viz. general productivity raising programmes in agriculture and direct anti-poverty programmes with emphasis on wage

employment. Due to the problem of water resource scarcity, the state introduced watershed development programmes which also helped small and marginal farmers. Also there have been some efforts by local leaders to develop villages based on water management through peoples' participation. Among the direct anti-poverty programmes, EGS is of course the most important one. As shown by Dreze (1990b) the public works programmes helped in preventing the famine during the drought of 1970-73 in spite of the low and declining per capita availability of foodgrains in the state. During the drought period the EGS was used as a relief programme. "By any criterion the drought of 1970-73 in Maharashtra must have marked an all time record for the scale and reach of public works programmes in a famine relief operation" [Dreze 1990b:89]. After the drought period the government has continued the EGS and used it as an anti-poverty programme.

The main objective of this paper is to present an overview of the state's strategy in terms of anti-poverty programmes and more importantly to critically review the EGS. Using the micro-studies and secondary data, the present study evaluates a number of issues relating to the EGS of Maharashtra based on the following questions. (1) What is the impact of the scheme on employment and poverty? (2) What are the indirect effects of the scheme? (3) What is the impact of the scheme on women? (4) How are the delivery and recipient systems? (5) How is the performance of the EGS as compared to other anti-poverty programmes? and (6) What are the lessons from the EGS for replicating it in other states?

Before going to the poverty alleviation programmes, the article presents a detailed profile of Maharashtra's economy relating to the rainfall distribution, economic growth, demographic factors and employment, institutional aspects, etc. in Section II. This section also includes trends in poverty and characteristics of the poor. Section III gives an overview of the poverty alleviation programmes in the state's strategy. While Section IV concentrates on the EGS, last section provides concluding remarks.

II Profile of Economic, Demographic and Institutional Aspects

In order to provide a proper perspective regarding the macro environment with which the agricultural sector has to function, rainfall distribution in the state can be first point to begin with.

Rainfall Distribution and Drought Prone Areas: There is wide rainfall disparity amongst the different parts of the state. Heavy rains occur in Konkan region where annual average rainfall goes up to 2,000 mm. However, about 40 per cent of the total area receives rainfall less than 700 mm per year, and in some areas even less than 500 mm. About a third of the state is drought prone. About a fourth of the total area receives rainfall ranging from 700 to 1,200 mm per year. The report of the Fact Finding Committee for Survey of Scarcity Areas in Maharashtra State (1973) has identified 12 districts, namely, Ahmednagar, Solapur, Pune, Nashik, Sangli, Satara, Aurangabad, Beed, Osmanabad, Dhule, Jalgaon and Buldhana as drought prone districts. Thus these districts are chronically prone to the vicissitudes of rainfall and consequent instability in agriculture [PEO 1980]. These 12 drought prone districts together account for about 60 per cent of the state's net sown area which highlights that bulk of the state's cultivated area is located in drought prone area districts.

State Domestic Product As mentioned above, there are enormous disparities between rural and urban areas. The urban-rural differences will be clear if we look at State Domestic Product (SDP) by sectors. The per capita SDP and the per worker value added in manufacturing in the state were nearly 42 per cent and 32 per cent higher than the national average respectively for the year 1988-89. However, per hectare average value added in agriculture and per worker agricultural SDP were 40 per cent and 26 per cent lower than all Indian average respectively in 1988-89.⁴ In the same year, Maharashtra's rank in terms of SDP originating from agriculture in descending order was 10th out of 13 states whereas it had first rank in terms of per

capita SDP for manufacturing and services [CMIE 1991]. Also, a major portion of the manufacturing and tertiary sectors in the state is concentrated in the Bombay-Thane-Pune belt.

The macro-economic performance of the state in different periods is given in Table 1. Performance of agriculture and allied activities (primary sector) was not satisfactory during the 1960s. In fact, it recorded a negative growth during the period 1960-61 to 69-70. As a result, the SDP also recorded only 2.85 per cent growth. The growth of primary sector picked up during the 1970s and recorded more than 6 per cent growth. The SDP growth during this period was more than 5 per cent. In the 1980s again the growth of primary sector declined to 1.67 per cent. The performance of agriculture sector thus showed fluctuations during the last three decades. On the other hand, the growth rates of secondary and tertiary sectors were satisfactory. Particularly in the 80s the growth rate of service sector was more than 6 per cent.

Sectoral Distribution of SDP and Workforce: The share of agriculture in the total SDP declined considerably over time due to its slow growth compared to other sectors. From around 42 per cent in 1960-61 the share came to less than 25 per cent in 1988-89. The economy, however, still continues to be predominantly agrarian as far as the disposition of the work force is concerned. The NSS data show that the share of agricultural workers was around 85.6 per cent and 67.1 per cent respectively in rural workforce and total workforce (rural + urban) respectively in 1983. The standard of living of majority of the population in the state is thus dependent on the performance of agriculture.

Demographic Factors and Employment: The total population of the state as per 1991 census was 78.8 million. The population growth during the decade 1981-91 was 2.29 per cent per annum which was slightly higher than that of all India. The urban component of the state was about 38.7 per cent in 1991 which was much higher than all India. Maharashtra has the highest percentage of urban population to total urban population in India. Greater Bombay is the mega city with 12 million population or 41 per cent of the urban population of the state. Urban population is predominantly concentrated in Bombay, Pune and Nagpur areas. During the decade 1981-91, urban growth in Maharashtra was 3.27 per annum which was higher than that of all India.

According to the 1981 census there were about 47 lakh immigrants (by place of birth) and 15 lakh outmigrants. Thus the net migrants were around 32 lakhs. More than 50 per cent of the total immigrants had immigrated to Bombay only. As against 10 lakh immigrants in the decade 1961-71, the

number of immigrants during 1971-81 decade increased to 19 lakhs in the state. Of the total urban migrants nearly 50 per cent were from the rural areas of Maharashtra. Rural to rural migration is also important in the state.

Trends in Employment and Unemployment: The work force participation rates for rural Maharashtra did not show discernible trend as such during the period 1972-73 to 1983.¹ The participation rate for females in rural Maharashtra which was around 54 per cent was the second highest (next to Rajasthan) in the country in 1983.² The corresponding figure for all India was only 39 per cent. The difference between the participation rates of principal and total (principal and subsidiary) activities was also less for Maharashtra as compared to that of all India.

The person day unemployment rates are given in Table 2. The incidence of unemployment for Maharashtra declined significantly over time for both males and females. Particularly between 1983 and 1987-88, the incidence declined from 6.25 to 2.9 per cent for males and 7.2 to 3.5 per cent for females. In 1987-88, the unemployment rates for Maharashtra were lower than those of all India. The decline in the incidence of unemployment over time could be due to labour absorption in agriculture and the EGS. Bhalla's study (1987) showed that labour absorption in agriculture during the period 1970-71 to 1983-84 was quite high in Maharashtra. Subbarao (1992) indicated that the EGS could be responsible for the decline in unemployment rate particularly for females in 1983.

Political Organisation of Poor: In Maharashtra, organisation of the poor has been notable mainly in the tribal areas even during the pre-independence period. Mobilisation of tribals in some form exist in Thane, Chandrapur, Dhule and Nashik districts. Kisan Sabha was the pioneering organisation for Thane district. Recently, Bhoomi Sena has taken up the cause of the poor people in Thane district. Another organisation namely Shramik Sangathan has been active in mobilising the poor in Dhule district. In the non-tribal areas the mobilisation of the poor labour or poor people has been quite weak. Due to this organisations of the landless agricultural labourers, small and marginal farmers have not emerged in Maharashtra to a significant extent [Brahme and Upadhyay 1979]. One study comments that the history of political mobilisation in the state is a reflection of the history of reassertion of 'Maratha' hegemony [Lele 1990].

¹Based on various indicators, the report of the Fact Finding Committee on Regional Imbalances in Maharashtra [GOM 1984] showed that Vidarbha, Marathwada regions

were backward compared to western Maharashtra. According to some reports, the absence of strong and cohesive political leadership in Vidarbha and Marathwada could be the main reason for the continued neglect of these regions by the state (*The Economics Times*, November 26, 1991). On the other hand, western Maharashtra could develop due to the political clout of leaders like Y B Chavan, and Vasantdada Patil. Under the umbrella of the co-operative sugar factories, the political leaders in this region could consolidate their position over time. This also has something to do with 'Maratha' hegemony.

Access to Land: It is well known that one of the most important assets in rural area is agricultural land. In Maharashtra, as in other states, poverty of the households is inversely related to the size of land holding. The trends in the structure of operational holdings are given in Table 3. It shows that the shares of marginal (up to 1 ha), small (1-2 ha) and semi-medium (2 to 4 ha) size classes have been increasing in terms of both number of holdings and operated area. It should, however, be noted that marginal small and semi-medium classes together with a share of around 80 per cent in the total number of holdings accounted for only 46 per cent of the operated area in 1985-86.

Some other indicators on land holding for the year 1981-82 showed that the average size of holding was around three hectare in Maharashtra which was much higher than that of all India. The average size of holding is overstated because the land is not adjusted for soil quality. The quality of soil in the state is relatively low [Bhalla 1988]. The percentage of land under tenancy and average number of parcels were lower in Maharashtra as compared to all India. However, the percentage of landless households in Maharashtra is one of the highest in India (around 21 per cent). On the basis of access to land criterion Maharashtra seems to be poorer than many other states.

Regarding inequalities, the Gini Coefficient of ownership holdings was 0.62 in 1972 and 0.628 in 1982. However, in value terms, the Gini-Coefficient was low at 0.591 in 1971 and also declined to 0.574 in 1981. The inequalities in non-land assets such as buildings, livestock, agricultural machinery are, however, lower than that of land [Bhalla 1987].

The ceilings on agricultural holdings were first imposed on January 26, 1962. The ceilings then prescribed were lowered from October 2, 1975. By the end of March 1990, 2.86 lakh hectares of land was declared surplus. Tenancy laws came into force in Maharashtra between 1957 and 1965. Tenancy in the state came down from an estimated 30-35 per cent in the 1940s to

less than 5 per cent in the 1970s [Reddy 85]. The programme of consolidation of holdings is being carried out under the provisions of the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947. Implementation of land ceiling legislation is somewhat better than that of ceiling legislation at any rate. Also, cultivable areas have either been consolidated in the process of being consolidated [Antwala 1985a].

Access to Water: One of the major factors accounting for instability in crop production, in addition to the vulnerability of rainfall, is the very low percentage of gross cropped area under irrigation (12 per cent even in 1990-91). The Maharashtra State Irrigation Commission [GOM 1962] estimated that it would be possible to create irrigation potential of 70.61 lakh hectares from the cultivable surplus as well as groundwater sources, out of which 52.61 lakh hectares could be through surface water and 18 lakh hectares through groundwater resource. The ultimate irrigation potential thus works out to hardly 35 per cent of the cultivable area in the state. There are significant inter-regional and inter-crop variations in the availability of water. In western Maharashtra and eastern regions, the percentage of area irrigated varied from 16 to 23 whereas in Konkan, Vidarbha and Marathwada, irrigation is less than 10 per cent in 1988-89. Despite the importance of water, more than 60 to 70 per cent of water in the state is used only for one crop, namely, sugarcane. Sugarcane is planted in 3 to 4 per cent of total cultivated land owned by less than 10 per cent of landowners. All other important crops in Maharashtra's economy—cotton, oilseeds, pulses—are denied a fair share in irrigation water [Shinde 1988]. A study by Rath and Mitra (1986) reveals that based on the present pattern of cropping under irrigation, no more than 34 per cent of the cultivated land in the state is likely to be irrigated. A changed pattern of cropping away from sugarcane to low water-intensive crops can increase this to more than 50 per cent of the cultivated area.

Consumption Based Poverty: Accessibility of poor population to land and water has hardly been discussed above. We take up the income or consumption based poverty from other aspects such as accessibility of water to public distribution system, health, education, etc.

In the absence of income data, poverty estimates are generally made on the basis of NSS consumption data. Estimates of poverty, made using a poverty line of Rs 15 in all India and Rs 16 for Maharashtra at 1960-61 prices (and updated by using consumer price index numbers for agricultural labourers) do not show any consistent trend [Table 4]. They show a pattern of fluctuations up to 1977-78 but

in the later years, i.e., in the 1980s, there seems to be a declining trend for Maharashtra. The decline seems to be very significant between 1977-78 and 1983. Kakwani and Subbarao (1990) attributed this to the impact of the EGS. The year 1986-87 was a bad one in terms of rainfall. The foodgrains production declined from 87.8 lakh tonnes in 1985-86 to 71.4 lakh tonnes in 1986-87. The marginal decline in poverty between 1983 and 1986-87 could be attributed to the poor agricultural performance. The decline was more prominent between 1983 and 1987-88.

The incidence of poverty (head count ratio as well as Sen index), however, was higher than that of all India in most of the years during the period 1959-60 to 1987-88. The studies by Minhas et al (1991) and Kakwani and Subbarao (1990) using different poverty lines showed that poverty levels in rural Maharashtra were higher than that of all India. According to the study by Minhas et al (1991), the incidence of rural poverty was around 54 per cent in 1987-88 and this percentage was lower than those of only in three other states namely Bihar, Orissa and West Bengal. Urban poverty which was around 36 per cent in 1987-88, however, was much lower than those of many other states. This study showed that the absolute poor of rural Maharashtra increased from 19.4 million in 1970-71 to 24 million in 1987-88 while that of urban poor increased from 6.3 million to 8.7 million during the same period.

The trends in the incidence of poverty are determined by several factors such as performance of agriculture, changes in inequality, changes in consumer prices, etc. The inequality in consumption distribution for rural Maharashtra does not seem to have worsened [Dev et al 1991]. Even the increase in consumer price index numbers was more or less similar to that of all India. Regarding agricultural performance, Ahluwalia's study (1978) showed that there was significant negative relationship between incidence of poverty and per capita agriculture production for Maharashtra during the period 1959-60 to 1973-74.

The data for estimating poverty ratios at the regional level are not readily available after 1972-73. The estimates computed from NSS data for 1972-73 show that the inland western recorded the lowest incidence of poverty whereas inland eastern recorded the highest incidence. The Fact Finding Committee on Regional Imbalances [GOM 1984] based on a comparison of monthly per capita consumer expenditure for the years 1963-64, 1971-72 and 1977-78 reveals that the performance of coastal and inland western regions in terms of per capita expenditure has improved while those of Vidarbha and Marathwada declined as compared to the state average.

Characteristics of the Poor: A shortcoming of the poverty measures based on NSS data is that no allowance is made for random or transitory variation in consumption. For instance, some households may slip temporarily into or out of poverty with sudden changes in the price of a major agricultural commodity or in the weather. Gaiha and Deololika (1991), using nine years of panel data on 170 rural households in 4 villages of Maharashtra and 2 villages of Andhra Pradesh for the period 1975-84, presented alternative estimates of poverty. The estimates show that slightly more than 60 per cent of the poor households were poor roughly half the time (i.e., during five

TABLE 1: GROWTH IN STATE DOMESTIC PRODUCT BY SECTORS (per cent per annum)

Sector	1960/61 to 1969/70	1970/71 to 1979/1980	1980/81 to 1989/90
Primary sector	-0.86	6.25	1.67
Secondary sector	5.23	5.60	5.49
Tertiary sector	4.12	4.93	6.48
Total SDP	2.85	5.60	4.94
Per capita SDP	0.43	3.33	3.02

Note: Growth rates are estimated by using semi-log trend function.

Source: Computed from basic data in Statistical Abstract and Economic Surveys, Government of Maharashtra.

TABLE 2: INCIDENCE OF PERSON DAY UNEMPLOYMENT IN RURAL MAHARASHTRA AND RURAL INDIA (in percentages)

	Maharashtra		All-India	
	Male	Female	Male	Female
1972-73	7.70	11.7	6.8	11.2
1977-78	5.85	9.31	7.1	9.2
1983	6.25	7.23	7.5	9.0
1987-88	2.90	3.50	4.6	6.7

Note: Incidence of person day unemployment is defined as a ratio of unemployment days to labour force person days.

Source: Sarvekshana, Vol VI, No 3, January-April 1983, Vol XI, No 4, April 1988, Special Number, September 1990.

TABLE 3: PERCENTAGE DISTRIBUTION OF NUMBER OF HOLDINGS AND OPERATED AREA BY SIZE CLASSES, RURAL MAHARASHTRA

Size Classes	No of Holdings			Operated Area		
	1970-71	1980-81	1985-86	1970-71	1980-81	1985-86
Up to 1 ha	25.0	28.1	30.6	3.0	4.6	5.9
1-2 ha	18.0	22.5	25.6	6.0	10.8	14.4
2-4 ha	22.0	24.6	24.3	15.0	22.6	25.7
4-10 ha	25.0	20.3	16.5	36.0	39.6	36.6
10 and above	10.0	4.6	3.0	40.0	22.4	17.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Reports of the Agriculture census 1970-71, 1980-81 and 1985-86, Government of Maharashtra.

of the nine sample years) and 21.8 per cent of the poor households were poor during all nine years. Thus, the persistently poor are only a fifth of the total poor households.

Separating the 'persistent poor' from the 'transient poor' is important since the policies needed to combat the two types of poverty are quite different. For example, while rural works programmes or relief operations may be helpful in alleviating transient poverty, they may not be sufficient to address the problem of persistent poverty. Systematic asset or income transfers may be needed to alleviate the latter.

It is well known that poverty levels vary across different sections of the population in rural areas. In order to bring into focus these variations in poverty levels, the incidence of poverty is analysed by broad categories of households differentiated by reference to principal means of livelihood. The 32nd and 38th rounds of NSS on employment and unemployment distinguish the following household types: self-employed in agriculture and non-agriculture, agricultural labourers, other labourers and other labour households. Using the procedure mentioned earlier, head count ratios for each of these households in Maharashtra and all India for the years 1977-78 and 1983 were estimated.

The estimates presented in Table 5 show that the incidence of poverty in Maharashtra declined significantly for all types of households between 1977-78 and 1983. In spite of the decline, the incidence of poverty for agricultural labour households was around 53 per cent in 1983. Their share in total poor households was the highest, around 54 per cent in 1983. As compared to all India, the share of self-employed in agriculture among the total poor was lower whereas that of agricultural labourers was higher for Maharashtra in 1983 (Table 5).

The share of rural areas in PDS total purchases in Maharashtra was between 56 to 62 per cent for rice, wheat, sugar, edible oils whereas that of kerosene it was only 26 per cent in the year 1986-87 [Government of India 1990]. Compared to rural India's share of 55 per cent for kerosene rural Maharashtra's share was much lower. The accessibility of the poor in rural Maharashtra to PDS was much better than many northern and eastern states although it was lower than the neighbouring state of Gujarat [Dev and Suryanarayana 1991].

A recent study [Kumar 1991] on Human Development Index (HDI) puts four states, namely, Haryana, Maharashtra, Punjab and Kerala under medium HDI category while rest of the states fall under low HDI category. Three indicators viz, life expectancy at birth, adult literacy and per capita GDP are used for estimating HDI of major states in India. According to this

study, Maharashtra's HDI for the year 1987 was 0.532 whereas that of India was 0.439. Another study [Vyas and Vidyasagar 1992] constructs HDI for major states in 1987-88 using life expectancy at birth, average per capita income from agriculture and allied activities and rural literacy rates. Maharashtra's HDI was very low at 0.16. Only the HDI of Uttar Pradesh at 0.09 was lower than Maharashtra. The difference between these studies could be due to the differences in the use of state domestic product (SDP). Kumar (1991) used SDP covering both rural and urban areas whereas Vyas and Vidyasagar (1992) utilised only SDP originating from agriculture. From the point of view of rural poverty, there is some merit in taking the SDP from agriculture but well developed urban sector may also help the development of rural areas as will be shown later in the case of EGS.

It may be noted, however, that if one looks at the basic data relating to health and education, rural Maharashtra does not lag behind many of the states in India. These indicators which relate to rural areas (except in the case of life expectancy and couple protection rates) are presented for Maharashtra, all India and the neighbouring state of Gujarat in Table 6. The table shows that in most of the indicators of health and education Maharashtra is better placed than all India and in some indicators better than Gujarat.

III Overview of the Anti-Poverty Programmes

As mentioned in Section I, the approach of Maharashtra government towards poverty alleviation seems to be in two forms, viz,

general productivity raising programme agriculture and direct anti-poverty programmes with emphasis on employment. For example, the Sixth Plan recognising state's problem of water resource scarcity introduced a large number of programmes to improve the productivity: dry farming, especially that of small marginal farmers through means of water and soil conservation, increase of vegetal cover and similar programmes on watershed basis. Also, a substantial emphasis was given to increase employment in the state. A provision is also made tribal sub-plan to help the tribal population of the state.

This section provides an overview of direct anti-poverty programmes and programmes related to land and water management. Before going to these aspects the government expenditure for various activities in the state is examined.

A substantial portion of the budgetary expenditure is incurred on development services. The proportion of development expenditure increased from 61 per cent in 1961-62 to 64.9 per cent in 1975-76 to around 70 per cent in 1989-90. The main item of expenditure on revenue account education. The other development services that claim substantial expenditures are agriculture and allied activities, followed by energy, irrigation, health and family welfare. Out of the budgeted capital expenditure outside the revenue account around 91 per cent is on economic services. Mostly it is on irrigation, transport, agriculture and allied activities.

The percentage of plan expenditure to the total expenditure increased from 26 per cent in 1975-76 to 27.7 per cent in 1989-90. The plan expenditure on differ-

TABLE 4 RURAL POVERTY IN MAHARASHTRA AND ALL INDIA

Year	Head Count Ratio (in percentages)		Poverty Gap Index		Sen's Poverty Index	
	Maharashtra	All-India	Maharashtra	All-India	Maharashtra	All-India
1959-60	54.50	44.40	-	-	0.210	0.17
1960-61	48.40	38.90	-	-	0.180	0.14
1961-62	42.79	38.22	0.2571	0.2609	0.150	0.14
1963-64	47.42	45.33	0.2644	0.2707	0.170	0.16
1964-65	60.57	45.73	0.2926	0.2758	0.240	0.17
1965-66	55.82	47.21	0.2889	0.2848	0.220	0.21
1966-67	62.85	56.09	0.3073	0.3170	0.270	0.24
1967-68	55.17	55.79	0.2944	0.3131	0.220	0.24
1968-69	54.41	50.50	0.2801	0.2922	0.200	0.20
1969-70	52.19	49.12	0.2696	0.2835	-	-
1970-71	44.19	45.39	0.2567	0.2774	0.160	0.18
1972-73	56.31	42.90	0.3280	0.2701	-	-
1973-74	46.77	44.88	0.2665	0.2618	0.180	0.17
1977-78	53.95	40.21	0.2917	0.2637	0.214	0.14
1983	34.35	32.85	0.2240	0.2423	0.124	0.10
1986-87	32.80	25.58	0.2210	0.2120	0.117	0.08
1987-88	28.06	23.00	-	-	-	-

Sources: (1) Ahluwalia (1978) up to 1960-61, (2) Dev et al (1992) from 1961-62 to 1986-87, (3) 1987-88, head count ratio estimated by the author based on 43rd NSS data on consumption expenditure.

activities and their shares in the total for the year 1985-86 are given in Table 7. It shows that the share of agriculture and allied activities which included special programmes on rural development was about 28 per cent of the total whereas the share of social and community services was around 23 per cent. Another major share belonged to water and power development (36 per cent). In the year 1985-86 the share of expenditure on EGS was around 14 per cent.

DIRECT ANTI-POVERTY PROGRAMMES

The Maharashtra government gave top priority to employment generation schemes. From time to time schemes on short term basis to deal with the situation of particular severity and on regular basis were taken up. Some of the schemes operated in the 1970s were scarcity relief programme (1970-73), crash scheme for rural employment (1971-74), village employment schemes (1972-73), food for work programmes (1974) [GOI 1980]. The most important poverty alleviation programme (PAP) in the state is of course the Employment Guarantee Scheme (EGS) which has been continuing since the early 1970s.

NREP and RLEGP For rural employment Indian government has also sponsored some programmes. The National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP) were started from the year 1982-83 and 1983-84 respectively. The expenditure on NREP and RLEGP together was around Rs 103.5 crore and they generated 5.18 crore person days in the year 1988-89. There are however many shortcomings of these programmes [see GOI 1987 for evaluation on NREP]. The Directorate of Economics and Statistics of COMBAC for 1423 beneficiaries evaluated the RLEGP in 1987. According to this evaluation the impact of RLEGP on employment and assets in Maharashtra was very limited compared to that of the EGS.

Jawahar Rojgar Yojana From April 1, 1989 the two programmes NREP and RLEGP were merged to form a new rural employment programme called Jawahar Rojgar Yojana (JRY). Unlike the earlier two programmes, the JRY is planned and implemented mainly through village panchayats. The two rural employment programmes (JRY and EGS) together generated 17.44 crores of person days in 1990-91 of which EGS accounted for 51 per cent of the total person days generated. From the states to the districts the allocation is to be based on the index of backwardness. In Maharashtra, it was however noticed that the small panchayats are getting lower per capita than large panchayats [Godbole 1990]. Apart from this proper audit of expenditure

of village panchayats is needed if large scale leakages of funds under the JRY are to be avoided.

OTHER POVERTY ALLEVIATION PROGRAMMES

Some self employment programmes introduced in the early 1970s were programme for small/marginal farmers and landless agricultural labourers (1970-71), scheme for the benefit of artisans (1974), drought prone area programme (1974-75). Three centrally sponsored self employment based poverty programmes were introduced in the Sixth Plan. They were Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCA). In Maharashtra TRYSEM is small and DWCA is operative in only 2 districts. Apart from the EGS only IRDP is relatively important employment programme in the state.

Integrated Rural Development Programme The IRDP aims at making the beneficiary poor households economically viable through self employment which would enable the selected households to cross the poverty line. There are many evaluation studies on IRDP. There is however a

contrast between the findings of intensive micro studies and large scale household surveys. Micro studies on Maharashtra are not readily available. The findings of the large scale studies are much more encouraging. There are four major large scale studies on the IRDP which covered the whole country. Subbarao (1985) and Bandopadhyay (1988) have thoroughly reviewed these studies. There are many other review studies on the IRDP. Rath (1985) after reviewing many evaluation studies on the IRDP concludes that poverty alleviation programmes should concentrate on wage employment programmes rather than asset creating self employment programmes. Dantwala (1985b) on the other hand argues in favour of self employment programmes. A study by Dreze (1990a) showed the contrast between the findings of large scale and micro studies. Instead of IRDP, Dreze advocates a serious programme of employment generation, preferably in the form of an EGS with legal status.

Programmes for Drought Prone Areas In Maharashtra 89 talukas out of the 300 talukas have been identified as chronically drought prone. During the period 1982-83 to 1987-88 the state government incurred a total expenditure of Rs 711.64 crore on

TABLE 5. INCIDENCE OF POVERTY BY HOUSEHOLD TYPE AND PERCENTAGE SHARES OF EACH HOUSEHOLD IN TOTAL RURAL POOR HOUSEHOLDS, 1977-78 AND 1983

Household Types	Maharashtra				All India			
	Incidence of Poverty		Share in Total Poor Households		Incidence of Poverty		Share in Total Poor Households	
	1977-78	1983	1977-78	1983	1977-78	1983	1977-78	1983
Self employed in agriculture	36.1	24.9	30.3	29.2	28.0	26.5	34.6	36.4
Self employed in non agriculture	43.5	29.1	6.8	7.0	35.7	30.6	10.1	10.8
Agricultural labourers	44.1	53.1	52.2	54.4	55.9	50.9	44.6	42.0
Other labourers	45.4	31.3	7.3	6.1	36.2	33.7	6.9	6.1
Other Households	25.1	16.1	3.4	3.3	22.0	18.9	3.8	4.7
Total	47.5	35.2	100.0	100.0	37.3	33.5	100.0	100.0

Source: Estimated by the author based on data for 32nd and 38th Rounds of NSS given in *Sarvekshana* Vol. XI No. 4, April 1988 and NSS Report No. 341/4, April 1989.

TABLE 6. INDICATORS OF HEALTH AND EDUCATION IN RURAL AREAS, MAHARASHTRA, GUJARAT AND INDIA

Indicators	Maharashtra	Gujarat	India
Life expectancy* (1981-85)	60.2	57.6	57.3
Birth rate (1986)	31.7	32.9	34.2
Death rate (1986)	9.7	11.3	12.2
Infant mortality (1981)	106	97	106
Couple protection index* (1990)	56.4	56.6	42.7
Primary health centres per lakh of rural population (1981)	27.1	30.5	25.7
Male literacy (1987-88)	57.5	54.7	25.9
Female literacy (1987-88)	32.7	31.2	48.4
Adult male literacy (1981) (15 years and above)	58.4	54.2	47.3
Adult female literacy (1981) (15 years and above)	22.2	22.8	17.6
Adult male literacy (1981) (35 years and above)	45.9	42.7	38.0
Adult female literacy (1981) (35 years and above)	9.1	12.2	8.6

* refers to both rural and urban

Sources: (1) CIE (1991) (2) Census 1981 (3) *Sarvekshana* Special Number, September 1990

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providing drought relief. During the same period the central assistance for drought relief was Rs 265.32 crore. In addition, the state government also incurred large expenditure on drought-proofing measures, such as watershed development, dry land farming, construction of minor irrigation works such as percolation tanks and afforestation [Godbole 1989].

Public Distribution System The government of India bears the expenditure on food subsidies in different states. The number of ration shops in Maharashtra was 35,169 in December 1990. The per capita distribution of foodgrains in the state was 22.7 kgs in 1983. This is much higher as compared to those of the poorer states like Bihar, Madhya Pradesh, Uttar Pradesh. The share of Maharashtra in total all India foodgrains distribution under PDS was 9.6 per cent in 1988-89. Based on some indicators, Tyagi (1990) estimated desired pattern of distribution. According to this estimate Maharashtra should get around 11.4 per cent of foodgrain distribution.

Social Services The per capita revenue expenditure on social services in Maharashtra increased from Rs 82.4 in 1976-77 to Rs 153.9 in 1986/87 at 1980-81 prices. During the same period, the share of social services in total spending increased from 28.3 per cent to 32.7 per cent. The government programmes and expenditure on education, health and nutrition are discussed below.

The per capita revenue expenditure on education increased from Rs 47.3 in 1976-77 to Rs 79.6 in 1986-87 at 1980-81 prices. Public expenditure on education as a percentage of net SDP at current prices has gone up from 2.71 in 1980-81 to 3.57 in 1986-87. There were 57,444 primary schools functioning in the state in the year 1990-91. Though the responsibility for primary education squarely vests in local bodies such as municipal councils and zilla parishads, a number of private institutions have opened primary schools. Average expenditure incurred by the government per pupil in 1988-89 was Rs 548 for primary schools and Rs 869 for secondary schools.

From the First to the Seventh Plan, allocation for primary education has come down from 56 per cent to 22 per cent of the total allocation for the education sector. The allocation for university education, however, has gone up from 9 per cent to 16 per cent of the total during the same period. Of the total plan and non-plan expenditure on education, while expenditure on primary education was 47.5 per cent in 1980-81 and 45.5 per cent in 1987-88, secondary education accounted for 31.4 per cent and 37 per cent respectively.

The drop out rates for the children aged 10-14 years is quite high. And, there are differences between the poor and the rich.

For example in 1980-81, the drop-out rates for bottom and top fractile groups relating to male children were 17.78 and 13.62 per cent respectively. The inequalities across fractile groups are much higher for female children. The drop-out rates for bottom and top fractile groups relating to female children were 24.58 per cent and 7.71 per cent respectively [Tendulkar 1989].

Turning to health, the real per capita revenue expenditure on health (which includes family welfare and water supply) increased from Rs 20.3 in 1976-77 to Rs 44.7 in 1986-87. These levels and growth are higher in Maharashtra as compared to all India. People in rural areas are comparatively poor. Medical experts are not willing to go to such places obviously because they are not lucrative enough. In order to solve this problem the state health ministry has planned to organise health 'shibirs' in remote areas with active participation and involvement of medical trusts and social service organisations like the Rotary and Lions clubs, members of which are professional experts.

Regarding nutrition, under the Integrated Child Development Services (ICDS) nutritious supplementary food is given to children below six years of age and to the expectant and nursing mothers. The number of such projects operating in the state in 1990-91 was 149. Of these, 131 were in rural areas and of these 131, 40 were in tribal areas.

WATER AND LAND MANAGEMENT PROGRAMMES

Realising the importance of water for the state, efforts have been made by the government and voluntary organisations to maximise the returns per unit of water. The Committee on Eight Monthly Supply of Water on the Irrigation Projects in Maharashtra made a series of recommendations for optimum use of available water resources [GOM 1979]. In the light of these recommendations, the state government in February 1987 decided that in all new (small, medium and large) projects to be taken up in the future in water-scarcity basins, eight monthly irrigation system should be adopted. The committee recommended that in water scarcity basins, no additional surface water should be sanctioned to perennial crops, particularly sugarcane.

In order to expedite its long term ambitious plan, the state government has decided in May 1992, to set up a separate 'water conservation' department bifurcating some other departments, partly doing the same work, and bringing them under one roof. The new department would get budgetary allocation of nearly Rs 400 crore in 1992. Moreover, part of the funds of the EGS and the JRY would be transferred and

the department was expected to get about Rs 600 to Rs 700 crore (*The Times of India*, May 21, 1992).

Regarding the efforts of voluntary organisations, mention may be made of Pani Panchayat in Naigaon in Pune district which succeeded in distributing limited water available in an equitable and optimum manner [Deshpande and Reddy 1990]. Many marginal farmers and agricultural labourers also benefited from these schemes. Some village level experiments in water management were successfully implemented in Ralegaon Siddhi in Ahmednagar, Adagaon and Palashed villages of Aurangabad district [Godbole 1990].

IV Evaluation of Employment Guarantee Scheme

The Employment Guarantee Scheme (EGS) is an attempt to enlarge the scope of employment in order to alleviate poverty in the state. EGS is one of the most researched wage employment programme. There have been many micro studies and studies (and comments) based on micro as well as aggregate data.¹ Using these studies and secondary data, a critical evaluation of the EGS is attempted in this section.

Begun on a very small scale in Tasgaon block of Sangli district in 1965 and extended

TABLE 7. SECTORWISE PLAN EXPENDITURE AND THEIR SHARES, 1985-86

Sectors	Expenditure (Rs. Crore.)	Share (Percentages)
I Agriculture and allied services	478.88	27.71
a Agriculture and allied other than on special programmes	193.41	11.19
b Special programmes on rural development	285.47	16.50
i EGS	245.00	14.20
ii Drought prone areas	5.24	0.30
iii IRDP	16.70	0.97
iv National rural development programme	18.23	1.05
ii Co operation	16.02	0.93
III Water and power development	626.04	36.22
a Water development	253.45	14.67
b Power development	372.59	21.56
IV Industry and mining	57.75	3.34
V Transport and communication	90.76	5.25
VI Social and community services	396.02	22.91
VII Economic services	0.21	0.01
VIII General services	10.70	0.62
IX Special programmes for districts	50.31	2.91
X Bombay development	1.56	0.09
Grand total	1728.24	100.0

Source: Computed from Godbole (1989).

as part of an integrated rural development project in 1969 the scheme was adopted by the state in 1972-73 through the efforts of its architect and proponent V S Page a Gandhian leader and long-term chairman of the Maharashtra legislative council. During the drought period 1970-73 EGS was mainly in the form of relief programme [for details see Dreze (1990) Subramaniam (1975) and Osmani (1991)]. The central government also provided drought relief through Crash Scheme for Rural Employment. The Maharashtra government however was not happy with the state's dependence on the centre for drought relief. The chief minister V P Naik decided to set up a state level programme with the backing of opposition parties (using only state resources). An unprecedented feature of this programme was that of employment guarantee. The state government has given statutory support to the guarantee of employment through the enactment of the Maharashtra Employment Guarantee Act 1977 which has been brought into force from January 26 1979.

The principal aim of the EGS is to provide gainful and productive employment to the people in the rural areas and in the areas of C class municipal councils. Such applicants should be in need of work and prepared to do manual labour which they cannot find on their own. The employment has to be gainful to the individual and productive to the economy of the state.

SALENT FEATURES

The salient features of the programme are (a) All adult persons are covered under the programme. (b) The guarantee is given at the district level though operationally works are normally provided within the panchayat samiti area. The person demanding the work has no choice regarding nature of work. (c) The employment seeker has to get his name registered under this scheme with the registering authority of the village i.e. Talathi or Gramsevak by filling form no 1 prescribed under rules. Then he or she has to fill up forms no 4 and 7 [for details see GOM 1992]. Failure to provide employment creates the liability on the state for payment of unemployment allowance at the rate of Rs 2 per day. (d) Only productive works are permitted under the scheme. With a view to minimise the recurrence of drought in the state it has been prescribed that moisture conservation and water conservation works should be given priority. Accordingly priority of works is fixed as follows: (i) moisture and water conservation (ii) soil conservation and land development works (iii) afforestation (iv) road works and (v) flood protection measures. (e) The works are designed in such a way

that expenditure on labour forms at least 60 per cent of the total. (f) The wages are paid on piece rate basis. (g) Ex-gratia payment up to Rs 5,000 is admissible in case of death or disablement of a worker on the work. (h) Welfare amenities are provided to the workers such as potable water, creches, rest shade, first aid facilities etc.

From a modest beginning of only Rs 1.88 crore in 1972-73 the scheme expanded to an expenditure of Rs 235 crore in 1990-91. Its provision of employment increased from 0.45 crore person days in the first year to around 19 crores in 1985-86 but declined to around 8 to 9 crores since 1988-89 (Table 8). The cost per person day (in current prices) increased from about Rs 4 in the first year to around Rs 30 in recent years. The average wage per person day in current prices increased from Rs 3 in 1976-77 to Rs 16 in 1991-92. However if these wages are deflated by the consumer price indices for agricultural labourers, the real wages (at 1970-71 prices) showed a rise from 1.75 in 1976-77 to 3.3 in 1982-83 but showed fluctuations till 1987-88. Since 1987-88 real wages have been around Rs 4 because of the rise in minimum wages.

The labour attendance varies with season. For example in 1987-88 it varied from 9.4 lakh workers in May to 2.27 lakh workers in October. Attendance is higher during lean agricultural season. The scheme has

grown to consume as much as 10 per cent of the state's developmental expenditure. The budget outlays for the EGS are higher than transportation and communication and double to that of industry and mining.

RESOURCES FOR THE EGS

This scheme is totally financed by the state government. In order to raise resources for the implementation of the scheme the state government has levied special taxes and levies: (1) Tax on professions, traders, callings and employment. (2) Additional tax on motor vehicles. (3) Additional tax on sales tax. (4) Special assessment on irrigated agricultural lands. (5) Surcharge of land revenue and (6) Tax on non-residential urban lands and buildings under Education Cess Act.

Of the total revenue raised in each of the last five years about 94 per cent was contributed by profession tax (64 per cent) and additional tax on sales tax (30 per cent). The share of tax on agricultural land is less than 5 per cent in recent years. It shows that the taxes on the EGS are mainly paid by the urban population.

The state government has to make a matching contribution equal to the net collection of taxes and levies every year. The net collection of taxes and levies and the matching contribution from the state government have to be credited to a separate

TABLE 8. QUANTITATIVE DIMENSIONS OF THE EGS 1972-73 to 1991-92

Year	Budget Provided (Rs Crore)	Total Expenditure (Rs Crore)	Expenditure on Wages* (Rs Crore)	Percentage of Wage Expenditure	Person Days of the EGS (Crores)	Cost per Person Day (Rs)	Average Wage per Person Day (Rs)	Real Wage per Person Day** (Rs)
1972-73	2.23	1.88	NA	—	0.45	4.18	NA	—
1973-74	3.71	1.89	NA	—	0.51	3.71	—	—
1974-75	15.00	13.72	NA	—	4.81	2.85	—	—
1975-76	30.49	34.61	31.48	90.95	10.95	3.16	—	—
1976-77	50.00	51.10	38.35	75.04	13.65	3.74	2.81	1.75
1977-78	55.00	51.54	38.13	73.98	11.73	4.39	3.25	1.95
1978-79	70.63	74.17	59.03	79.58	16.35	4.49	3.61	2.19
1979-80	100.40	109.23	89.45	81.89	20.54	5.32	4.36	2.31
1980-81	110.90	122.12	92.69	75.90	17.15	7.12	5.40	2.56
1981-82	116.00	126.17	98.09	77.74	15.60	8.09	6.28	2.63
1982-83	125.66	130.93	99.78	76.20	12.80	10.23	7.80	3.29
1983-84	157.34	184.98	139.47	75.34	16.45	11.24	8.41	3.17
1984-85	155.74	232.04	147.77	63.68	17.80	13.04	8.30	3.06
1985-86	246.55	272.24	181.99	66.85	18.95	14.37	9.60	3.39
1986-87	226.08	243.43	154.37	63.47	18.76	12.98	8.23	2.72
1987-88	265.24	288.31	153.36	53.19	13.32	19.06	9.11	2.76
1988-89	250.00	254.23	126.26	50.00	8.13	31.27	15.02	4.09
1989-90	231.54	239.28	123.40	51.30	7.80	30.68	15.53	3.97
1990-91	235.00	235.00	140.00	60.00	8.94	26.28	15.66	4.06
1991-92 (up to Dec 91)	260.54	194.00	108.00	55.67	6.58	29.48	16.41	—

* This includes value of foodgrains distributed which has been discontinued from January 1989.

** At 1970-71 prices.

Sources: (1) Columns 2 to 8 Planning Department Government of Maharashtra Bombay. (2) Column 9 calculated by the author using consumer price index numbers for agricultural labourers.

fund called 'Employment Guarantee Fund' which has been constituted to ensure that the resources raised for the implementation of the EGS are utilised only for the purpose of the EGS. If there is any balance in a particular year, the scheme is carried forward to the subsequent year.

A three tier administrative set up has been evolved to ensure close and effective liaison and continuous supervision over the programme. Committees for planning, direction, control and co-ordination have been set up at the state, district and panchayat level. The works are implemented through the government departments (and not through contractors) like irrigation, public works, agriculture, forest and zilla parishads.

At the state level, the planning department is in overall charge of the programme covering all aspects of planning, administration, provision of funds, monitoring and valuation of the programme. The Commissioner of the revenue division controls the EGS works in his division. The collector is in overall charge of the programme at the district level. At panchayat level, the tahsildar has been assigned the functions of the assessment of demand of employment and deployment of labourers on different works in the panchayat area.

The planning department makes a budget provision and releases the quarterly credit limits to the collector. The collectors have discretion to make further releases to the implementing agencies at the district level. Weekly and monthly progress reports have to be presented for the EGS. These reports are sent by the implementing agencies to the collectors for onward transmission to the planning department. Apart from the official department, there are some non-official committees for consultation and supervision of the EGS."

IMPACT OF THE EGS ON THE POOR

There has been a debate about the effectiveness of the EGS in covering the target group. Using landless labourers as the criterion for target group, the PEO study (1980) shows that only 40 per cent belonged to the target group under the EGS. Ravallion (1991), however, says that EGS is well targeted to the poor. Dandekar's study (1983) also reveals that 90 per cent of the EGS workers were below the poverty line. Employment and labour attendance under the EGS were around 19 crore person days and 6 lakhs respectively in 1986-87. Although there has been a considerable decline in recent years the impact on employment under the EGS is impressive by any standards, particularly, as compared to other anti-poverty programmes in India or any other country.

The contribution of the EGS to the employment needs of Maharashtra are covered under following aspects:

EGS Contribution to the Employment of Rural Wage Employed: In 1987-88, the EGS provided 133.3 million person days of employment. This figure, however, relates to both wage employed (mainly landless labourers) and cultivators. If we assume that 50 per cent of the EGS employment is provided to landless wage labourers (as shown in some field studies), this figure would be 66.7 million in 1987-88. According to NSS 43rd Round, there were 5.6 million male and 4.5 million female wage employed workers above 15 years in 1987-88. Since recent data on number of average days worked by a labourer is unavailable, use of the 1974-75 Rural Labour Enquiry (RLE) is made. If a standard person year consists of 300 days, according to RLE data there were 79 and 120 unemployment days for males and females respectively in Maharashtra. If these days are applied to the wage employed workers, the total unemployment figure among the wage employed comes to around 981 million person days whereas the EGS employment to target group was only 66.7 million person days. It would thus appear that the scheme was able to eliminate approximately no more than 7 per cent of unemployment among this group in 1987-88 [Osmani 1991].

Percentage of the EGS Labourers to the Total Rural Workers: The average labour attendance under the EGS was 5.2 lakhs in the year 1987-88. In the same year the NSS 43rd Round data reveal that there were 21.2 million workers (self employed as well as wage employed) above 15 years. Thus the share of the EGS workers in the total rural workers was only 2.5 per cent in the state.

Funds Needed to Remove Rural Unemployment in the State: The EGS provided 133.3 million person days in the year 1987-88. The cost per person day and

average wage per person day were Rs 19.1 and Rs 9.11 respectively. Using the same calculations done for the wage employed above, the required person days for all the rural workers (who were around 21.1 million) would be around 2,188 million. If the same cost and wage rates under the EGS are applied to these person days, the total cost and expenditure on wages come to around Rs 41,700 million and Rs 19,931 million respectively. Against this the total cost on the EGS was Rs 2,350 million and on wages it was Rs 1,350 million. It would appear that the share of the EGS in the total cost needed to remove unemployment in a year in Maharashtra comes to only 6 to 7 per cent. In other words, if unemployment has to be removed through public works, there should be almost 20 times increase in the EGS expenditure.

Employment and Income under Micro-Studies: Turning to micro studies, the employment provision of person days per person in a year varies from 25 in GOI (1980) to 160 in Dandekar (1983) (Table 9). A study on Shirapur and Kanzara villages shows that in the five-year period from 1979-80 to 1983-84 days worked on EGS represented about 20 per cent of the total employment in Shirapur and 10 per cent in Kanzara [Bhende et al 1990]. Datar's study (1988) reported that the contribution of EGS employment to the total employment of the participants was about 50 per cent in the survey villages. Thus, if the results of micro-studies are accepted the impact of employment for the participating labourers is impressive by any standards. Similarly, as shown in Table 9, contribution of EGS to income of the EGS households is quite substantial.

Impact on Women: It is worth noting that in rural Maharashtra, the EGS is known as a 'programme of women'. The estimates of the proportion of women on the EGS varied from 39 per cent [PEO 1980], 51

TABLE 9 RESULTS OF SOME MICRO-STUDIES ON COMPOSITION, EMPLOYMENT AND WAGES OF THE EGS WORKERS

Studies	Survey Period	Percentage Belonging to Landless HHS	Percentage of Small and Marginal Farmers	Percentage of SC and ST Population	Person Days Employed	Wage Rate	EGS Contribution to Total Income
PEO (1980)	1976-78	24	40	NA	25	2.93	NA
ISST (1979)	1979	51	30	NA	157	2.75	NA
Dandekar (1983)	1979-80	45	42	42	160	3.60	65
Deshpande V (1982)	1976-77	31	31	31	50	2.00	NA
GoM (1982)	1981	52	41	41	NA	NA	NA
RDC (1985)	1983-84	38	40	40	170	NA	NA
Deshpande, S K (1988)	1983-84	NA	NA	NA	23	5.50	21
Acharya and Panwalkar (1988)	1985-86	34	46	46	54	5.30	31
Datar (1988)	1985-86	35	47	47	105	7.80	36
Sathe, M D (1990)	1987-88	21	58	50*	NA	NA	NA

* Including other backward castes (OBCs).

Source: Modified from Acharya (1990).

per cent [Dandekar 1983], 49-80 per cent [ISST 1979] and 45-64 per cent [Datar 1988]. These large percentages could be due to the predominance of female labour in casual unskilled work in rural areas. The study by Datar (1988) is the latest one on the impact of EGS on the women. This study showed that the EGS formed a core income for many women. Dantwala, however, is not very happy to find that the EGS has become a 'programme of women'. His preferred option for women would be supplementary employment in their household premises, so as not to disrupt their domestic work/duties.

Stabilisation Benefits to the Poor It is important to note that it is not enough to look at the direct benefits in form of employment and income generated by the EGS. Other indirect or the so-called general equilibrium effects and the stabilisation benefits of the EGS on the poor also need to be taken into account. EGS contributes to the creation of rural assets. Between 1975 and 1986, the number of projects sanctioned was around 1,73,000 out of which 68 per cent was completed. The EGS can have substantial impact on agricultural growth and wages. The EGS projects mainly relate to soil conservation, land development, percolation tanks, irrigation, road works and afforestation. By the end of the 1980s, more than 6,000 percolation tanks were completed. One of the criticisms of the EGS is that the benefits of the created assets go to the non-poor. However, recent sub-schemes such as horticulture programmes and the Jawahar Well Scheme are intended to help the lands of small and marginal farmers.

It should also be noted that the poor could derive continuing benefits if there is agricultural development due to EGS assets. A recent study by Sathe (1991) informs that the assets created under the EGS led to improvements in agriculture and rural non-agricultural activities. There is also evidence that the EGS wage rate influenced the general agricultural wage rate in the state. Employment generation schemes can have the effect of raising the reserve price of labour.

One of the most important aspects of the EGS is its seasonal stabilisation effect on the incomes of the poor. Reducing fluctuations in income can matter as much to the poor as raising average incomes. It can prevent acute distress and costly forms of adjustment such as selling productive assets. In other words, even if the increase in income is not large, the existence of a form of income or employment insurance (particularly in the absence of effective institutional credit) can be quite significant. Although only 0.5 to 0.7 million workers (out of 20 million rural workers in the state) participate in the EGS, all rural workers

value the insurance function of the EGS and view the scheme as a form of security. Famine prevention is another important benefit of the scheme.

The importance of the EGS lies in its guarantee of work. If employment is made an entitlement, the EGS can facilitate collective political action by the poor, and can promote the realisation of their common interest. The EGS can also have the effect of making rural politicians more responsive to the demands of the poor. It can provide the poor with opportunities for effective action and encourage the mobilisation of their political resources.

EGS work can have an impact on the social life of workers. Concentrating large numbers of workers in one place in similar conditions and increasing their interaction helps to break down social differences. We have already noted about the positive impact of EGS on women. There is evidence that rural urban migration has been somewhat reduced because of the EGS. An absence of the EGS would thus have consequences for urban poverty also.

This is not to suggest that everything is rosy about the EGS. There are problems that relate to the design and implementation of projects, corruption, people's participation and so on.

Opportunity Cost to the Workers Participation in the EGS involves some costs to the workers. Opportunity cost here is defined as the expected wage foregone by participating in the EGS when that person works on his/her farm or on his/her household or chooses leisure. The gain to the worker is the excess of the EGS wage over his/her reservation wage. A study by Datt, Gurav and Ravallion (1992), on two villages of Maharashtra, however, found that the foregone income due to employment on the public works is quite low—around one quarter of gross wage earnings, most of the time displaced was in domestic labour, leisure and unemployment. It shows that workers do not lose much by participating in the EGS at least in the studied villages.

EGS AND OTHER ANTI-POVERTY PROGRAMMES

Various evaluation studies have revealed that the performance of the EGS is much better as compared to other anti-poverty programmes in India such as NREP, RLEGP and IRDP [Acharya 1990 and World Bank 1989]. Although all the anti-poverty programmes are designed with safety net objective, the EGS has been more successful than NREP and RLEGP in controlling the type of works taken up and the quality of implementation. None of the other programmes have sustained large-scale operations for a lengthy period or dealt with corruption and other administrative

problems as effectively as the EGS [World Bank 1989].¹⁰ Hirway and Terhal (1990) have made an interesting comparison of rural public works programmes in 11 Indian states, China, and Bangladesh [Bhatt 1991]. According to this study, Maharashtra's EGS and West Bengal NREP have performed better than those of Gujarat and Karnataka. However, the rate of Maharashtra's EGS is lower than that of China and Bangladesh. It shows that there is lot of scope for improvement in performance of the EGS.

The EGS has almost completed 20 years of its existence. Now the questions posed are: (a) How long the programme will continue or how long will it be sustained? (b) Has the programme fulfilled its objectives, namely achieving labour absorbing capacity in the main stream so as to bring about decline in the demand for the scheme? (c) Are there any new directions in the scheme?

The available evidence shows that the EGS is yet to fulfil its objectives except few pockets like Ralegaon Shinde and so on areas surveyed by Sathe (1991). Due to this, the scheme is going to continue in future. Regarding sustainability of the scheme, finance does not seem to be a problem in the immediate future although the costs are going to be high due to doubling of wages in 1988. In recent years, however, Maharashtra government has changed thrust of the EGS to new directions.

Shram Shaktidware Gram Vikas Under the government resolution (Planning Department, June 22, 1989), the government has formulated a special programme captioned as 'Shram Shaktidware Gram Vikas' (village development through labour) as a subscheme of the EGS. The optimum utilisation of the water received during year well conceived planning of the entire village, land utilisation of village optimum food production, development of labour-intensive small industries, 'Ambar Churkha', sericulture, etc. are basic aspects of village development. It is proposed to operate all these development works in a village in an integrated manner. The government has also introduced comprehensive watershed development programme (COWDEP) for the EGS irrigation works.

Horticulture Programme Linked with EGS With effect from June 1990, the government has launched a horticulture programme linked with the EGS. Plantation can be taken up on a minimum of 1 hectare and maximum of 4 hectares per beneficiary. The programme will be executed at 100 per cent government cost on the lands of SC, ST and small farmers per delineation of National Bank for Agriculture and Rural Development (NABARD).¹¹

Jawahar Wells under the EGS: Jawahar Well Scheme on the pattern Jeevandhara Well scheme of the Indian government was started under the EGS from September 1988. Under this programme, wells are undertaken on the land of small and marginal farmers who are below poverty line. However, the scope of this scheme has since been widened with effect from December 1991; under the modified scheme construction of wells programme is to be taken on the lands of small farmers as per the definition of NABARD.

DELIVERY AND RECIPIENT SYSTEMS

Framing of rules and mere enactment of laws are no guarantee for effective delivery of the EGS benefits. Delivery in the case of the EGS can be related to three aspects, namely guarantee of employment, improving the incomes of the beneficiaries by providing wages according to their work and creation of productive assets for rural development.

As mentioned earlier, elaborate arrangements are made to deliver the EGS benefits to the recipients. The revenue department must be prepared to provide work on demand but it is the irrigation, agriculture, forestry and other departments which draw up advance plans for works in groups of villages, and then on instruction, execute individual projects using the EGS labour. Official instruction, informal guidelines, extensive monitoring, unscheduled field visits, vigilance tours by officials at various levels, and the advisory and supervisory role of non-official status statutory committees help in delivering the EGS benefits.

What distinguishes EGS from other rural employment programmes is the statutory, judicially protected work guarantee. However, employment is sometimes not 'guaranteed' due to several factors relating to design as well as implementation. Firstly, the procedure of getting employed under the EGS is lengthy and is riddled with bureaucratic procedures. As mentioned above, the labourers have to fill up many forms to get employment under the EGS. Since most of the workers are illiterate, it is difficult for them to fill up these forms.

Secondly, even the officials of the programme consider the EGS as an employment of last resort, instead of considering it as an anti-poverty programme. They expect labourers to search for better employment opportunities regardless of the fact whether such opportunities existed. Thirdly, the administration faces difficulties in identifying and designing works in the vicinity of the villages and consequently the EGS is not able to provide continuous employment in relation to the need. Moreover, since the guarantee of employment is provided only at the district

level, many labourers are unwilling to migrate from one tahsil to another. The earnings and the extent of employment under the EGS are also not attractive enough for the labourers to migrate out.

Fourthly, the needy labourers are supposed to be informed of their right to work and the procedures of wages, etc., by the district and taluka level employment guarantee committees and the work site committees. Some micro studies however show that very few people know about the procedures followed under the EGS. One micro study on Thane district revealed that not a single respondent viewed the scheme as a right-to-work scheme [Deshpande 1988].

Lastly, there is considerable uncertainty and anxiety about the period of employment, as the state is required to provide employment for a minimum of 30 days at a stretch. Thus, there are problems of unemployment between projects [Herring and Edwards 1983]. Further, the landless workers are interested in daily wages and not weekly or fortnightly wage payments. Besides these, complicated wage policy, corruption, political interference discourage the workers to undertake the EGS work.

Regarding delivery of wages, according to the EGS design the recipients are supposed to get minimum wage if he/she works seven hours a day. Many micro-studies, however, reveal that the recipients are getting less than minimum wages. There have been cases of corruption and leakages because of the complicated piece rate system. With regard to assets, factors such as political interference, rivalry between revenue and technical departments, lack of proper blueprints, lack of overall co-ordination, delay in implementation, lack of maintenance, shift in emphasis to roads, etc., have contributed to the less productive nature of the EGS assets. Also the volatile demands of the recipients create problems for the delivery system. Droughts, natural calamities or even seasonal changes cause dramatic shifts in demand. Even with relatively flexible administrative structure of the EGS, it is difficult to make adequate adjustment [Echeverri-Gent 1988]. Because of sudden increase in demand, new projects have to be undertaken which may be of little productive value [Dantwala 1978].

It is noteworthy that the delivery system is much better in areas where voluntary organisations are active. A study on Jawahar taluka of Thane district [Deshpande 1988] shows that the existence of a receiving mechanism in the form of a labour organisation helped in improving the delivery of the EGS benefits. The role of the organisation in securing benefits to the labourers was clearly demonstrated by the differential implementation of the scheme in different pockets of Jawahar taluka.

Some other benefits of the intervention of the VA are: (a) The organisation has helped in spreading awareness of the scheme among the poor and illiterate labourers; (b) It mobilised labour to make demands on the administration for provision of employment; (c) It checked malpractices and leakages from the scheme to a certain extent, and on some occasions helped the administration in resolving field level conflicts.

The study [Deshpande 1988], however, points out that the organisations were unable to raise consciousness beyond the elementary level of making demands for provision of employment. Acharya (1990) also attaches the importance to voluntary organisations in delivering the EGS benefits to the recipients.

LESSONS FROM THE EGS

The EGS has a lot of lessons to offer from its two-decade experience. Some of the lessons relating to employment, wages and assets are as follows. (1) The main short-term objective of the scheme is to provide relief to the poor by increasing their incomes. It does this by providing them with employment which is guaranteed in the lean season, and to those unemployed during the peak season. Elaborate nationwide organisational arrangements are needed for delivering the guarantee of employment in order to replicate the EGS. Proper care has to be taken in the design and implementation in order to avoid dilution of the 'guarantee' of employment. (2) Another important lesson to be learnt from the EGS is regarding the wage rate to be followed in rural public works programmes. The dilemma to be resolved is whether it should be at statutory minimum wage level or below minimum wage level (generally market wages are below minimum level). Initially the EGS wages were below the market agricultural wages. In 1988, with the doubling of the statutory minimum wage rate, the EGS piece rates were also doubled. Ravallion et al (1993) reveal that higher wages led to rationing in the guarantee of employment. They argue that lower wages should be maintained in order to have wider coverage which would help the poor better as compared to the rationing due to higher wages. This issue should be resolved before replicating the EGS to other states. There is some merit in the low wage argument if one wants to concentrate on reducing the intensity of poverty. However, if the aim is to take the poor up to the so-called poverty line, obviously higher wages are needed. (3) The long-term objective of the EGS is to create productive rural assets which in turn contribute to growth in employment and income on a permanent basis. There is no general agreement on the

developmental impact of the assets created under the scheme. In this context, lessons from the EGS would be useful for employment programmes in other states. Analysing the general equilibrium effects, some studies suggested that a well designed, executed and targeted rural works programme has the greatest impact on the poor [Narayana et al 1988, Parikh and Srinivasan 1990]. (4) There are many lessons to be learnt from the role of voluntary organisations for improving the delivery system under the EGS. (5) For replicating the EGS in rest of the regions, one has to keep in mind the special features of Maharashtra. Large part of the funds for the EGS is provided by a prosperous urban sector of the state. Also, politically powerful rural elite in the state succeeded in extracting finance from the urban sector for the EGS in order to get benefits from the assets created in the rural areas.

V

Conclusions

While examining poverty alleviation programmes for the rural poor in Maharashtra, the article made an attempt to (a) analyse its macro-economic, demographic, political and institutional dimensions, (b) examine characteristics of poverty, (c) assess the major anti-poverty programmes in the state, and (d) critically evaluate the EGS.

Given all the limitations in the EGS design and implementation, many studies have shown that the EGS has made positive impact on the levels of living of the rural poor in Maharashtra. The person day unemployment rate based on NSS data declined considerably over time in the state. The performance of the EGS in terms of employment creation, raising incomes of the poor and checking leakages is much better than any other anti-poverty programmes in India. There are also many indirect benefits due to the scheme. However, EGS alone cannot remove the entire poverty in rural areas of the state. EGS seems to be successful as a supplementary programme. Regarding application of the EGS to other states, as Dantwala argues, following two pre-conditions need to be insisted upon: First, prior establishment of a competent decentralised district planning and implementing agency, and second meeting the cost of the scheme through (additional) taxation.

As regards poverty, in spite of the decline in the 1980s, the incidence of poverty is quite high in the state as compared to many other states. The indebtedness levels are also quite high among agricultural/rural labourers in the state [Mathrani and

Acharya 1990]. The solution to poverty alleviation in Maharashtra in the medium- and long-term lies in the development and adoption of suitable technologies to make the poor in the dry land communities economically viable by improving the productivity of their agriculture [Rao 1991]. In this context, watershed development programmes, village development programmes *a la* the experiences of Ralegaon Shindi and the new programmes initiated under the EGS are a step in right direction.

Notes

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- 1 On rural-urban disparities in the state, it was commented that Bombay's Nariman Point was comparable to Manhattan whereas some parts of rural Maharashtra could be compared to sub-Saharan Africa. See Padmanabhan (1992).
- 2 Historically, Konkan, western Maharashtra, Vidarbha and Marathwada are the four main sub-divisions of the state. In terms of economic development, there are enormous differences among these regions. For details, see GOM (1984).
- 3 Even in the year 1990-91, the proportion of cropped area under irrigation was only 12 per cent.
- 4 The per capita SDP, the per work value added in manufacturing and per worker value added in agriculture in Maharashtra were Rs 2,960, Rs 19,342 and Rs 2,964 respectively in 1988-89 at 1980-81 prices. The corresponding figures for all India were Rs 2,082, Rs 14,604 and Rs 3,737 respectively.
- 5 The comment is based on the data relating to NSS Employment-Unemployment Surveys, 27th and 38th Rounds. See *Sarvekshana*, Volume 6, No 3, January-April 1983 and Volume XI, No 4, April 1988.
- 6 See Sundaram (1989) for the factors responsible for the disparities in the female participation rates across states.
- 7 See Swaminathan (1990) for a discussion on how IRDP is successful in West Bengal.
- 8 The micro studies are: Deshpande, V. D. (1982), Programme Evaluation Organisation (1980), Institute of Social Studies Trust (1979), Dandekar and Sathe (1980), Dandekar, K. (1983), Bhende et al (1990), GOM (1982), RDC and Kirtloskar consultants (1985), Deshpande, S. K. (1988), Acharya and Panwalkar (1988), Datar (1988), Sathe (1991). Some studies and comments based on micro as well as aggregate data are: Renolds and Sunder (1977), Dantwala (1978), Abraham (1980), Guhan (1980), MHJ (1980a, 1980b), Tilve and Pitre (1980), Herring and Edwards

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Some theoretical studies on rural public works are: Basu (1982), Narayana et al (1988), Parikh, and Srinivasan (1990), Ravallion (1990).

- 9 Some of the non-official committees are: the EGS Council, Committee of Legislature on the EGS, District EGS Committee, Panchayat Samiti Level EGS Committee, Work Site EGS Committee.
- 10 In their reviews on poverty programmes on developing countries Osmani (1991) and Ravallion (1991) also feel that the performance of the EGS is better than other programmes.
- 11 The definition of small and marginal farmers, according to the criteria developed by the National Bank for Agriculture and Rural Development is related to productivity of land and its income-generating capacity and covers landholders up to about 28 hectares in drought-prone areas.

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Public Intervention for Poverty Alleviation in Harsh Agro-Climatic Environment

Care of Rajasthan

Vidya Sagar

Rajasthan is characterised by sharp regional contrasts in agro-climatic conditions as well as by fluctuating levels of rainfall and consequent frequency of drought conditions. Although there are regional variations in poverty levels, overall the state has a very low level of economic and social development, coupled with a negative record of achievements in poverty alleviation. An examination of the functioning of PAPs suggests that an emphasis on infrastructural development, especially watershed development and reforestation, along with programmes of employment and asset redistribution, is most needed in this state.

RAJASTHAN is the second largest state in the country accounting for 10.4 per cent of the total geographical area. More than half of the state's area is desert with a very low density of population. Its share in the country's population is only 5 per cent.

The state provides us with a number of contrasts. Along with highly developed agricultural pockets such as Ganganagar and Chambal command area it has districts like Jaisalmer where there may be little agricultural production for years together. The annual precipitation is more than 100 cm in south-east Rajasthan and only 16 cm in Jaisalmer. According to the 1991 Census the density of population per sq km is as varied as 336 in Jaipur and nine in Jaisalmer. The literacy rate in the state varies from 23 per cent in Barmer to 52 per cent in Ajmer. The rural literacy rates vary between 19 per cent in Barmer and 45 per cent in Jhunjhunu.

Agriculture and animal husbandry are the two principal occupations of the working population. The state has the largest livestock population accounting for 13.5 per cent of the total livestock of the country. The state's contribution to the country's foodgrains output during the triennium ending 1990-91 was 5.82 per cent, while it accounted for 9.6 per cent of the cropped area under foodgrains. The per capita production of foodgrain during this period was 229 kg as against the national average of 204 kg. The contribution of the primary sector in the SDP hovered around 50 per cent throughout the 1960s and the 1970s.

The state has passed through a period of rapid re-organisation in terms of land relations. The feudal arrangements of the old princely order have given way to owner-cultivation land rights for a majority of farmers. Investment in rural infrastructure as well as in agricultural activities has been made under the various plans. Production and productivity indices show a rising trend in spite of large variability in output from year to year.

The level of per capita SDP is among the lowest in the country. At the same time, the

state is considered by many one of the major states with a low poverty ratio. Furthermore, it is the only state where achievements in terms of poverty alleviation have been negative during the period 1977-87 when maximum emphasis was laid on poverty alleviation [Minhas et al 1991]. This calls for a re-examination of the role of public intervention via the poverty alleviation programmes.

The paper examines trends in the nature and composition of poverty in Rajasthan and attempts to evaluate the role of public intervention in poverty alleviation. The first two sections discuss the socio-economic background and rural economy of the state. Section III describes the poverty population – its composition, dispersal, nature of poverty and trends in poverty. Section IV examines the trickle-down of growth to the poor. Section V looks into the impact of the first major intervention, viz, land reforms. Direct poverty alleviation programmes and their impact on the poor are discussed in Section VI. The last section discusses the lessons of the poverty alleviation efforts in the state.

While writing this paper, we have been constrained by the availability of research material, particularly in the regional context. We have tried to piece together whatever scanty material we have been able to obtain and draw conclusions which at times may look more like conjectures.

I

Socio-Economic Background

Growth of population in Rajasthan has been amongst the highest in the country. Population growth rates for the state were, on an average, 5 percentage points higher than the national average during the last three decades. As a result, the state's share in human population has increased from 4.4 per cent in 1961 to 5.2 per cent in 1991. The total population of the state in 1991 was 44.1 lakh. The share of rural population during 1961-91 has declined from 84 per cent to

77 per cent. The bulk of growth in the rural population during 1971-91 was in the arid western and northern regions. The main explanation for such high growth in these areas is the colonisation in the Indira Gandhi Nahar (canal) area and falling death rate with stable birth rates [Rambardhan 1989].

The occupational structure in the state is predominantly agriculture based and has changed only marginally during 1971-91. The share of main workers (male) in agriculture (cultivators and agricultural labour) declined from 72.7 per cent in 1971 to 68.8 per cent in 1991. Fifty per cent of the main workers in 1991 were cultivators.

Nearly half of the cultivated holding belonged to the small and marginal farmers in 1982. Due to wide regional variation in land productivity, assessment of the economic condition of larger land sizes may not be easy. There is a negative correlation between the average size of landholding and land productivity (Table 1). In western desert districts the number of small and marginal farmers was less than 6 per cent and the average size of holding was 1.5 ha in 1981. In south Rajasthan nearly 66 per cent of the holdings are below two ha with an average size of holding at 2.03 ha. The index of land productivity in the two regions, with the state value as 100, was 40 and 187 during the mid-1960s [Sagar 1978]. This is not to deny that large inequalities are present in the distribution of land, but only to show that the state level distribution is inadequate. I show the real situation unless adjustments are made for the variations in land productivity.

Unlike some of the other poorer states the incidence of agriculture labour is not high except in the canal irrigated region of Ganganagar and south-east Rajasthan, where 20.2 per cent and 14.6 per cent, respectively of the main workers are agricultural labourers. In the 1991 population census 10 per cent of the main workers are classified as agricultural labourers (Table 3). According to the 1987-88 NSS estimates the number of agricultural labour households has

increased from 11.1 per cent in 1983 to 12.6 per cent. In contrast, the share of all rural labour household has doubled from 17.26 per cent in 1983 to 34.15 per cent in 1987-88 due to widespread drought conditions prevailing in the state during the later period. More than half of such labour households are landowners. The number of labour households with land has remained constant at around 53 per cent during 1963-83 but increased to 80 per cent in the drought year 1987-88.

The economic condition of SC and ST households in rural Rajasthan appears to be relatively better than those in other states. Together the two groups account for 31 per cent of the state's population. Eighty per cent of ST main workers as against 60 per cent SC and 73 per cent overall main workers are engaged in cultivation. The number of SC main workers classified as agricultural labourers is highest at 19.2 per cent, as against 9.9 per cent for ST and only 8.3 per cent for other social classes. According to the 1987-88 NSS estimates, the number of ST agricultural labour households is 19 per cent as against 38.4 per cent SC household and 21.1 per cent overall. A significant feature of scheduled caste households is that their number in total rural households is increasing while that in agricultural labour households is declining. This is indicative of the improvement in the economic conditions of SC households. However a more rigorous examination of the economic conditions of such households is needed to establish this conclusively.

II Rural Economy

Three predominant factors characterise the rural economy of the state. These are (i) a large share of the primary sector in the state domestic product; (ii) wide fluctuation in agricultural production, mainly kharif production due to low and erratic rainfall; and (iii) livelihood security provided by the livestock sector which produces 40 to 70 per cent of the gross value of agricultural output and provides a stable income stream for the rural poor. The structure of the rural economy has undergone changes during last three decades.

The overall growth performance in the state has been one of long run stagnation till 1980-81. The growth rate of SDP at constant 1970-71 prices during 1955-56 to 1970-71 was 0.56 for primary sector and 1.76 per cent overall – both of these growth rates are statistically insignificant even at 20 per cent level. The per capita growth in SDP has been negative at -1.58 and -0.51 per cent for primary and overall. The growth performance improves during the 1970s only to register a zero overall growth in per capita SDP. The per capita growth

in the primary sector is negative (-1.46 per cent).

It is only during the 1980s (1981-91) that the economy showed some signs of growth. The primary sector has grown during this period at the rate of 4.5 per cent per annum while the overall growth performance is even more impressive at 6.3 per cent. The per capita growth performance is therefore equally good during this period.

The average share of the primary sector in SDP during the trienna ending 1960-61, 1970-71, 1980-81 and 1990-91 was 59.0, 53.7, 52.6 and 45.7 per cent, respectively. The rate of decline in the share of the primary sector in SDP during 1954-55 to 1980-81 is 0.20 percentage points per annum. The decline in the share of the primary sector quickens in spite of an impressive growth in this sector during the 1980s. The trend rate of decline was 0.83 per cent points per annum during 1981-91.

GROWTH AND INSTABILITY IN AGRICULTURE

The gross agricultural production in the state has grown at the rate of 5.3 per cent during 1966-79 as against 2.7 per cent during 1953-65. The trend growth rate of agricultural production and productivity during 1981-82 to 1991 was observed at 3.74 and 3.54 per cent per annum respectively. During the earlier period (1953-65) growth was due mostly to expansion in area. Since then almost all the growth in agricultural production resulted from growth in agricultural productivity.

It is important to analyse the composition of growth for it affects the poverty population. Growth in the primary sector during the 1980s was due significantly to a major shift in the cropping pattern in favour of oilseeds. The share of oilseeds in GSA during 1991-92 was 19.7 per cent, as against 6.3 per cent during the triennium ending 1980-81. Both the components of aggregate agricultural productivity, viz, shift in the cropping pattern in favour of high productivity crops and growth in the crop yield, were important. The production of oilseeds in the state has increased from an

average of 4.43 lakh tonnes during the Fifth Plan period (1974-75 to 1978-79) to over 27 lakh tonnes in 1991-92, a six-fold increase. The crops which registered the highest gains in production were rape and mustard, increasing from an average of 1.7 lakh tonnes during the Fifth Plan period to over 22 lakh tonnes in 1991-92. As is clear from Table 7 this growth is equitably shared by all the regions of the state.

An important feature of the state is the wide annual variation in agricultural production. The coefficient of variation in foodgrain production at the aggregate level in Rajasthan during the 1960s, 1970s and 1980s was 18.2, 18.3 and 36.0 per cent, respectively. With over 50 per cent of small and marginal holdings wholly unirrigated (Table 16), the coefficient of variation of kharif production of foodgrain is a better indicator of deprivation for the poor. The coefficient of variation of the production of kharif foodgrains during the three time points is 23.7, 36.4, and 42.1 per cent, respectively. In the past, compensatory movements were observed in seasonal (rabi and kharif) production in most areas. This is clearly reflected in the lower aggregate coefficient during the 1960s but more prominently during the 1970s. This phenomenon has been gradually declining over time as

TABLE 2: DISTRIBUTION OF OPERATIONAL HOLDINGS, 1980-81

Holding Class	(Per cent)			
	Reported		Adjusted for Regional Productivity Differences	
	Number	Area	Number	Area
Marginal	28.96	3.08	23.00	3.50
Small	19.43	6.25	12.01	3.93
Semi-Medium	20.49	12.93	24.39	15.96
Medium	19.96	27.69	29.48	41.24
Large	11.16	50.05	11.12	35.37

Note: The adjusted proportion of operational holdings and area is obtained by weighing such holdings in different districts by the relative productivity index of the district (Rajasthan = 100) for the respective years and rearranging the distribution.

TABLE 1: SOME FEATURES OF RURAL RAJASTHAN

Regions	Index of Agricultural Productivity (1961-66) (state=100)	Average Size of Holding (ha)	Small and Marginal Holdings (1981)		Share of Agricultural Labour (Main Workers) (Per Cent) 1991
			Number (Per Cent)	Area (Per Cent)	
Ajmer-Sirohi	107	3.26	56.4	15.1	12.5
North-east	155	2.39	62.7	21.1	7.7
South	187	2.03	65.9	27.3	7.2
South-east	134	2.86	54.1	17.4	14.6
Ganganagar	100	6.59	16.8	2.8	20.2
Western-arid	40	14.68	5.9	0.4	4.7
Central-arid	61	6.86	26.7	4.1	8.5
Rajasthan	100	4.5	48.4	9.3	

reflected by the aggregate coefficient of variation for the 1980s. This may have been due to over-concentration of resources in smaller and irrigated areas by using the meagre irrigation facilities more for productive rather than protective use. With the dwindling ground water level, the impact of a low rainfall is worst felt by the small and marginal cultivators. [Bhatia 1992].

The district level production figures show a much large variation in foodgrain production. In Barmer, for example, production of foodgrains varies as much as 28, 164, negligible, negligible, and 456 thousand tonnes during five consecutive years of 1966-71 or more recently as 290, 157, 21, 37, one and 77 thousand tonnes during 1983-89. The coefficient of variation of agricultural production during 1962-73 is as high as 71 per cent in the western districts [Sagar 1980].

Over 60 per cent of the state's geographical area is arid and receives very low rainfall. The wide fluctuation in rainfall often leads to drought-like situations. Drought in the state does not simply represent lack of adequate total rainfall but also its distribution during the monsoon. Drought

conditions are, therefore, declared on the basis of information on the 'damage caused to crops' [Government of Rajasthan 1992:30].

Meteorologically severe drought affected Sirohi 17 times; Jaisalmer, Pali and Sirohi 15 times; Sri Ganganagar and Barmer 14 times; Bikaner, Jalore and Nagaur 11 times; Jodhpur, Churu and Sikar 13 times; and other districts between five and 10 times during last 35 years (1957-91). However, severe drought has been declared in the state more often than is reflected by the meteorological data. Between 1970-71 and 1978-79 affected villages exceed 12,000 thrice and the affected rural population exceeded one crore twice. But during the subsequent nine years affected villages varied between 21 and 36 thousand in seven years, with the affected population varying between 1.7 and 3.2 crore (Table 8). According to census figures the population engaged in primary sector activities has increased from around two crore in 1981 to 2.5 crore in 1991. This implies that the affected population during this period varied between 80 and 100 per cent. Meteorologically, each district was affected on an average for half of the years during this period.¹

LIVESTOCK

The rural economy of the state draws as much sustenance from animal husbandry as from crop husbandry. In an economy which is subjected to wide variation in agricultural production and often faces an acute drought situation, livestock provides better and more reliable sustenance. The ratio of gross value of output of livestock to the value of crop output fluctuated between 38 and 68 per cent during the 1980s primarily due to this factor (Table 9). An important feature of the livestock economy is very high equity in its distribution across different holding size classes. The ratio of the number of small ruminants per hundred households with large holdings to the number with the marginal and small holdings does not exceed two (Table 10). The small ruminant is more useful for the rural poverty population of the state. It has been documented that income from livestock fluctuates much less than income from agriculture [Sagar and Ahuja 1987; Acharya 1989]. In arid western region the variation in gross income from farming in a bad to good year could be in the ratio of 1:9 while for livestock it is 1 to 1.2. The coefficient of variation in the case of income from sheep was 3 per cent, for buffaloes in milk 8 per cent and for cows 10 per cent. Compared to this the coefficient of variation in crop production is as large as 70 per cent in the arid districts [Jodha and Vyas 1968; Sagar 1980].

III Extent of Poverty

A large number of poverty estimates are suggested for Rajasthan. Depending on the criteria chosen, such estimates show extents of poverty in Rajasthan as diverse as 56.3 per cent [Bhatia 1974] – making Rajasthan the fourth poorest state in India in 1968-69 – and 13.3 per cent [Dandekar and Rath 1971], making it the state with the lowest poverty population in 1961-62.

Consistent series of poverty estimates are available for the period under study, viz. 1970-71 to 1987-88 (Table 8). Of these the series generated by the Planning Commission and by Minhas have been the locus of debate on the extent of poverty in India. The Planning Commission estimates of the extent of

TABLE 3: OCCUPATIONAL STRUCTURE (MAIN WORKERS ONLY)

Occupational Category	1971		1981		1991	
	Male	Persons	Male	Persons	Male	Persons
Cultivators	65.1	64.9	61.4	62.2	56.2	58.8
Agricultural labour holdings	7.6	9.3	5.9	7.4	8.0	10.0
Industries	3.5	3.4	3.7	3.6	8.4	7.5
Others	23.8	22.3	28.9	26.8	27.4	22.7

Source: Census of India 1971, 1981 and 1991 (Rajasthan).

TABLE 4: REGIONAL DISTRIBUTION OF AGRICULTURAL LABOUR MAIN WORKERS IN RAJASTHAN

Regions	Number of Agricultural Labourers ('000)			Share in Total Main Workers (Per Cent)		
	1961	1981	1991	1961	1981	1991
Ajmer-Sirohi	39.6	89.8	111.9	6.2	9.5	12.5
North-east	44.0	85.5	160.6	3.3	5.1	7.7
South	23.4	69.4	132.6	2.0	4.5	7.2
South-east	40.3	80.3	109.2	8.8	12.9	14.6
Ganganagar	40.1	76.3	117.2	14.7	17.0	20.2
Western-arid	5.3	18.4	41.1	1.1	2.7	4.7
Central-arid	26.9	76.8	139.6	2.8	5.9	8.5

Source: Population Census Reports 1961, 1981 and 1991.

TABLE 5: COMPOSITION OF RURAL LABOUR HOUSEHOLDS

Category	(Per Cent)					
	Total Rural Households		Share of SC ST in Rural Labour Households		Agricultural Labour Households	
	SC	ST	SC	ST	SC	ST
1974-75	18.45	16.44	54.30	17.58	59.87	15.29
1977-78	18.13	13.30	43.82	21.55	48.61	21.76
1983	19.66	15.65	48.17	15.11	51.19	13.58
1987-88	21.11	16.81	32.90	26.09	38.48	17.93

Source: Agricultural and Rural Labour Enquiry Reports

TABLE 6: GROWTH OF STATE DOMESTIC PRODUCT

	Total SDP		Per Capita SDP	
	Primary	Overall	Primary	Overall
1955-71 ^a	0.56	1.77	-1.58	-0.51
1971-81 ^b	1.40	2.76	-1.46	-0.09
1981-91 ^c	4.46	6.27	1.80	3.62
All India				
1971-81	1.50	3.10	-	0.96
1981-89	3.50	5.50	-	4.14

Note: a and b at 1970-71 prices; c at 1980-81 constant prices.

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- * Scheme for Urban Micro Enterprises.
- * Scheme for Liberation & Rehabilitation of Scavengers.
- * Differential Rate of Interest Scheme.
- * Scheme for Financial Assistance under the auspices of State SC/ST Development Corporations.
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poverty in Rajasthan show a decline in the poverty population from 54.7 per cent in 1970-71 to 41.9 per cent in 1973-74, and to 33.5 per cent in 1977-78. This is followed by an increase in the poverty population to 36 per cent in 1983, and unexpectedly, a sharp decline in the poverty population in 1987-88 which was a year of severe drought.

The Planning Commission estimates for 1983 to 1987-88 have been severely criticised by Minhas et al (1991), who have questioned some of the underlying assumptions of their estimates and have provided independent estimates. The estimates by Minhas, Jain and Tendulkar show a decline of 14 percentage points, from 54.3 per cent during 1970-71 to 1977-78. Since then the poverty ratio has increased to 41.8 per cent in 1983 and 41.9 per cent in 1987-88.

Following severe criticism of their estimates the Planning Commission in 1992 appointed an expert group to review their estimates. The revised estimates of the expert group show a decline in the poverty ratio from 33.7 per cent to 31.5 per cent during 1977-83 as against an increase of 3 per cent according to the Planning Commission. During 1983-88 a further modest decline of 2 per cent is estimated as against an earlier estimated decline of 10 per cent.

From the maze of confusion created by a large number of alternative estimates of the extent of poverty and the trends in its fall at least one statement may be made objectively. The fall in rural poverty in Rajasthan during 1970-71 to 1977-78 was rapid. From the initial level of 54.4 per cent rural poverty in Rajasthan declines by 14 per cent according to the Minhas estimates and by nearly 20 per cent according to the Planning Commission. The estimates of the expert committee are identical to those of the Planning Commission for this period. Since then the poverty ratio has increased marginally according to the Minhas estimates, increased for half the period and then declined according to the Planning Commission estimates and declined very slowly according to the expert group estimates. One may therefore conclude that there was constancy or at best a very small decline in the poverty ratio during this period of 10 years.

The poverty estimates since 1970-71 do not support Ahluwalia's hypothesis that rural poverty increases during the year of, or the year following a bad agricultural harvest.² The agricultural year 1970-71 produced unprecedented foodgrain levels while 1969-70 was an average agricultural year, yet it shows the highest poverty ratio for the period being considered. The year 1972-73 was a below normal agricultural year but it shows a fall in the poverty level when compared to 1970-71. Again the year 1973-74 was an above average crop year, and the poverty ratio goes down to 44.9 per cent. The year 1977-78 had a local peak preceded by two equally good harvest years. This year also

saw another significant fall (by 4.5 per cent) in the poverty level. However, the year 1983 (rabi 1982-83 and kharif 1983-84) was another local peak. Foodgrain production for the first time crossed the 10 million tonne mark preceded by two normal years. Yet the poverty ratio does not show a decline. On the contrary it increases according to both the Minhas and the Planning Commission estimates. The year 1987-88 was an unprecedented disaster in terms of agricultural production but estimated poverty levels remained unaffected.

What explains this neutrality between production levels and poverty estimates in Rajasthan? Two factors may be identified. One, the state is too large and too heterogeneous to be represented in a single statement of a good or a bad crop year. In fact even during the years of very good overall harvest large parts may suffer from drought. Second, effective relief measures during drought such as during the drought of 1987-88 have helped the poor to overcome acute deprivation induced by drought.

COMPOSITION OF POOR

It is difficult to provide reliable estimates of the composition of the poor corresponding to a time point in areas of large annual fluctuation in agricultural activity even more so when state interventions are introduced to minimise the impact of drought induced scarcities. Such interventions are normally class neutral. Therefore consumption levels of the bottom deciles of the cultivating population (or even the entire population of cultivators in an arid region) may not be different from those of labour households unless drought affects some parts of the state with a predominance of a particular occupation group or social class. However, in a year of good harvest the differences may be relatively large. Such differences may clearly be seen in the distribution of consumption expenditure and the resulting poverty ratios among SC and ST households during 1983 and 1987-88 (Table 12).

Using an identical poverty norm for all rural population groups in a year of abundant harvest viz 1983 relatively small differences in the incidence of poverty among

TABLE 7 AGRICULTURAL PRODUCTION DURING FIFTH PLAN AND 1991-92

(000 MT)

Regions	Crop Groups				Percentage Change	
	Foodgrains		Oilseeds		Foodgrain	Oilseed
	1974-79 (average)	1991-92	1974-79 (average)	1991-92		
Ajmer Sirohi	734	659	92	356	10	503
North east	1901	2097	164	953	10	581
South	1313	1775	62	236	35	380
South east	806	959	37	353	18	954
Ganganagar	908	1186	30	271	31	678
Western arid	509	378	11	74	25	669
Central arid	862	976	69	468	7	675
Rajasthan (1992-93)	7033	7981 (11394)	443	2711 (2535)	13	613

TABLE 8 DROUGHT PATTERN IN RAJASTHAN 1970-71 TO 1988-89

Year	Affected			Expenditure on Drought Relief (Rs Lakh)		Index of Agricultural Production 1974-82=100	Foodgrain Production (Lakh Tonnes)
	Districts	Villages	Population	Incurred	Suspended		
70-71	7	4803	41	98	313	126	88
71-72	13	6139	31	136	332	98	63
72-73	26	18722	137	925	527	81	52
73-74	-	-	-	1533	700	100	67
74-75	25	19873	137	255	871	83	50
75-76	-	-	-	900	800	116	77
76-77	-	-	-	72	23	114	75
77-78	19	12253	92	43	240	115	72
78-79	26	5609	33	351	170	126	78
79-80	26	31095	240	2355	450	80	52
80-81	26	21395	168	4450	655	100	65
81-82	26	23246	200	11153	646	120	72
82-83	26	22606	172	10274	515	133	83
83-84	-	-	-	6937	655	163	101
84-85	21	10276	92	645	237	143	79
85-86	26	26859	220	8892	559	138	79
86-87	26	31936	253	16295	702	117	68
87-88	26	36252	317	62704	753	95	48
88-89	17	4497	43	32609	127	191	106
89-90	25	14015	121	3059	255	166	85

agricultural labour households and non-agricultural labour households are observed. An independent set of state level estimates for these population groups shows that the incidence of poverty is only 50 per cent higher among agricultural labour households than among cultivating and non agricultural labour households. The difference in the incidence of poverty between agricultural labour households and cultivators varies between 100 and 400 per cent in most of the other states [Bhalla 1993].

REGIONAL DISTRIBUTION

A number of states have developed region specific poverty estimates and some states have developed estimates of poverty population even at the district level by using state sample data of the NSSO consumer expenditure surveys. Unfortunately no such estimates are available for Rajasthan. We have generated such estimates for the year 1972-73 from the region specific distribution of consumption expenditure of the central sample using the poverty cut off points of Minhas. The 1987-88 estimates are generated by using provisional state sample estimates of the distribution of consumption expenditure (Table 13).¹ The estimated head count ratio of poverty at the common poverty line of Rs 42.74 is 42 per cent for the western and the north-eastern regions, 60 per cent for the south-eastern region and 86 per cent for south Rajasthan during 1972-73.

This relative situation does not change a decade and a half later. For south Rajasthan although the south east shows impressive improvements. The 1987-88 data on consumption expenditure (state sample) still shows south Rajasthan to be the poorest region with over 58 per cent of the estimated population consuming below the poverty line. The estimated poverty population is 31.4, 32.5 and 32.8 per cent in the western, north-eastern and south-eastern regions respectively.

NUTRITIONAL PROBLEM

The average level of nutrition as shown by calorie consumption increased between 1972-73 and 1977-78, observed a modest decline between 1977-78 and 1983 and a further decline during the drought year of 1987-88. Similar behaviour may be observed in the calorie intake for the bottom decile points (Table 14).

In view of large year to year fluctuations in agricultural production, calorie consumption figures for four consecutive years, viz 1970-71 to 1973-74 are compared for the bottom deciles. Except during the mid-1970s (1973-74 and 1977-78), calorie consumption corresponding to the third decile point is stable at around 2150. The

corresponding calorie intake level for the second and first decile points are 2,000 and 1,850 respectively.

Table 15 shows calorie intake in the four regions at the income decile points as well as the average intake. During 1972-73 average per capita calorie intake for this region is 1,937 calories as against 2,671, 2,697 and 2,788 calories for the western, south-eastern and north-eastern regions. Except for south-east Rajasthan where it improved by 729 calories, the nutritional levels in the other three regions declined in 1987-88.

South Rajasthan observed an average intake level of 1,909 calories in 1987-88. Calorie intake at the bottom three decile points of the distribution of consumption expenditure is 1,333, 1,409 and 1,496 calories in south Rajasthan, 2,168, 2,355 and 2,376 calories in south-eastern Rajasthan, 2,018, 2,139 and 2,234 calories in the north-eastern districts and 1,945, 1,952 and 2,112 calories in the western districts. Nutritional poverty seems to have increased except in the south-eastern Rajasthan in a year of extreme drought. Yet the changed magnitudes of nutritional intake do not give an indication of a near total crop failure, e.g. in the western region.

IV Agricultural Growth and Rural Poverty

In the following we shall discuss achievements from rural development for the two identified groups of rural poor, viz (i) small and marginal farmers, and (ii) rural wage earners. We shall focus on two points: (i) gains from the development of irrigation and (ii) gains from a shift to high value crops and better technology for small and marginal farmers.

IRRIGATION DEVELOPMENT

The general hypothesis on the distribution of irrigation in India is that smaller holdings have proportionately higher areas under irrigation. Some scholars hold the view that irrigation development in India is inequitable [Srinivas 1992]. Overall the distributive aspects of irrigation development in the state can be viewed in Table 16.

In 1970-71 the number of wholly unirrigated holdings declines from 69 per cent for the 0-0.5 ha class to 52 per cent for the 4-5 ha class and then increases to 89 per cent for the 40-50 ha class. The share of area under wholly unirrigated holdings does not increase as rapidly as their number. However, the 1980-81 data show greater equity in favour of the smaller size classes in the distribution of both area and number. Comparing the difference in the percentage of wholly unirrigated holdings within a size class between 1970-71 and 1980-81, it may

be observed that for the bottom class, the decline in the number of unirrigated holdings is the highest at 11.56 per cent. This decline in the proportion of wholly unirrigated holdings gradually reduces with the increase in holding size and becomes negative, implying an increase in the proportion of unirrigated holdings beyond the 5-10 ha size class. Similar is the case of area under wholly unirrigated holdings. The decline in the proportion of area under wholly unirrigated holdings is the highest at 22.22 percentage points for the bottom deciles. The decline gradually reduces until it becomes zero at around 10 ha and negative thereafter. Irrigation development is clearly inequitable in this sense.¹

A disaggregated analysis at the regional level however shows mixed trends. Different trends for areas primarily served by lift irrigation and areas primarily served by canal irrigation are observed. In the former, comprising south Rajasthan (Udaipur and Chittorgarh) and semi and north-eastern districts and central districts (Jhunjhuni and Sikar), inequity in the distribution of irrigation has increased between 1970-71 and 1985-86. In the canal region (south-east Rajasthan) and Ganganagar, the distribution of irrigation shows greater equity [Sagar and Reddy (forthcoming)]. The growing inequity in the lift irrigated areas can be explained by capital intensive energisation of wells leading to over-exploitation and therefore

TABLE 9. GROSS VALUE OF FARM PRODUCE IN RAJASTHAN

Year	Value Added in Agriculture and Livestock	Gross Value of Output		Ratio of Livestock to Agriculture (Per Cent)
		Agriculture	Livestock	
1980-81	2218	7292	969	42
1981-82	2651	2739	1120	40
1982-83	7969	3029	1261	41
1983-84	3680	3755	1432	38
1984-85	3776	3411	1677	49
1985-86	3885	3804	1938	50
1986-87	3856	3671	2127	58
1987-88	3993	3501	2383	68
1988-89	6514	6058	2831	46

Source: Government of Rajasthan Directorate of Economics and Statistics, Estimates of GDP.

TABLE 10. NUMBER OF CATTLE, BUFFALOES, SHEEP AND GOAT PER 100 HOUSEHOLDS (1976-77)

Holding Size	Cattle	Buffaloes	Sheep	Goat
Marginal	276	96	88	215
Small	323	115	346	211
Semi-Medium	378	144	120	220
Medium	404	185	214	322
Large	305	107	462	542
Total	336	129	255	314

Source: Sagar and Ahuja (1987).

lowering of ground water levels [Bhatia 1992]. Public irrigation systems, on the other hand, shows greater equity overtime. Overall irrigation development should have helped in reducing poverty.

SHIFT IN CROPPING PATTERN

The second dimension of agricultural growth relates to the shift in cropping pattern of the bottom deciles to high productivity/high value crops. As argued earlier, agriculture in the state during the 1980s witnessed a revolution in oilseed production, particularly in the eastern half of the state. The latest year for which agricultural census data on the distribution of cropped area by holding size are available is 1985-86, by which time the oilseed revolution in the state had started picking up. The share of marginal farmers in the area under paddy, wheat, rape and mustard and gram is 11.0, 5.9, 5.7, 4.7 per cent, respectively, although their share in the total cropped area was only 3.1 per cent. For the small farmers these shares are 15.2, 11.1, 10.1 and 9.0 respectively, as against the share in total area at 6.4 per cent. This is indicative of the fact that small and marginal farmers are adapting to new opportunities, although by itself the data cannot establish the equitous nature of change. To what extent this has been achieved by their own efforts, and to what extent the state is instrumental in facilitating the flow of new technology and credit to ensure adequate returns to them is discussed below.

REAL WAGES

The third dimension of the relationship between agricultural growth and poverty alleviation relates to trends in real wages and income of rural wage labour households. Trends in real wages are important not only for agricultural labour but also for small and marginal farmers, because many such cultivators get a sizeable part of their earnings from wage labour.

Table 17 shows the growth in real wages between triennium ending 1973-74 and 1984-85, respectively, in a few high wage states. The trend rate of growth in male real wage (MRW) during the period 1970-71 to 1983-84 was 1.96 per cent per annum in Rajasthan. The growth in net domestic product in agriculture at constant prices (NDPAC) in the state was 3.51 per cent during the same period. There are other states in which higher growth in real wages is recorded compared to growth in NDPAC. These include Andhra Pradesh (NDPAC 2.13 per cent, MRW 3.44 per cent), Kerala (NDPAC 0.05 per cent, MRW 2.42 per cent), Bihar (NDPAC 1.03 per cent, MRW 2.41 per cent) and Gujarat (NDPAC 3.83 per cent, MRW 3.23 per cent) [Jose 1988].

The growth in female wages has been higher than that of male wages. What is

particularly noticeable is the growth in female real wages in the low wage areas of south and south eastern Rajasthan. In 1970-71 the money wage rate for female labour was Rs 2.30, Rs 2.18, Rs 1.84 and Rs 1.67 per day in the western, north eastern, south eastern and southern regions, respectively. The real female wage rate increased at an annual rate of 4.4 per cent and 2.5 per cent in the south and south eastern regions during 1970-84. The growth was much less in other areas. The male wage rate in 1984-85 in south and south east Rajasthan, was 60 per cent or less of the corresponding wage in western Rajasthan, while female real wages have grown nearly to the levels of western Rajasthan.

Rural Labour Inquiry Reports show a continuous improvement in real wages. At 1956-57 prices the real wage rate for males increased from Rs 1.02 in 1956-57 to Rs 1.26 in 1964-65, Rs 1.25 in 1977-78 and Rs 1.66 in 1983 [Saraswat 1993]. Saraswat (1993) has analysed the performance of rural labour households between 1963-64 and 1983. Her analysis shows that the real income of agricultural labour households during this period increased at the rate of 3.0 per cent per annum. The performance of other rural labour households was better than real income growing at a rate of 4.8 per cent per annum. For male labour, increase in real wages was the most powerful factor contributing to the growth in real income, which showed a growth rate of 1.5 per cent and 3.5 per cent for agricultural and other rural labour households, respectively. The

number of employment days per annum grew at a rate of 1 per cent. In the case of female labour the most important contribution to the growth of real wage earnings came from an increase in days of employment. This is evident from population census results also.

Further evidence of the improving condition of agricultural labour and other labour households is shown in Tables 19, 20. 21. Average monthly per capita expenditure (MPC) at 1956-57 prices for agricultural labour households increased from Rs 13.90 in 1956-57 to Rs 17.59 in 1963-64, to Rs 19.36 in 1977-78 and Rs 21.62 in 1983. For other rural households there was a marginal decline.

TABLE 13. RURAL POVERTY POINTEURS BY REGIONS

Year	Region			
	Western	North eastern	Southern	South eastern
1977-78	4.77	4.11	5.57	6.04
1987-88	31.9	33.5	55.2	42.8

Note: The regional classification of districts is as follows:
 Western: Barmer, Bikaner, Chittor, Jaisalmer, Jhunjhuna, Jodhpur, Nagaur and Sikar.
 North eastern: Ajmer, Alwar, Bhujapur, Bhilwari, Ganganagar, Jaipur, Pali, Sawai Madhopur and Tonk.
 Southern: Banswara, Durgapur, Sirohi and Udaipur.
 South eastern: Bundi, Chittor, Jhalawar and Kota.

TABLE 14. RURAL POVERTY ESTIMATES FOR R (1970-71 to 1983-84)

Source	Year					
	1970-71	1977-78	1983-84	1977-78	1983-84	1987-88
Planning Commission	54.7			33.5	36.6	26.0
Expert Group	54.7		11.9	33.7	51.5	29.2
					(33.5)	(33.2)
Minhas et al (1989, 1991)	54.3	50.4	44.9	40.4	41.8	41.9
Sagar (1987)	50.2	37.2	21.4			

Notes: 1. Figures in parentheses are given by Puthussarathi (1994) quoting Lok Sabha Committee report.

2. Sagar (1987) computes these figures corresponding to 400 cal norm.

Source: Minhas and S.M. Kansal (1989), 'Comparison of the NSS and C/SC Estimates of Private Consumption', *The Journal of Income and Wealth*, Vol. 11, No. 1, January.

TABLE 12. THE WEAKER SECTIONS ESTIMATED POVERTY RATIO

					(Per Cent)
Year	Labour Households		SC Households	ST Households	All Rural Households
	Agricultural	Non agricultural			
1977-78 a)	47.65	35.00			30.36
b)	55.00	43.64			48.26
1983 a)	39.87	36.10*	33.70	55.13	28.47
b)	52.70	50.40*	46.97	63.83	39.20
1987-88 a)			48.10	30.40	21.26
b)			65.00	46.10	33.87

These estimates are for all rural labour households.

Notes: 1. Common poverty points as determined by inflating the 1973-74 monetary norm of Rs 49 corresponding to 2400 cal by the CPIA1 for the reference time point.

2. Monetary poverty points as given by Minhas et al (1991).

between 1963-64 to 1977-78, but thereafter it grew faster for agricultural labour households. There was a sharp decline in the share of expenditure on cereal consumption from 52 per cent in 1956-57 to 44 per cent in 1963-64, 33 per cent in 1977-78 and 29 per cent in 1983. Such a significant reduction in the share of cereals in total consumption expenditure when only a marginal change in the average daily consumption of cereals is recorded, indicates the improving condition of rural labour households. This is also evident from the declining poverty ratio among rural labour households. For agricultural labour households the decline is from 66 per cent in 1956-57 to 55 per cent in 1963-64 to 48 per cent in 1977-78 and 40 per cent in 1983. For other labour households the figures are 32 per cent in 1963-64, 35 per cent in 1977-78 and 29 per cent in 1983.

V Public Intervention in Poverty Eradication

LAND REFORMS

As in other parts of the country, land reforms in Rajasthan were instituted to (i) eliminate the major source of inequality in rural areas viz. cultivated area, (ii) rationalise agrarian structure and (iii) remove uncertainty among tenants so that they may also contribute to agricultural growth and improve their economic status. Abolition of functionless intermediaries, ceiling on holdings and protection of tenants were the three main strands of the legislation enacted to usher in the reforms. Most of these reforms were initiated in the 1950s and were more or less completed by the 1960s.

The overall conclusion about the first phase of land reforms is somewhat positive. Land reforms in Rajasthan were not merely a *de jure* change in the revenue law as is suggested for other parts of India. The second phase of land reforms which tried to impose ceilings on agricultural holdings did not meet with much success. In this respect the Rajasthan experience is no different from the experience in other states [Gupta 1994].

The tenancy reforms of 1955 met with success due to a number of factors. These include (i) changeover from a feudal to a democratic state structure and the acceptance of the concomitant change in tenancy by the ex-jagirdars as a necessary part of the changeover, (ii) generous compensation and concessions and (iii) low land values due to very low and uncertain productivity of dryland agriculture, implying a rather weak incentive to retain jagir lands.

By the mid-1960s when the ceilings came to be enforced, the rural scene had changed both economically and politically. Irrigation, higher prices for produce and the possibilities

of new agricultural technology as well as the increasing pressure on land, led to an increase in land values and greater resistance to curtailment of land rights in the form of imposition of ceilings. Political leadership also passed increasingly into the hands of the rural landed elites. In such an environment not only were the legal provisions of the ceiling legislation inadequate for any redistributive objectives but legal hurdles and administrative collusion further aggravated the process of implementation of the ceilings act.

It may not be possible except in a superficial way to segregate the effects of land reforms from those of other social, economic or demographic factors. Also access to land can be meaningful to the new beneficiaries only if the supportive infrastructure of extension, credit, marketing etc. is also available. In the absence of these supportive services, the benefits accruing from land reforms could be easily nullified. This would particularly be the case in a state like Rajasthan which is very poor in respect of such services.

The Indira Gandhi Nahar Pariyojana (IGNP) provided another avenue of rehabilitating the landless or near landless in the state. It was planned to settle over 2,00,000 households, mostly landless, in this area. However, this objective was only partially fulfilled because of faulty settlement procedures and tardy implementation. Also a number of the landless or near landless who did receive land could not

continue to hold it for long due to paucity of resources, lack of extension support and absence of infrastructural facilities. In view of past experience, this avenue, though still open, is not likely to make any remarkable dent on the problems of the landless.

Another approach, which was earlier rejected in the rhetoric of 'land to the tiller', is to free the lease market by affording reasonable protection to both the landowner and the tenant. As in other parts of the country, the lease market was not encouraged, but in fact leasing became either illegal or was decided by the landowner because of the fear of losing land. The number of tenants and the area leased in (as per official statistics) have therefore recorded drastic declines over time, even though unrecorded tenancy and crop-sharing arrangements of various kinds continue to be made.

It is quite clear that neither the resumption of land from large holdings nor settlement in new areas is likely to resolve the problem of the poor households dependent on land. If they have to be rehabilitated within agriculture and for that also the scope is not unlimited, only two avenues – apart from the unfreezing of the lease market which may have a long term salutary effect – are open. These are (i) increase in the gross area under cultivation, mainly by extension of irrigation and water conservation and (ii) increase in productivity of land so that the size of a viable holding may be reduced.

A word on the role of technology in reducing the size of viable holdings may be

TABLE 14 CALORIE INTAKE LEVELS AT INCOME DECILE POINTS

	5th	4th	Deciles 3rd	2nd	First
1970-71*			2131	2091	1657
1971-72*			2160	2000	1840
1972-73	2650	2447	2262	2027	1791
1973-74*			2500	2300	2030
1977-78	2694	2558	2464	2252	1975
1981	2695	2456	2223	2113	1881
1987-88	2452	2268	2115	2021	1853

Source: * Sagar (1987)

TABLE 15 CALORIE INTAKE AT INCOME DECILE POINTS 1987-88
(Provisional state sample results)

Deciles	Regions				Rajasthan	
	Western	North-eastern	Southern	South-eastern	State Sample	Central Sample
1987-88						
I	1945	2018	1333	2168	1655	1853
II	1952	2139	1409	2355	1878	2021
III	2112	2234	1496	2326	2073	2115
IV	2255	2377	1587	2446	2241	2268
V	2361	2532	1786	2795	2395	2452
Average	2406	2568	1909	2976	2389	2469
1972-73						
I	1972	2073	1470	1734		1791
II	2092	2219	1558	2239		2027
III	2243	2365	1629	2318		2262
IV	2389	2644	1748	2588		2442
V	2475	2680	1855	2859		2650
Average	2671	2788	1937	2697	-	2730

appropriate in a simulation exercise, Mishra (1990) estimated that the new seed-fertiliser technology was likely to reduce the poverty level in western as well as in north-eastern Rajasthan by approximately 28 per cent. No significant change in the poverty level in other regions was established. The simulation exercise included only two crops viz wheat and bajra. While wheat is cultivated all over Rajasthan and is constrained by irrigation, bajra is sown only in north-east and western Rajasthan and has over 35 per cent of the GCA of the state under it. Mishra's analysis shows a large decline in poverty population through adoption of new technology mainly in the two regions (western and north-eastern Rajasthan) which grow bajra during kharif and wheat during the rabi season. What he seems to have missed is the oilseed revolution that was taking place all over the state during the 1980s. The growth in the production of oilseeds, which has argued above is more than equitably shared by the small and semi-medium farmers, should have given a further increase to the income of such farmers, thereby reducing the incidence of poverty among them.

CREDIT

The poverty reduction impact of technology operates not only in terms of reduced size of the holding required to earn the given income, but also through enhanced employment in the farm sector. However, extension of new technology is limited, on the one hand by availability of assured irrigation and on the other by the availability of credit to procure modern inputs like fertilisers and HYV seeds. The timely availability of credit is of critical importance.

A reduction in the size of viable holding requires capital for investment both in land augmenting fixed assets as well as in inputs such as seeds and fertilisers. However, the agencies involved in long and medium term lending actually tend to benefit the large farmers and have a bias against the small borrower. Jodha (1971) has documented the phenomenon of over-financing of assets in the case of large farmers and under-financing in the case of small farmers, and has argued that these tendencies accentuate the already disadvantageous position of small farmers who are now compelled to opt for the less efficient but cheaper traditional assets.

Similarly, the structure of short-term production credit did not show any preferential bias in favour of small farmers. The average per hectare availability of short-term credit to marginal and small farmers is not different from those of higher size classes in 1977-78 (Table 22). This is in sharp contrast with the Punjab situation during the initial years of the green revolution. With this pattern of credit availability, the

obvious consequence is the limited use or yield augmenting modern inputs. Data pertaining to the input survey for Rajasthan as well as other micro studies show small holdings generally applied lower doses of fertilisers during the 1970s despite their advantage in irrigation. This pattern gradually changed in favour of the small and marginal farmers during the later years. The 1980-81 figures indicate this. Later years' data further strengthen this shift in favour of small and marginal farmers, as far as the inverse relationship between borrowings per hectare and the size of holding is concerned. Yet the number of borrowers from the small and marginal farmer classes was only 26.2 per cent in 1986-87. By then the co-operative credit system came under stress due to default and inadequate circulation [Ghose and Patel 1992].

In other words, the potential for bringing down the size of viable holdings, and thereby lifting several agricultural households above the poverty line with the application of new technology, was not fully realised in practice. This was partly due to the constraints of credit availability. Lack of support from other institutions responsible for new technology and inputs was another factor.

VI Direct Poverty Alleviation Programmes

In a predominantly agricultural economy characterised by large inter-year variations in agricultural output and employment as well as a high incidence of poverty, public action is needed (a) to gradually reduce the core poverty population through asset redistribution or skill generation through programmes such as IRDP and TRYSEM, and (b) to minimise the impact of agricultural fluctuations by restoring entitlement through employment based safety nets as well as public distribution of foodgrains at subsidised prices.

The direct poverty alleviation efforts in the state therefore need evaluation in the light of the nature of poverty. The thrust of

asset and skill based centrally sponsored programmes is to achieve a gradual decline in the core poverty population. State level relief programmes (often supported by central funds) focus primarily on the transient deprivation caused by wide fluctuations in the level of agricultural production.

IRDP

Direct intervention for poverty eradication on a targeted household basis started in India with a rather interesting experiment in Rajasthan in 1978 viz Antyodaya. Based on the Gandhian philosophy of upliftment of the poorest of the poor, first it aimed at identifying five of the poorest families in each of the 33,000 villages and providing them with the necessary asset base that would enable them to cross the poverty line. The

TABLE 17. WAGE RATE (MALE) IN SOME STATES

	Real Wage (Rs) at 1970-71 Prices during Triennium Ending 1973-74	1984-85	Trend Growth Rate 1971-85	Cereal Equivalent 1982-83
Rajasthan	4.79	12.12	1.96	5.20
Gujarat	3.31	10.51	3.73	3.44
Punjab	6.83	15.80	0.01	6.86
Haryana	6.96	17.88	0.85	6.84
Kerala	5.19	15.35	2.32	3.28

Sources: Parthasarathi (1991), Joshi (1988).

TABLE 18. GROWTH OF REAL WAGE BY REGIONS IN RAJASTHAN

Regions	Real Wage (Rs) at 1970-71 Prices during Triennium Ending 1973-74	1984-85	Trend Growth Rate 1971-85
Male			
West	4.58	5.13	1.18
N.E.	2.89	4.59	1.58
S.E.	2.62	3.08	1.47
South	2.77	2.88	0.40
Female			
West	2.30	3.03	1.75
N.E.	2.18	2.34	1.50
S.E.	1.81	2.36	2.51
South	1.67	2.47	3.38

Source: Acharya (1989), IJAE, Vol. 44, No. 2.

TABLE 16. WHOLLY UNIRRIGATED OPERATIONAL HOLDINGS IN RAJASTHAN (1970-71 and 1980-81)

Average (Ha)	1970-71		1980-81		Change in Percentage Points	
	Number	Area	Number	Area	Number	Area
Below 0.5	68.81	68.81	57.25	46.59	11.56	22.22
0.5-1	67.32	67.79	58.04	47.70	9.28	20.09
1-2	63.53	61.35	53.99	44.88	9.54	16.47
2-3	59.34	56.58	51.18	40.87	8.16	15.71
3-4	53.94	51.83	47.27	38.99	6.67	12.84
4-5	52.19	50.17	47.39	38.36	4.80	11.81
5-10	53.04	49.48	50.71	43.47	2.33	6.01
10-20	65.66	54.69	67.07	55.71	1.41	1.02
20-30	78.13	58.16	80.68	60.10	2.55	1.94
30-40	82.50	51.15	88.24	60.87	5.74	9.72
40-50	88.89	55.01	93.33	58.44	4.44	3.43
Over 50	88.57	49.49	94.74	53.16	6.17	3.67

Planning Commission evaluated and lauded its approach which was later adapted by the central government as the Integrated Rural Development Programme and extended to all the states in 1981.

Since its beginning impressive results in the achievement of physical and financial targets are well documented in government reports and documents. Over 10 lakh families have been covered till 1986-87 with an average assistance of Rs 3 000 per family during this period. In view of the fact that livestock provide a large share of income to the rural poor on a rather stable basis emphasis was laid primarily on the animal husbandry sector. Forty-two per cent of the families covered under the programme benefited from livestock assets in 1980-81. Twenty per cent of the families were assisted for minor irrigation. On account of the relatively large leakages in the benefit stream in livestock related assistance and faulty identification in minor irrigation schemes that were reported in evaluation studies the share of these two sectors was reduced considerably in the later years. The share of beneficiaries for animal husbandry and minor irrigation schemes in 1985-86 was 31 and 32 per cent respectively. Beneficiaries in the tertiary sector increased from 31 per cent to 58 per cent during this period.

Official surveys estimate the proportion of IRDP beneficiaries crossing the poverty line to be just below half. The survey conducted at the IDS, Jaipur shows the percentage of eligible beneficiaries crossing the poverty line to be 28 per cent in 1983, most of these near the poverty line. Only 29 per cent of the beneficiaries resurveyed five years later in 1987 had their assets intact. One may therefore conclude the success rate is less than 30 per cent.

IRDP has been the subject of extensive debate from the point of view of efficacy as a strategy for poverty alleviation as against alternatives such as an Employment Guarantee Scheme (EGS) [Rath 1985, Dantwala 1985, Hirway 1985]. The programme has been subjected to concurrent evaluations and improved successively on the basis of their findings. On account of its countrywide

coverage, the overall conclusions may not differ from one state to another. The relative efficiency of such programmes at the state level can be judged by a few indicators. It is reported in Tables 23, 24, 25 and 26 for the years 1985-86, 1987 and 1989.

The efficacy of the programme in enabling the poor to cross the poverty line may be judged from (i) the correct identification of the poor and very poor households (i.e. those with annual incomes of less than Rs 2 265 and 2 266-3 500) and (ii) the proportion of such households crossing the poverty line.

On the first count, the performance of the state is far below the national average. The concurrent evaluation surveys of IRDP report both the distribution of the annual income of the beneficiaries as per record at the time of assistance (reported) and as assessed independently by the investigators during

the course of the survey (assessed). The assessed households belonging to the lower income class were found to be only a third of those reported and therefore assisted (6 per cent) in 1985-86 in the state. The difference in the all India figures of reported households (58 per cent) and assessed

TABLE 22 CO-OPERATIVE CREDIT (RS) PER HELD AREA

Size of Holding (ha)	Punjab 1971-72	Rajasthan	
		1977-78	1980-81
0-1	610	46(12.2)	105(18.2)
1-2		60(20.3)	117(28.4)
2-4	255	47(27.5)	70(22.9)
4-8		55(35.7)	52(30.3)
>8	121	(25.3)	12(18.4)

Note: Figures in parentheses show percentage of farmers benefited.

TABLE 20 AVERAGE REAL MONTHLY PER CAPITA EXPENDITURE OF AGRICULTURAL LABOUR HOUSEHOLDS (AT 1956-57 PRICES)

	1956-57	1963-64	1974-75	1977-78	1983
<i>Average MPCU at constant 1956-57 prices (Rs)</i>					
Agricultural labour households	13.9	17.6	13.9	19.4	21.6
Other rural labour households		21.4	13.4	19.7	24.6
<i>Poverty ratio (per cent)</i>					
Agricultural labour households	65.6	55.2	74.8	47.7	40.0
Other rural labour households		31.9	74.5	35.1	29.4

Source: Saraswati (1993).

TABLE 21 CONSUMPTION PATTERN OF AGRICULTURAL LABOUR HOUSEHOLDS

Year	Real Expenditure on Food in Rs (at 1963-64 Prices)	Share of Food in Total Expenditure (Per Cent)	Cereal Consumption (in grams)	Share of Cereals within Food (Per Cent)	Share of Cereals in Total Expenditure (Per Cent)
<i>Agricultural Labour Households</i>					
1956-57		75.1	650	9.5	52.2
1963-64	14.08	74.1	710	60.0	44.5
1974-75	10.32	76.2	547	70.3	53.6
1977-78	12.36	62.4	590	53.1	33.2
1983	13.53	61.6	588	46.4	28.6
<i>All Rural Labour Households</i>					
1963-64	16.41	71.2	680	52.2	37.1
1974-75	10.35	77.3	530	68.8	53.5
1977-78	12.60	62.5	590	51.0	31.9
1983	14.38	62.3	547	45.1	28.2

Source: Saraswati (1993).

TABLE 19 AVERAGE ANNUAL REAL INCOME (AT 1956-57 PRICES) 1964-65 AND 1983 AND DETERMINANTS

Rural Household Group	Annual Real Wage Income (Rs)		Compound Growth Rates, 1964-65 to 1983 (Per Cent)								
	1964-65	1983	Annual Growth Rate (Per Cent)	Males				Females			
				Employment Days	Daily Real Wages	Earning Strength	Annual Real Income	Employment Days	Daily Real Wages	Earning Strength	Annual Real Income
Agricultural labour households	549	959	3.0	1.0	1.5	0.3	2.9	2.6	1.2	0.5	4.3
All rural labour households	517	1243	4.8	0.9	3.5	0.7	5.2	2.2	2.1	0.6	5.0

Notes: 1. Income data are derived from data on employment, wages and earning strength.

2. Data for 1964-65 are for adult males and adult females only.

Source: 1. For 1964-65: Rural Labour Enquiry 1963-65 Final Report, Labour Bureau.

2. For 1983: Report on Consumption Expenditure of Rural Labour Households, Labour Bureau, Rural Labour Enquiry 1983.

3. Report on Employment and Unemployment, NSSO 39th Round, No 341, January-December 1983 - various states.

households (35 per cent) in this income class is much less. In 1989 only a fifth of those reported and assisted (50 per cent) actually belonged to the lowest income category. In 1987, the difference in the distribution of recorded and assessed household is relatively low because of the extensive drought situation prevailing in the state (Table 23). On the other hand, 11 and 21 per cent of the household were assessed to be selected from the non-poor category of annual income exceeding Rs 6,400 in the concurrent evaluation surveys in 1985-86 and 1989, respectively.

The distribution of households by annual income derived from the asset obtained through IRDP assistance shows that in 43 to 47 per cent of the cases income generated from the asset is zero (Table 25). This percentage is nearly twice as large as the all India average. The annual income from the asset exceeds Rs 2,000 in 12 per cent cases in 1985-86 and 10 per cent of the cases in 1987. For the households selected from the income group of below Rs 3,500, the minimum income from the asset that would ensure crossing the poverty line of Rs 6,400 is Rs 3,000. The data shows that the probability of this happening is very small. Even if one assumes that all the households whose income from the asset exceeds Rs 2,000 are from the below Rs 3,500 income category—an unrealistically optimistic situation—the numbers would be very low. In fact, most of those earning more than Rs 2,000 from the asset are likely to come from the higher income class (Bhargava 1992). Furthermore, the available evidence suggests that even this level of additional income is not likely to be sustained year after year, particularly in a highly fluctuating agro-economic environment.

If, in addition, allowance is made for the loss in income for which the IRDP asset has come as a substitute - and this could be large for higher income beneficiaries - the actual number of poor actually crossing the poverty line is further reduced. Additional income from IRDP assets has to be adjusted for the loss in income from some existing sources. This becomes inevitable due to internal restructuring of the household's income earning activities. This point can be validated from the UP data provided by C H Hanumanth Rao and reproduced in a modified form in Table 27. The experience of UP suggests that the ratio of net realised income to the value of asset is roughly 0.33. The ratio declines from 44 per cent for the below Rs 2,265 annual income class to 21 per cent for the above Rs 6,400 income class. This happens primarily because the income foregone to earn additional income from the IRDP asset increases with an increase in the initial income level. The decline in income from other sources in lieu of the income from the IRDP income is 16.6 per cent of the IRDP

income for the less than Rs 2,265 income class. For higher classes it varies between 36.6 and 53.5 per cent of the IRDP income.

The percentage of beneficiaries actually crossing the poverty line (Rs 6,400) in 1985-86 is 26. However, 11 per cent of such beneficiaries are non-poor and another 13 per cent belong to the Rs 4,800-6,400 income category. This implies that only 2 per cent beneficiaries with income below Rs 4,800 could possibly cross the poverty line. This makes the likelihood of any household with an initial income of below Rs 3,500 crossing the poverty line almost zero.

The total number of families covered under the programme till 1986-87 is nearly one million in Rajasthan. The probability that the IRDP enabled a significant number of beneficiaries to cross the poverty line is very small. However, if the initial income distribution of the beneficiaries is ignored, nearly 15 per cent of the beneficiaries or 1.5 lakh households or seven to eight lakh people may have actually crossed the poverty line through IRDP assistance.

All this is not to negate entirely the benefits of such poverty alleviation programmes. There are other benefits of the programme arising out of the scale on which it has been implemented in India. IRDP is known to be the single largest programme of its kind anywhere in the world. When a large amount of money is pumped into the economy the activity levels are certainly affected. Changes take place, some intended and others unintended. Such programmes do help poverty alleviation through linkages to growth, through redistribution, and by putting large finances into the rural economy, besides directly augmenting the incomes of the beneficiaries. There is ample evidence to suggest this that has in fact happened, quite apart from whether the additional income is sufficient to push the household above the poverty line. A significant part of the money, if not all, flowing into the rural economy is in the hands of the poor. It is a direct redistribution effect to that extent. The mere fact that the programme attempts to identify the poor in the village is in itself an advantage for the poor. The impact through growth, if

any, has to be seen over a longer period and not in the very short run.

RURAL EMPLOYMENT PROGRAMMES

Rural employment programmes by their very nature offer only temporary income support and therefore serve more as a safety net during lean periods or during periods of crop failure. Since the wage rates in such programmes are not sufficient to generate assets for the poor, they cannot be seen as poverty eradication programmes for labour households. Poverty eradication may be achieved through higher wages sustained through growth in productivity on the one hand, and asset redistribution based programmes on the other. Also, whatever be the magnitude of employment generation in years prior to the poverty reference point, only the reference period employment generation may have a direct impact on the poor.

We discuss below the experience of Rajasthan with respect to efficacy of rural employment programmes in poverty alleviation (transient or core).

The major centrally sponsored employment programmes, viz., National Rural Employment Programme (NREP), are an adaptation of EGS and the Food for Work Programme initiated during the 1970s. The programmes aim at generating additional gainful employment by creating productive community assets for direct and continuous benefits to the poor, as well as by improving the overall quality of life in rural areas. The second important employment programme is state-sponsored in the form of drought relief.

TABLE 24: CLASSIFICATION OF FAMILIES ASSISTED BY SECTOR AND SOCIAL CLASS, 1985-86, RAJASTHAN

Sector	Percentage	Social Class	Percentage
Primary	31.74	SC	35.12
Secondary	9.96	ST	17.00
Tertiary	58.21	Others	47.70

Source: As in Table 23

TABLE 23: ANNUAL INCOME OF FAMILIES SELECTED FOR IRDP ASSISTANCE

Year	Income Range of Family Selected (Rs)				
	1-2265	2265-3500	3501-4800	4801-6400	>6400
1985-86					
As per record	69	27	4	0	0
As assessed	23	29	24	13	11
1987					
As per record	56	30	6	0	0
As assessed	34	38	18	3	0
1989					
As per record	50	41	9	0	0
As assessed	10	29	25	15	21

Source: Government of India, Department of Rural Development, Ministry of Agriculture, Concurrent Evaluation of IRDP Reports, February 1987.

Table 28 compares the expenditure on drought relief and employment generated from such programmes in 1987-88, as well as the employment generated through such centrally-sponsored employment programmes as NREP and RLEGP during the 1980s.

The available evidence suggests that RLEGP and NREP are not suffering from shortage of funds. The employment situation in a state like Rajasthan overall shows relatively low rates of unemployment, if estimated annually, but a very high rate in the kharif season because of the predominance of a single crop unirrigated cropping pattern. The very structure of employment in the state, unlike in many other states, is such that the centrally-sponsored rural employment programmes are not likely to be successful. This is so because in almost the entire state there is a shortage of workers during the busy season, while there is not much work in the entire single crop unirrigated regions. This suggests not only that poverty and unemployment are not related, but also that the employment creation strategy to deal with inter-temporal changes in employment must be comprised of (i) inter-seasonal variation in employment, and (ii) inter-year variation in employment due to agricultural instability and resulting transient poverty. This is what the state level programmes are doing on a very large scale, as and when needed.

VII Major Issues

Having examined the interface among poverty, policy and performance of the economy in a rather harsh agro-climatic environment, the following major issues emerge.

TRANSIENT POVERTY

The fact that the poverty ratio has been nearly constant since 1977-78 does not necessarily imply the failure of poverty programmes in the state during the period in which the state experienced the maximum thrust in poverty alleviation programmes. Poverty estimates during this period are available only for three quinquennial points. Trend change in poverty is therefore very difficult to analyse without essentially referring to the level and fluctuations in economic activity around these time points. Large annual fluctuations in the level of agricultural activities and the resulting fluctuations in household income make 'transient poverty' a more important component of the overall poverty scene in Rajasthan.

The lower level of agriculture production, even if supplemented by adequate availability of foodgrain, may imply loss of entitlements in general [Dreze 1989], but it affects the poorer households most severely. Unless

employment based safety nets (EBSN) are introduced to restore entitlements, wide fluctuations in the poverty population may occur in drought affected situations.

It has been observed above that both the incidence and severity of drought have been increasing until recently (Table 8). One is not sure whether the intensity of drought as

TABLE 25: DISTRIBUTION OF HOUSEHOLDS BY ANNUAL FAMILY INCOME FROM THE ASSET

(Per cent)

	Reference Year	Annual Family Income from the Asset (Rs)				
		0	1-500	501-1000	1001-2000	>2000
Rajasthan	1985-86	43	15	14	15	12
	1987	47	13	12	18	10
	1989	46	3	4	15	32
India	1985-86	24	11	15	24	26
	1987	22	10	17	24	27
	1989	26	5	9	18	42

Source: As in Table 23

TABLE 26: DISTRIBUTION OF HOUSEHOLDS BY PER CENT INCREASE IN ANNUAL INCOME FROM THE ASSET

	Reference Year	Per Cent Increase in Income from IRDP Asset				
		0	1-25	26-50	51-100	>100
Rajasthan	1985-86	8	10	7	16	60
	1987	9	10	14	23	44
	1989	2	5	8	19	67
As assessed	1985-86	21	22	21	23	16
	1987	15	17	20	28	20
	1989	26	15	14	21	23
India	1985-86	9	13	16	23	39
	1987	7	12	16	26	39
	1989	5	10	12	24	49
As assessed	1985-86	16	24	23	23	15
	1987	20	20	23	23	14
	1989	18	19	20	23	20

Source: As above

TABLE 27: SOME INDICATORS OF SUCCESS OF IRDP IN UP

Range	Pre-Asset Income Average	Average Value of Asset	Actual* Increase in Income from IRDP Assistance		Increased Income to Asset Ratio Per Cent
			Rs	Per Cent	
Below 2265	1878	2580	1146	61	44
2265-3500	2913	2905	1130	39	39
3500-4800	3854	2858	948	25	33
4800-6400	5458	3709	1113	20	30
Above 6400	8205	3765	796	10	21

Note: * Income from IRDP minus decline in income from other sources

Source: Derived from tables in Rao C H H and Rangaswamy (1988), 'Efficiency of Investment in IRDP: A Study of Uttar Pradesh', *Economic and Political Weekly*, June 25.

TABLE 28: PERSON DAY EMPLOYMENT IN CASUAL LABOUR, CENTRAL AND STATE-LEVEL EMPLOYMENT PROGRAMMES

Year	PDECL	Employment Generated (Lakh Mandays)			Expenditure (Lakh Rupees)		
		NREP	RLEGP	SPWD	NREP	RLEGP	SPWD
1982-83	-	48	-	-	935	-	-
1983-84	-	67	6	-	1040	51	6937
1984-85	-	98	68	-	1686	970	645
1985-86	-	498	64	-	4827	419	8892
1986-87	-	930	152	-	6566	1248	16295
1987-88	7709	240	201	4240	4234	1386	62704
1988-89	-	227	125	-	3685	601	32609

Notes: The expenditure on SPWD during 1988-89 refers to the expenditure on relief measures corresponding to the agricultural year 1987-88 only. The expenditure data corresponds to April-March while the agricultural year corresponds to July-June.

PDECL: Person days employment in casual labour.

SPWD: Person days employment in state-level programmes.

Source: Government of Rajasthan (1992) and Government of India (1990).

reflected in the official figures on districts, villages and population affected, has any bearing on the official figures on crop damage as reflected in the agricultural production data. The index of agricultural production, with base as the triennium ending 1981-82, increases from 80 in 1979-80 to 100 in 1980-81, 120 in 1981-82 and 133 in 1982-83, with a corresponding increase in foodgrain production. Yet during all these four years the intensity of drought was severe affecting all the 26 districts, 31, 21, 23 and 22 thousand villages and population varying between 1.7 and 2.4 crore. Similar inconsistencies are not uncommon throughout the last two decades. Admittedly a drought is too complex a situation to be understood through simple figures, but this kind of inflated response has implications for long term development strategies. The 'balloon model' of crisis management is more reflected in government thinking - relief cum development rather than development cum relief. In the latter case deployment of relief funds from the centre or the state would only accelerate the pace of development. In the former it leads to ad hoc short term development plans. The assets created are mostly incomplete structures often needing more funds than originally envisaged for the project. This is so essentially because such projects are not priorities once the crisis is over. For most of those involved in the project - the political system, the bureaucracy or the affected population - by the time such projects become a priority again due to the emergence of another crisis the damage is already done.

Government spending on such *ad hoc* relief measures is increasing at constant prices¹⁰ at the rate of 21.6 per cent per annum during 1970-71 to 1988-89. Total relief expenditure on the 1987-88 drought was Rs 950 crore. This was nearly half the total plan outlay of Rs 2,120 crore for the Sixth Plan. This may reflect the growing concern of the state for people's welfare but also suggests growing ad hocism in the management of development funds. One can reasonably argue that the productivity of ad hoc management of funds should be far less than that of properly managed funds. Some of the recent government policy papers recognise this and indicate a thinking in the right direction.¹¹ To what extent this is implemented and becomes effective cannot be discussed here.

IRDP

The performance of IRDP in Rajasthan, as per evaluation reports as well as other reports, has been far below the national average. One thing that is common to all the states generally but needs special emphasis

in the case of Rajasthan, is the adequacy of investment that could generate sufficient sustained income for the poorest households. The net realised rate of return on the investment is the highest for poorest. To ensure that such households get sustained incomes from the public investment, more liberal adequacy norms may be needed.

Whether inclusion of this money through the alternative strategy of employment guarantee programmes could yield better results may have to be examined in the light of high year to year fluctuations in the economic environment. Second, if only the economic returns to labour put into the utilisation of such assets significantly exceeds that through alternative employment avenues, is there an incentive to maintain it? We already have a transient unemployment situation in the state. Third, the capacity of the local economy to absorb more units in the tertiary sector to which most of the investment in the later years has been directed needs to be evaluated and enhanced. The experience so far suggests that investment in the strengthening of available assets and augmenting the productivity of existing assets is far more effective.

Providing assets such as land to produce goods for self consumption may provide better sustenance in a bazaar economy. Fluctuations in output caused by natural or other factors may not be the only factor affecting entitlements. In a market economy with inadequate access to market intelligence such variability may be compounded by fluctuations in the market price. The approach of Antyodaya or its reincarnation is IRDP assumed beneficiaries at the bottom of the poverty group to possess adequate asset management skills and correctly so. What it missed perhaps was the orientation of such skills. The asset management skills of beneficiaries were tuned to the subsistence model with imperfect or absent markets. Thrusting upon the beneficiaries the entrepreneurial market model without strengthening their market orientation through gradual exposure to the market removing the market distortions created by the government machinery or merchants or strengthening their capabilities through training etc proved a major bottleneck in achieving the objectives of this much lauded programme. The intra year and inter year fluctuations in income from an asset do affect the efficacy of the programme [Dreze 1990]. Also excess supply services in one sector without adequate absorptive capacity may actively cut into the entitlements of the poor rather than promote them.

It is argued that faster development of rural infrastructure is one of the ways in which efficiency of IRDP investment may be improved [Rao 1992]. This is all the more needed for a state which ranks very low on

the infrastructure development index. Therefore a combination of strategies involving the two major programmes viz, employment and asset redistribution along with a strong co-operative movement may perhaps yield better dividends. A well structured employment programme in the development cum relief format designed to develop rural infrastructure and watershed development and afforestation programmes to reduce the intra year and inter year impact of agro climatic fluctuations should help both protection and promotion of entitlements of the rural poor in the state.

Notes

[The author is grateful to V. S. Vyas and Kuntal Ahuja for useful comments on an earlier version of this paper.]

1. The number of districts reporting severe drought during this period divided by the total number of districts. See Government of Rajasthan (1992).
2. Even his other estimates show a near zero correlation between the two in Rajasthan. See Ahluwalia (1978-1986).
3. The provisional results of the state sample on calorie intake are lower than in the central sample results. The differences are more in the bottom deciles. As one moves to higher deciles the differences narrow down. If regional estimates are supplemented to the extent of the difference in the central and state samples in calorie intake, the regional estimates in 1987-88 still show values lower than in the 1977-73 estimates. In the southern region for example the observed calorie intake is lower by 137, 149 and 133 for the bottom three deciles respectively.
4. A part of such change arises from the Markov chain process of shifting the number and area from a higher to a lower size class. The remaining may be attributed to migration development. However, if the change in income is monotonically increasing from an initial level where a higher size class has lower values than lower size classes, then the development has to be equitous. For example, the number of wholly unirrigated holdings in the 1-2 class is 80 per cent and in the class 0-1 is 60.1 per cent. Any increase in the number in the 0-1 class due to the Markov chain process should in fact reduce the proportion of wholly unirrigated holdings, unless only irrigated holdings are divided and shifted to the lower class. Only if it is the other way round should one be worried about the impact of the Markov chain diluting the equitable effect.
5. The year 1974-75 is omitted from the analysis as it shows abnormal depressions in the income level of rural labour following a sudden increase in CPIA from 284 in 1973-74 to 369 in 1974-75, only to decline to 292 in 1975-76. Since changes in the 1974-75 wages lag behind such spurts in price level, results may not reflect a long term trend. Both 1963-64 and 1983 are the points around which movements in CPIA are moderate.
6. 1974-75 figures are ignored due to the reasons mentioned above.
7. This section is largely based on Sagar and Ahuja (1987) and Vyas and Sagar (1992).

- 8 'The tenants have immensely benefited from various land reforms. On the whole the implementation of the protective and beneficial provisions of the tenancy law can be regarded as satisfactory. The rural community as a whole has made substantial gains because of the removal of impediments in agrarian progress, the whole process of abolition of intermediaries and implementation of the tenancy law is nothing short of a social revolution in rural Rajasthan.' Dool Singh. A Study of Land Reforms in Rajasthan. Research Programmes Committee. Planning Commission. Government of India. 1964.
- 9 In a recent study Gupta (1994) shows that the distribution of ceiling surplus land in Rajasthan till March 1993 is less than 1.8 lakh hectares. This is less than 1 per cent of the total area under operation.
- 10 Government spending deflated by using wholesale price index.
- 11 Government of Rajasthan (1992-29). It is important to reiterate this rather little piece of information because over the years the declaratory processes relating to drought have become continued exercises in the hands of district level bureaucracy and state level elective political elite with the technical refinements in the relevant scientific knowledge and technology achieved in the last four decades or so being largely unincorporated in the estimation and declaration of drought not only in Rajasthan but in India as a whole.

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Institutional Reforms and Poverty Alleviation in West Bengal

Biplab Dasgupta

West Bengal a very poor and very rural state has vastly improved its relative position on a broad range of economic social and rural indicators. Land reforms, the development of panchayats and implementation of poverty alleviation programmes through them, and political mobilisation of the rural poor are the distinguishing features of development since 1977 which account for this progress. However, the state continues to be backward on certain fronts such as co-operatives and PDS development.

POVERTY is never alone: income disparity and unemployment are two of its closest companions. Any programme for poverty eradication therefore would make little sense and would be doomed to fail from the start unless it is picked with other programmes which come to grips with rising unemployment and inequality. Further, any policy package to work would have to be related to the broader social economic political environment in which the poor live. No matter how emphatically a particular scheme is targeted to reach the rural poor, it cannot do so as long as the community and its institutions are closely controlled by the landlords, moneylenders and other vested interests. Land reform and decentralisation of decision-making through the development of panchayati institutions are not, for this reason, mere clichés, but actually are preconditions for the success of poverty alleviation programmes. Finally, it should be recognised that there cannot be a lasting solution to the problem of rural poverty within the perimeters of the rural sector: a narrow sectoral approach would be self-defeating. The long-term solution lies in transferring a significant slice of the surplus rural labour power to the towns and industries.

These are some general remarks by way of introduction to this case study on West Bengal. Section I provides the background, while Section II deals with various dimensions of poverty in the state. In Sections III and IV we deal with land reform and panchayats, and with centrally sponsored poverty alleviation programmes. In Section V, Section VI examines the public distribution system, and we end with some concluding remarks in Section VII.

I Background

We begin by dispelling some of the prevalent notions about West Bengal's economy and society, and by introducing some of the distinguishing features of the state today – land reform, panchayati

development and the political mobilisation of the poor – which have a bearing on poverty alleviation strategies.

Contrary to the popular impression of a highly urbanised and a highly industrialised area, which is coloured by the visual image of the Calcutta metropolis, West Bengal is in fact a basically rural and backward state, a very significant proportion of whose population is poor. Once the Calcutta metropolis and the Durgapur Asansol industrial complex are taken out of the reckoning, the level of urbanisation (overall 27.48 per cent, sixth among the Indian states) is close to 10 per cent in the remaining areas of the state, which makes it comparable with Bihar, Orissa and Assam, the three major neighbouring states [Census of India 1993]. Until recently, going by NSS statistics, more than half the population lived below the poverty line (see Table 1).

While at the time of the independence of the country, West Bengal was the most industrialised state and its port in Calcutta accounted for more than two fifths of the sea trade, today it has been overtaken by Maharashtra, Gujarat and Tamil Nadu in terms of industrial development, while the port now ranks fifth and accounts for barely one tenth of the total overseas trade [Government of India 1992]. This state is yet to fully recover from the freight equalisation policy of the mid-1950s (which has been withdrawn only a year ago) which denied the comparative advantage it enjoyed because of proximity to coal and iron deposits and the location of steel factories. The recession of the mid-1960s hit this state the hardest given the composition of its industrial output: e.g. iron and steel and wagon and other engineering industries [Roy 1971; Bengal Chamber of Commerce 1971]. Perhaps no less devastating was the discriminatory licensing policy of the central government as well as the parsimonious allocation of plan funds and credit from banks and financial institutions, despite its industrial heritage and large pool of skilled manpower (see Table 3). All these denied the rural poor alternative earning opportunities in the urban-industrial sector

and visibly slowed down migratory movements towards the towns and cities.

Accounting for 2.7 per cent of India's area but 8.05 per cent of the country's population, this state ranks first in terms of density, 767 per sq km as per the 1991 census. Ever since the partition and loss of the surplus producing eastern region, Bengal has been a food deficit state dependent upon the central government for a substantial supply to be routed through the public distribution system. For a long time, food production remained stagnant and the technology of the green revolution bypassed the state (see Table 4). Only recently has there been a spurt in agricultural production. A significant part of the off-season agriculture is taken up by jute cultivation which, while boosting the earnings of the peasants and the foreign exchange earnings of the country, helps to widen the food deficit [Government of West Bengal 1992]. Jute cultivation, a major foreign exchange earner, also occupies a good proportion of land in North Bengal, though given the character of such land it does not take away the alternative of food production [Government of West Bengal 1992].

A significant part of the state, mainly the seven northern districts – Darjeeling, Jalpaiguri, Cooch Behar, Malda, North Dinajpur and South Dinajpur (the last two were until recently two parts of the same district – West Dinajpur) and three western districts – Puruliya, Bankura and Burdwan – are relatively more backward.

It is not widely known, because of the virtual absence of caste and communal strifes, that in West Bengal the proportions of scheduled caste population and Muslims are the highest among the Indian states, the proportions being 23.62 per cent and 21.50 per cent respectively, while scheduled tribes account for another 5.60 per cent. In terms of the number of scheduled castes, it ranks second after Uttar Pradesh. These three categories together account for slightly more than half the population, and what makes these communitywise figures relevant for this discussion is that these are also the three poorest groups in rural Bengal. In other words, half the districts and half the

population – communitywise – are backward. Another major category of population, refugees from East Pakistan – about 5.5 million to start with and probably numbering around 10 million by now – are relatively better off, though, in some of the districts bordering Bangladesh – Nadia, North and South 24 Parganas, Murshidabad, Cooch-Bihar and North and South Dinajpur – they would account for a section of the rural poor [Dasgupta 1987].

POLITICAL MOBILISATION OF RURAL POOR

A distinguishing feature of life in West Bengal (as also in Kerala and Tripura) is the role played by the left wing political parties and their peasant organisations, since the mid-1930s in mobilising the rural poor (sharecroppers, agricultural labourers and poor peasants) [Dasgupta 1984a, 1984b]. The 'tebhaga movement' of the 1940s and the early 1950s led to the 1950 legislation giving some protection to the sharecroppers against eviction and raising the crop-share, and to the Estate Acquisition Act and land reform legislation, both of 1953. These legislations, though not entirely doing away with landlordism, drastically curtailed the monopoly over land and reduced social and political control by the landlords. As numerous studies suggest, this helped in the transfer of power in the countryside from the hands of the parasitic, absentee, large-scale landlords to the small landlords and the upper crust of the peasantry, whose position was further reinforced by adult franchise, the setting up of co-operatives and community development blocks, and later, the spread of modern agrarian technologies. However, the peasant organisations persisted with their demand for land reform [Dasgupta 1982, 1984a, 1984b].

A major focus of political mobilisation was on food, in which along with the poor peasantry, sharecroppers, agricultural labourers and artisans, a section of the urban poor and middle class were drawn in. In the massive 'food movements' of 1952, 1958, 1959 and 1966, leading to large-scale firing and many deaths, while the peasants demanded just prices for their agricultural produce and protection against distress-selling, the others were demanding lower food prices and strengthening of the rationing system; both of these demands were expected to be met at the same time at the cost of the middlemen standing between the buyers and the sellers.

Both types of political mobilisation helped to create a political and social environment that eventually gave birth to the first non-Congress, United Front government of the left wing and democratic parties in 1967. Though this government was dismissed by the central government after eight months,

the United Front won again in 1969. The latter survived for 13 eventful months, during which, for the first time, a serious effort was made to carry out land reform. A novel feature of the programme was the call given to the poor and landless peasantry to locate ceiling-surplus 'benami' land, and the constitution of village level committees which took over and distributed such land. The enthusiastic response of the rural poor led to the identification and distribution of 3,00,000 acres of such land. More important, it gave the latter a taste of power and boosted their self-confidence, which saw them through seven difficult years, during 1970-77, when attempts were made to dislodge them from the land for which they had been given 'patta' by the Second United Front [Dasgupta 1982, 1993; Bandhopadhyay 1973, 1979; Government of West Bengal 1975; Sarkar and Prasanna 1976]. When they were again given the opportunity to vote in 1977, they helped the Left Front government to come to power, with an understanding that land reform would figure prominently in their agenda.

Undoubtedly, the two most radical and significant poverty alleviation measures of the Left Front government, during 1977-1993, have been land reform and the decentralisation of decision-making through panchayats. Today, thanks to land reform large landholdings, forcible eviction of tenants and semi-feudal extra-economic control of the rich over the labour power of

the poor are things of the past. Regular panchayat elections coupled with land reform and the curbing of land monopoly, have enabled the poorer majority to direct the location of utilities, selection of beneficiaries and distribution of public patronage towards the rural poor. Today about half the development expenditure in the state is undertaken through the panchayats, which are an indispensable and unavoidable component of any development programme. No less important is its social-psychological impact, as the village poor are becoming increasingly assertive and conscious of their own rights and sense of self-respect. As we will see below, this greater awareness is also being increasingly translated into productive economic activities, e.g., increasing agricultural production, after a time-lag [CMIE 1993]. A third major element has been an effective implementation of the centrally-sponsored poverty alleviation programmes, again mainly through the panchayats.

Unlike Andhra, Tamil Nadu or Kerala, highly subsidised rice distribution programmes were never taken up in West Bengal, nor is there anything like the employment guarantee scheme of Maharashtra or the practice of making bonus payments to agriculturists on top of the agricultural support prices, as in Punjab or Haryana. Nor has there been anything remotely comparable to the technological breakthrough in agriculture that has taken place in Haryana or Punjab, which could go

TABLE 1. POVERTY LINE - NSS ESTIMATES, 1977-78 AND 1987-88

(Units in lakh)

Area	1977-78			1987-88		
	Number	State Per Cent	Rank	Number	State Per Cent	Rank
Total	276	52.2	11	173	27.6	7
Rural	228	58.3	12	137	30.3	7
Urban	48	34.5	6	36	20.7	9

Note: Ranks are given in ascending order of poverty, and only for the 16 major states (i.e., excluding Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya and Nagaland).

Source: Centre for Monitoring Indian Economy (CMIE), Economic Intelligence Service, *Basic Statistics Relating to Indian Economy, Volume 2: States*, September 1992, Bombay.

TABLE 2: MAJOR SOCIAL INDICATORS

Indicator	1980-81			1990-91		
	West Bengal	India	Rank	West Bengal	India	Rank
Birth rate per thousand	32.5	36.9	8	27.5	30.6	5
Death rate per thousand	11.3	12.7	7	8.6	10.6	5
Infant mortality rate per thousand	91	110	6	63	80	4
Literacy rate per hundred	48.6	43.6	6	57.7	52.1	6
Female literacy per hundred	36.1	29.8	7	47.2	39.4	7
Expenditure on education per capita	45.3	46.1	10	217.9	190.4	7
Expenditure on health per capita	106		6	473		3

Note: Birth and death rate figures relate to 1979-91 and 1988-90, three-year moving averages; infant mortality figures are for 1981 and 1990; literacy rates are for 1981 and 1991; health expenditure figures are for 1980 and 1991.

Source: As in Table 1

some way towards percolating the benefits down to the rural poor. Yet, as the data from the agricultural census suggest, the tendencies towards landlessness and widening rural inequality, which are almost universal in India, have been by and large kept in leash in West Bengal [Government of India 1987].¹

II

Poverty Level and Dimensions

If one goes by the NSS poverty estimates for 1977-78 and 1987-88, one finds that West Bengal's rank, in ascending order of poverty, has improved from 11th to seventh – its relative position having improved vis-à-vis Andhra, Karnataka, Maharashtra and Uttar Pradesh. The proportion of poor has been nearly halved from 27.6 crore to 17.3 crore. The proportion of poor in West Bengal is now lower than the national average, whereas 10 years ago it was higher. Taking rural poverty separately into account, there has been a steep decline from 58.3 per cent (12th rank), which was seven points higher than the national average to 30.3 per cent (7th rank), that is 3 per cent lower than the national average. Its rank has improved at the cost of Andhra, Bihar, Karnataka, Tamil Nadu and Uttar Pradesh.

As for urban poverty, the decline in percentage terms has been less dramatic, and the figure continues to be lower than the national average. Rankwise, the state has moved from sixth to ninth, a decline – Assam, Kerala and Tamil Nadu being the states to gain at the cost of West Bengal – during these 10 years. Thus, while the level of urban poverty has declined in West Bengal, there has been a steeper decline in other states. Among the other states, the improvements registered by Assam (from 36.5 per cent to 9.4 per cent), Tamil Nadu (from 45.3 per cent to 20.5 per cent) and Kerala (from 53.2 per cent to 19.3 per cent) are highly dramatic, and it is for the academics working on these states to ascertain the reasons for such remarkable progress. The fact that poverty alleviation in West Bengal has been more spectacular in the rural areas is obviously linked with the package of policies implemented by the state government in the countryside during these 10 years.

Taking total and rural poverty levels into account, West Bengal's performance during this 10-year period has been surpassed by only two other states – Kerala and Assam. Comparing West Bengal's performance with those for the other states, we find that four states – Punjab, Haryana, Gujarat and Kerala – have performed consistently better on most development indicators, while Maharashtra and Tamil Nadu, two other states with good all-round performances, are

missing from the top six. Their places have been taken by two surprise inclusions, and for not very obvious reasons – Rajasthan and Assam – states which are among the backward ones.

Here we are not dealing with the alternative measures of poverty line that have been discussed in Sheila Bhalla's paper on Haryana, which show West Bengal's performance in a poorer light. This is largely because the data for those relate to 1983, too soon after the launching of a major poverty alleviation drive by the Left Front government, when the new measures had only begun to make their impact. The 1987-88 NSS figures, in contrast, with a time interval of 10 years from the previous estimates, as also from the beginning of the Left Front government, give a more relevant measure of the effectiveness of these new measures. Later studies by NSS, with a similar standardised format, might confirm this trend towards increasing success in poverty alleviation. Moreover, as our following account will show, West Bengal's poverty rankings in terms of NSS estimates, are consistent with those for a wide range of economic, social, agricultural and rural indicators.

SOCIAL INDICATORS

Table 2 illustrates the changes that have taken place in the state in the 1980s, in terms of some key social indicators. These show improvements in the relative position of the state in relation to birth, death and infant mortality rates, and total and female literacy rates. It also gives per capita state expenditures on health and education – which also show improvement in the relative position – as explanations for improvement in key social indicators.

Table 2 also shows that in terms of those indicators, West Bengal's position is very close to those of the leading states. In terms of death rate, its figures are bettered only by Kerala, Tripura, Maharashtra and Punjab, Tripura being the only backward state. In terms of birth rate, both Kerala and Tripura show better figures, as also Andhra and Tamil Nadu, but Maharashtra, Punjab and Haryana, among the leading states, are lagging behind West Bengal. Infant mortality figures are even better, with only Kerala, Punjab and Maharashtra, all developed states, holding higher ranks. In terms of literacy, Kerala, Tamil Nadu, Maharashtra, Gujarat and Tripura hold higher ranks (and Punjab,

TABLE 3 KEY ECONOMIC INDICATORS

Indicator	1980-81			1989-90		
	West Bengal	India	Rank	West Bengal	India	Rank
NSDP at factor cost and constant prices (per capita)	1612	1615	5	1930	2234	7
Rural household consumption expenditure (per capita)	593	689	11	1700	1751	9
Agricultural income (per capita)				1556	1564	6
Agriculture in NSDP at factor cost (Rs crore)	2838		5	4466		3
State's share in total plan outlay (per cent)	3.59		5	2.25		10
No of bank offices per lakh population	3.7	4.7	10	6.2	7.2	13
No of bank offices per lakh of rural population	1.7	2.8	15	4.8	5.6	14
Deposits of SCOM banks (Rs crore)	3789	33821	7	20815	233086	3
Advances of SCOM banks (Rs crore)	2309	2238	2	210978	142210	3
Credit deposit ratio (per cent)	60.94	66.18		52.74	61.01	–
Credit deposit ratio of public sector banks (per cent)	60.40	66.90	8	48.40	60.00	11
Credit deposit ratio of SCOM banks in rural areas (per cent)	32.40	54.50	14	44.70	61.20	13
Non bank central financial assistance cum cumulative (Rs crore)	629	7930	4	3617	67060	7
State's share in assistance given by all India financial institutions (per cent)	6.3		6	3.9		9
No of industrial licences issued	23	474	7	3	249	14
No of letters of intent issued	55	946	7	31	835	10

- Notes: 1 For consumption expenditure 1977-78 and 1988-89
 2 For plan outlay Sixth and Eighth Plan figures
 3 For bank offices 1980 and 1992
 4 For credit deposit ratios of banks 1989 and 1992
 5 For cumulative assistance disbursed by all non bank financial institutions
 6 For all India financial institutions 1980-81 and 1990-91
 7 For industrial licences and letters of intent 1980 and 1991
 8 Agriculture in NSDP for 1980-81 and 1988-89 (and at current prices)
 9 Per capita agricultural income for the average of 1986-87 to 1988-89

Source: CMIE (1992)

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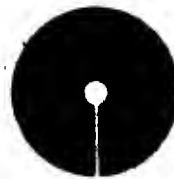
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in the case of female literacy) Only Tamil Nadu among these states spends less than West Bengal on a per capita basis on education, while Assam with a lower level of literacy spends more. As for per capita expenditure on health Maharashtra and Uttar Pradesh are the only two states to spend more. Taking all these indicators together into account only Tripura among the backward states appear to perform better than West Bengal on social matters.

Further corroboration of this social improvement is provided by the statewide changes in gender ratios between 1981 and 1991. It is remarkable that only three among the major states show an increase in the ratio of women (per 1 000 men). West Bengal (from 911 to 917), Punjab (879 to 882) and Kerala (1 032 to 1 036), while the national figure declined from 935 to 927.

ECONOMIC INDICATORS

Coming to the economic indicators (Table 3) we find that West Bengal's relative position has deteriorated during the 1980s in terms of per capita net state domestic product at factor cost and constant prices. In 1980-81 only Punjab, Haryana, Maharashtra and Gujarat all leading states held superior positions, but by 1988-89 Karnataka and Tamil Nadu had moved past West Bengal. The explanation for this can be found in terms of some of the other indicators that appear in Table 3 which reveal the negative attitude of the central government towards this particular state government, more specifically in terms of allocation of plan fund, of credit from public sector banks and non bank financial institutions operating at the national level and of the number of industrial licences and letters of intent issued. The rank of the state in terms of plan allocation declined from fifth to 10th, that in terms of the credit deposit ratios of public sector banks from eighth to 11th, that in terms of non bank financial institutions from fourth to seventh, that of industrial licences from seventh to 14th and that of letters of intent from seventh to 10th, during the 1980s, none of which can be explained or justified in terms of economic criteria alone. For a state which accounts for the third highest amount of deposits and advances, the number of bank offices per lakh population is abysmally low, and the rank is very near the bottom.

Whatever success has been achieved, either in combating social problems, as discussed above, or on the rural/agricultural front, to be discussed below, has been despite this negative attitude. In Table 3 we find that the rank of the state has improved in terms of per capita rural consumption expenditure, only Uttar Pradesh and Maharashtra show better figures in 1988-89. In terms of per

capita agricultural income, West Bengal is sixth, after Punjab, Haryana, Karnataka, Maharashtra and Rajasthan.

AGRICULTURAL AND OTHER RURAL INDICATORS

Similar progress has been recorded in terms of a wider range of agricultural variables (Table 4). In terms of foodgrain production per capita foodgrain production and West Bengal's share in total food production. In terms of yield per hectare the progress has been quite impressive from a middle ranking of seventh to a front ranking of fourth, after Punjab, Haryana and Tamil Nadu, surpassing Andhra Pradesh, Kerala and Uttar Pradesh during the 1980s. The proportion of rice area under HYV shows progress both in terms of coverage and rank, though the overall position is still quite low. With inputs the situation is far from uniform. Fertiliser consumption appears to be quite high by Indian standards, with only Punjab, Haryana, Tamil Nadu and Andhra consuming more. But in terms of the cumulative stock of diesel pumpsets, energisation of pumpsets and tube wells, and the share of the state in the number of tractors, the relative position has remained more or less stagnant. The same is more or less true of the proportions of net and gross irrigated areas. However, there is some indication of increasing diversification, as the proportionate acreage of non food crops has increased significantly and the corresponding rank has moved from 14th to 10th position. Taking all these indicators together, West Bengal's relative position shows improvement in the field of agriculture, but it still remains a middle ranking state in terms of performance. However, more recent data on agriculture

indicate that West Bengal's rate of growth was the highest among the Indian states during the 1980s [Census of India 1993].

Coming to other rural indicators (Table 5), again the same two observations hold: (a) that the relative position has improved, and (b) that West Bengal's overall position is that of a middle or low ranking state. Though the total participation rate and female participation rate have shown improvement, as well as the state's share of family workers and sale of khadi goods and employment in khadi industries, the relative position has declined in terms of milk production and the proportion of electrified villages, the latter locating the state very near the bottom. The state excels in egg production, producing less than only Andhra and Tamil Nadu. In terms of the livestock population, West Bengal comes after Maharashtra and four of the most backward states in the country: Uttar Pradesh, Madhya Pradesh, Andhra and Bihar.

More recent data suggest that West Bengal's rate of growth of food production has been the fastest among the Indian states during 1983-84 to 1991-92 at 6.5 per cent, compared with 2.7 per cent for the country as a whole, and 4 per cent and 3.8 per cent for Punjab and Haryana, respectively. In terms of yield of rice (kgs/hectare), West Bengal's rank improved from 10th in 1976-77 to sixth in 1991-92, that is, after Punjab, Haryana, Tamil Nadu, Andhra and Karnataka having overtaken Gujarat, Kerala, Maharashtra and Rajasthan in [CMIE 1993].

III Land Reforms

It is evident from Table 6 that as far as land reforms are concerned, West Bengal tops

TABLE 4. KEY AGRICULTURAL INDICATORS

Indicators	1980-83			1988-91		
	West Bengal	India	Rank	West Bengal	India	Rank
Food production (000 tonnes)	6894	130801	8	11557	172396	7
State's share in total food production (per cent)	5.27		8	6.70		7
Per capita food production (kgs)	126	791	13	170	204	9
Yield of foodgrains per hectare (kgs)	1167	1030	7	1803	1354	4
Area under non food crops (per cent)	11.18	21.22	14	18.88	22.59	10
Rice area under HYV (per cent)	34.68	48.24	12	49.03	57.13	10
Fertiliser consumption per hectare (kgs)	52.2	48.4	6	90.3	72.4	5
Energisation of pumpsets/tws (cumulative) (000)	28.8	4333.6	13	89.2	8818.3	13
Diesel pumpsets (cum) (000)	88.5	2653.7	8	190.4	4553.7	9
West Bengal's share of tractors (per cent)	2.42		11	1.81		11
Net irrigated area/net sown area (per cent)	30.3	28.2	7	35.8	31.6	6
Gross irrigated area/gross cropped area (per cent)	23.5	29.1	7	22.8	32.5	8

Notes: 1 HYV and irrigated area for 1981-82 and 1987-88.
2 Energisation of pumpsets for 1980-81 and 1990-91.
3 Diesel pumpsets for 1979-80 and 1987-88.
4 Tractors for 1979-80 and 1989-90.
5 Irrigation for 1981-82 and 1987-88.

Source: CMIE (1992).

on practically every count. Accounting for only 2.7 per cent of the country's land area, it accounts for a much higher proportion of the land declared surplus, taken possession of and distributed.

Table 7 shows that so far about 10 lakh acres of land have been distributed to about 20 lakh landless, which works out to about a half acre per beneficiary. This amount is certainly not enough to make the beneficiary a self-sufficient agriculturist, and he would have to continue selling his labour power to augment his income from land. But that was never the objective. The objective was mainly social-psychological in nature, that is to curb land monopoly and make the poor agriculturist feel that the state is behind him. The land vested in him provides the beneficiary with a certain amount of income and social status and the ability to break through the mental barrier that makes him accept poverty and a low social ranking. To make land reform somewhat more meaningful from an economic point of view, it is necessary to provide him with access to credit, technology and information and to encourage him to join co-operatives. Most of these tasks are now accomplished through the panchayats. The recent spurt in agricultural output might be seen as one of the consequences of land reform. After a time lag to allow the change in social relations in the villages to sink into the minds of the poor peasants. However, there are indications that market forces are at work to take away the control (if not the ownership, and if not formally or legally then by way of verbal agreement) of such land in favour of the richer among the rural masses [Dasgupta 1993a].

A major feature of land reform since 1977 has been the participation of possible beneficiaries in the decisions on land distribution and in the selection of beneficiaries. The amount of land available for distribution having been exhausted, the state government-sponsored legislation in 1981 to plug the loopholes in the land ceiling laws – by way of exemptions given to orchards, plantations, fisheries and religious trusts – but it took many years for the approval of the central government to come [Government of West Bengal 1986]. Now, although the approval has come, it is quite possible that most of such land has disappeared through all kinds of fictitious transfers. In any case, distribution of such land is now a priority area of the government. In many cases, anticipating such distribution, landless peasants and sharecroppers have taken over such land and are actually in possession of it. In these cases, generally speaking, land reform would amount to giving *de jure* recognition to such possession and possibly to take back from those in possession land that is in

excess of the average for the assignees of vested land.

Another area on which the state government is at work at the moment covers those plots which, though classified as 'non-agricultural or unfit for cultivation', are actually being cultivated. Take over of such lands and their distribution would augment the supply of land for further distribution. Land areas whose distribution had been frozen by court injunction but which, having been released by the court, are now available for distribution is another area of priority concern. The state government is now preparing a detailed list of such plots. Taking all these three together, a few more lakh acres of land are expected to become available for distribution, but no more [Dasgupta 1982, Leiten 1990, 1990a, Ghosh 1980].

In other words, unless the ceiling on land ownership is further lowered, which is politically infeasible given the poor record of implementation of land ceiling laws in the country as a whole, the scope for further land distribution in this state alone is limited. At the same time, the alternative of easing the demographic pressure on land by transferring a significant proportion of manpower to towns and industries is unlikely to be achieved in the short run. Given these constraints, the government is reconciled to trying its best under the circumstances, that is, providing security to sharecroppers and landless labourers against eviction and joblessness. Such security cannot be provided by way of legislation alone since, given

that most such sharecropping or tenancy agreements are oral in nature, these cannot be proved in a court of law. The government therefore, put emphasis on recording of land rights as a precondition for the successful implementation of laws that already exist in their favour.

The popularly known 'Operation Barga' is actually a programme for hastening the process of recording land rights. It involves identification of areas with a high concentration of sharecroppers, holding of public meetings in those places where a team of officials (to ensure that they are not intimidated by the powerful few) meet the villagers collectively (again, to minimise the possibility of intimidation) and after spot verification of various claims and counter-claims, issuing of a parcha or temporary document recording the rights. The public meetings are held after wide notification by way of traditional drumbeating and other means. The sharecropper can then make use of this parcha to secure credit and other facilities. By now more than 14 lakh sharecroppers have been recorded while other measures have been taken in their favour including higher crop share, restrictions on return of land on the ground of self-cultivation, and provision of credit which have been discussed elsewhere by the author [Bandhopadhyay 1986, Dutt 1981, Ghosh and Nagra 1978, Government of West Bengal 1981]. Registration of homesteads – now numbering 2.58 lakh – has also struck at the root of semi-feudal control over labour power.

TABLE 5 KEY RURAL INDICATORS

Indicators	1981			1991		
	West Bengal	India	Rank	West Bengal	India	Rank
Participation rate (per cent)	30.2	35.8	14	32.4	37.1	10
Female participation rate (per cent)	8.1	19.2	14	11.7	22.5	13
Share of female workers (per cent)	13.0		12	4.15		10
Khadi and village industries sales (Rs lakh)	1413.5	78359.8	13	8362.2	252515.5	10
Khadi and village industries employment (lakh)	1.4	34.3	8	2.7	48.5	7
Number of agricultural enterprises ('000)	143	1493	5	262	2407	4
Electrified villages (per cent)	37.5	47.3	12	73.9	84.2	13
Milk production (per capita kgs)	32.6	50.2	10	42.8	69.8	12
Egg production (mn)			–	2220	20204	3

Notes: 1 For khadi and village industries, 1982-83 and 1990-91.

2 For milk, 1981-82 and 1990-91.

3 For eggs, 1989-90.

4 Electrified villages for 1980-81 and 1992 (May).

TABLE 6 DISTRIBUTION OF SURPLUS LAND – MARCH 1992

('000 hectares)

Item	West Bengal	Rank	India	Percentage of India
Land declared surplus	513.6	1	2938.7	17.48
Land taken into possession	466.0	1	2562.5	18.97
Land distributed	375.8	1	2005.8	18.74
Land under litigation	71.4	1	440.6	16.21

Source: CMIE (1992).

IV Panchayati Development

Several features distinguish panchayats in West Bengal from those in other states. First, since 1978 there have been regular elections, at five-year intervals, covering three levels – zilla parishad (district), panchayat samiti (CD block) and gram (which is, on average, an aggregate of 10 villages). These elections evoke a great deal of enthusiasm and the turnout is higher than that for state assembly and parliamentary elections. Though the left wing parties take the lion's share of votes, they compete with one another in panchayat elections and in terms of control of gram panchayats, the partywise turnover is quite high. Secondly, the elections produce panchayats in which about 70 per cent of the members are from the poor strata (mainly poor peasantry) and another 25 per cent or so from the middle strata (including school teachers) while about 5 per cent come from the rich strata of the village population. The dominance of the village poor in the panchayat system has brought about a radical transformation in the correlation of various class forces in village society [Government of West Bengal 1980, Leiten 1988]. Third, about half of the total development budget of the state is spent through the panchayat at various levels, as also the amount allocated under various poverty alleviation schemes. As a consequence the beneficiaries are better targeted while planning priorities and location decisions for various facilities correspond relatively more closely to the felt needs of the rural population. Today it is virtually impossible to think of development in the village context without the panchayat being a party to it. Fourth, while there is no provision for nyaya panchayats in the state legislation, the panchayat members do play a major role in the settlement of village disputes largely because people find it cheaper and quicker and more in tune with their own culture than the impersonal and distant courts which take months to make decisions [Government of India 1985, Dasgupta 1986, 1993a, Webster 1989, Sengupta 1992, Westergaard 1986, Dasgupta 1982, Planning Commission 1978].

Panchayat-led development programmes enjoy several distinct advantages over bureaucracy-led CD type development programmes. First, they are many times more accountable, since the panchayat members live in the village, have to regularly face the electorate in periodic gram sabhas and in elections and are incapable of shunning interaction with fellow villagers, whereas the BDO would virtually disappear from the scene once he is transferred. Second, information on inflow and outflow of funds would be more widely known and would be subjected to close scrutiny by a plural political

body, which would make funding of non-existent roads and tanks that much more difficult as the transactions would no longer be concealed in file and paper work. Third, whatever they lack in terms of formal educational qualifications are more than made up for by their own stake in local level development and their intimate knowledge of the ecology and society. It should be added that, more often than not, they are highly intelligent and capable people who are widely respected and should not be underestimated because of absence of a string of degrees. Fourth, they often act as important change agents: new crops and technologies successfully introduced in their fields draw more attention than the work on official demonstration farms. They are also more capable of translating new ideas into local dialects and idioms and thus of communicating more easily with the target population. Last, whatever be their political affiliation they operate within a system in which various sub-localities and individuals compete for scarce funds and as a consequence their location decisions or selection of beneficiaries are more likely to reflect the local consensus compared to the arbitrary selection by BDOs very often influenced by the rural rich [Dasgupta 1986].

Let us briefly indicate some of the major failings of this institution.

(a) Not enough has been done by way of mobilising local resources: the panchayats have tended to work as agents of the state and central governments rather than becoming champions of voluntary participation in community activities [Mukherji and Bandopadhyay 1993].

(b) Co-operatives, which could have emerged as the economic wing of the panchayat, have performed very badly in the state: only recently attempts are being made to expand membership and turnover and to diversify their activities.

(c) There is a pronounced tendency towards localism: the members giving priority to their own villages over the welfare of the bigger communities of which they are a part. This often leads to a crude form of egalitarianism – that is equal division of available funds among sub-areas without taking into account the external economies enjoyed by certain sub-areas, e.g. in terms of access to a more than proportionate investment in which would be beneficial to the larger entity [Dasgupta 1986].

V Centrally-Sponsored Poverty Alleviation Schemes

Almost as a rule, the major centrally sponsored poverty alleviation schemes in West Bengal are implemented through the panchayats. The latter identify the specific

schemes on the shelf which fit into their specific requirements and the 'felt needs' of the people of the concerned locality and the beneficiaries, and arrange for the money

TABLE 7. LAND REFORM: SOME RELEVANT INFORMATION (on June 30, 1993)

Item	Value
1 (a) Total agricultural land vested	13.69 (lakh acres)
(b) Total non-agricultural land vested	5.93 (lakh acres)
2 (a) Agricultural land distributed	9.36 (lakh acres)
(b) Non-agricultural land distributed	0.19 (lakh acres)
3 Area left by injunction	1.76 (lakh acres)
4 Area not found fit for distribution	0.79 (lakh acres)
5 Area transferred to other departments	0.77 (lakh acres)
6 Number of beneficiaries of land	
(a) Total	71.13 (lakh)
(b) Scheduled castes	7.60 (lakh)
(c) Scheduled tribes	3.92 (lakh)
7 Sharecroppers recorded	
(a) Total	14.39 (lakh)
(b) Scheduled castes	1.46 (lakh)
(c) Scheduled tribes	1.74 (lakh)
8 Number of homestead beneficiaries	
(a) Total	3.58 (lakh)
(b) Scheduled castes	1.08 (lakh)
(c) Scheduled tribes	0.40 (lakh)

Source: Government of West Bengal

TABLE 8. NREP: CONCURRENT EVALUATION OF 1957-88 MAJOR FINDINGS (Per cent)

Item	West Bengal	India
Reflected felt needs	98	96
Beneficiary identified by CDP	100	55
Based on shelf project	94	82
Based on annual plan	94	90
Uses local material	81.54	12.5
SC and ST beneficiaries	65	52
Landless labourer beneficiary	82	35
Assets properly maintained	99	35
Assets created are useful	100	82
Awareness of minimum wages	87	47
Wage paid daily	88	15

Source: Government of West Bengal

TABLE 9. DECLARED MINIMUM WAGES

Year/Date	Wage (Rs)	Comments
1981-82	6.00	4.50 plus 1 kg of rice/wheat
1983-84	7.50	6.00 plus 1 kg of rice/wheat
1-2-1985	12.00	10.50 plus 1 kg of rice/wheat
1-12-1987	16.34	
1-10-1989	19.65	
1-4-1991	22.88	

Source: Government of West Bengal



**MAHARASHTRA STATE LOTTERY
DIWALI BUMPER DRAW
PRIZE STRUCTURE**

ONE DRAW : FIVE SERIES - TOTAL NO. OF PRIZES - 5,00,076

PRIZE AMOUNT	NO. OF PRIZES IN EACH SERIES	TOTAL NO. OF PRIZES
RS. 51,00,000	COMMON	1
(GUARANTEED)		
RS 1,00,000	4 (FOUR)	20
RS 50,000	3 (THREE)	15
RS 5,000	18 (EIGHTEEN)	90
RS 1,000	90 (NINETY)	450
RS 100	900 (NINE HUNDRED)	4,500
RS 50	9,000 (NINE THOUSAND)	45,000
RS 25	90,000 (NINETY THOUSAND)	4,50,000

DRAW - 30TH OCTOBER 1995, 5.30 P.M. AT MUMBAI
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to be received, spent and accounted for. In some cases the District Rural Development Agency (DRDA) is formally in charge, but the actual task is delegated to the panchayats, and in some others the activities of various panchayats are reported to the DRDA. Whatever be the formal requirement in a particular case, for all practical purposes the panchayats are in charge. Among the panchayat bodies at various levels the zilla parishad acts as the co-ordinating and fund disbursing body for several of the schemes and in the case of some implement it directly. However, most of the funds are disbursed by panchayat samitis and the gram panchayats. Here we propose to examine some of these schemes in detail.

NREP AND JRY

From the time of the formation of the panchayats in West Bengal the food for work type of programme in which a part of the wage is paid in cash has become a major feature of their functioning and has earned them many accolades [Planning Commission 1980 Chaudhri 1980]. Unlike some of the other states here panchayats at various levels have been made solely responsible for the implementation of the programme. As Table 8 based on the 1987-88 concurrent evaluation of the National Rural Employment Programme (NREP) shows West Bengal has performed much better than the country as a whole in the implementation of this programme. This is also reflected in the reports by Indira Hirway (the mid-term appraisal of the Seventh Plan and various other documents [Planning Commission 1987 Hirway and Terhal 1990]).

Table 9 on declared minimum wages shows how the minimum wages have been revised from time to time. In the concurrent evaluation of 1987-88 it is noted that the average wages paid exceeded declared minimum wages. On the whole the seasonality of the operation of this scheme has been synchronised with the periods of low demand for labourers during a year, and the activities – road construction, tank excavation, etc. – have helped to create important rural social assets. However, panchayats vary from place to place in their ability to organise activities and mobilise people. The ratio of wages to total expenditure stood at 71 per cent in 1984-85, but then declined to 55, 59 and 54.25 per cent in subsequent years. This is well within the 60-40 wage-non wage break up in the guideline for JRY. Another guideline, of more than 30 per cent beneficiaries being women, has been over fulfilled, as the proportion of the latter stands at 31.19 per cent.

A major handicap in recent years has been the budgetary constraints at the state level. The overall situation is that NREP provides for about 4.64 mandays of work and RLEGP for another 3.42 days in a year for one member of a poor family. This is obviously very inadequate at a general level. On the other hand the strength of NREP lies in its operation at the margin: the fact that it exists provides the rural poor with an alternative which, whether taken up or not, strengthens their bargaining power and helps to influence wage levels at the grass roots, particularly during the lean season.

Several studies on the rural labour market show that the rural labourer is no longer dependent on a single patron: works for a number of possible employers, does not usually take credit from the employer, would not help out the latter in various emergencies, etc. and certainly would not contribute voluntary family labour for those purposes any more. The relationship is now more or less impersonal and market based, and in place of segmented rural markets a single wage rate now prevails in a particular locality. In bringing about this change in social and economic relationships, the land reform measures, particularly those relating to hutments and distribution of ceiling surplus land to the landless, as well as declaration of minimum wages and operation of NREP have played major roles. The social status of labourers has also been elevated as a consequence [Rudra 1982 Rudra and Bardhan 1978 Dasgupta 1982].

RLEGP

Like NREP or its various incarnations the Rural Labour Employment Guarantee Programme (RLEGP) too is implemented in the state through the panchayats, but in this case the district level body (zilla parishad) and the district level planning body are responsible for planning. As in the case of IRDP (see below) the progress was initially slow – Rs 7.74 crore for 1983-84 came very late and hence could not be utilised while only Rs 9.45 crore out of the total allocation of Rs 23.08 crore for the following year could be utilised. The programme took off from 1985-86 and did very well for the next two years, but from 1987 the allocation on this head has declined. In recent years there has been a distinct shift in the allocation under various heads towards irrigation.

IRDP

Launched in 1978-79, in 169 blocks the entire rural area of the state was brought under the Integrated Rural Development Programme (IRDP) by 1980. This programme is formally guided by DRDA,

but for all practical purposes the execution is left in the hands of the panchayats.

Initially the progress was slow. In 1980-81 only 14.17 per cent of the target beneficiaries were covered; the figures were better in the next two years – 26.92 and 48.07 per cent – but were still quite low in relation to what was expected. The main reason was the mutual distrust of the panchayats and the banks on whose credit

TABLE 10 IRDP – CONCURRENT EVALUATION
in 1987-88

Item	(Per cent)	
	West Bengal	India
Ineligible beneficiaries	7	5
< Rs 265	7	25
> Rs 265-3500	38	16
> Rs 3500	44	71
Additional income		
< Rs 1000	19	24
> Rs 1000	63	27
Crossing		
< Rs 3500 poverty line	75	60
> Rs 3500 poverty line	11	13
Keeping their assets intact	97	72
Needs are reflected	100	81
Also in other care	100	57
Repayment within three years	25	12
Overdues > Rs 10000	79	73

Source: Government of West Bengal

TABLE 11 FAIR PRICE SHOPS IN WEST BENGAL
(000)

	1985	1991
West Bengal	19.12	20.01
India	314.35	397.43
Rank	8	9
Shops per 2000 population (nos)		0.59
Rank		16

Source: CMIE (1992)

TABLE 12 RATION SHOPS CLASSIFIED INTO
STATUTORY AND MODIFIED RATIONING

Year	Statutory	Modified*	Total	Persons Served Weekly (Lakh)
1987	27334	17106	19839	96.1
1988	27434	17045	19788	96.2
1989	27464	17155	19901	98.1
1990	27624	17244	20006	99.8
1991	27704	17309	20079	107.3

Note: * Including 3 639 in revamped PDS areas.
Source: Government of West Bengal

TABLE 13 DISTRIBUTION OF VARIOUS ITEMS
THROUGH PDS

	(000 tonnes)				
Year	1987	1988	1989	1990	1991
Cereal	2065.2	1997.4	1556.4	1593.1	1681.1
Sugar	297.8	301.7	297.4	310.2	313.9
Edible oil	127.7	126.7	52.3	38.8	6.8

Source: Government of West Bengal

(and the subsidy from the government) the programme stood. The banks were not reconciled to poor and illiterate representatives of the rural population and were not convinced that they could do business together. There was an unfounded fear that the rate of default would be higher with so many poor people taking loans. At the back of their mind they probably resented the heavier workloads that a very large number of very small accounts would inflict on them. On the side of the panchayat there was no clear understanding of the role of the bank or their concern for the viability of a scheme or of the formalities that would inevitably go with those [Dasgupta 1986].

By 1983-84 the situation had changed and the relationship between the banks and the panchayats improved, which was reflected in the 117.49 per cent fulfilment of the target in terms of beneficiaries. In the following year the figure rose to 137.02 per cent and during the Seventh Plan the average worked out at 127.95 per cent while in terms of expenditure too the target was overfulfilled at 105.75 per cent. The proportion of scheduled castes and tribes among the beneficiaries worked out to 37.26 per cent, while that for women was 24.35 per cent; the latter did not reveal the trend as in the last year of the Seventh Plan the figure was 38.49 per cent.

The findings of the concurrent evaluation of 1987-88 are summarised in Table 10. These show that while in terms of felt needs maintenance and after care of assets in generating additional income for the beneficiaries as well as in crossing over the poverty line, West Bengal has performed relatively better, surprisingly the proportion of ineligible beneficiaries is slightly higher than the national average while more of the beneficiaries are located very near or above the Rs 3,500 line.

The 1989 evaluation found that West Bengal performed better than average in terms of the proportion crossing the poverty line of Rs 3,500, maintenance and quality of assets created, inclusion of working capital in costs and the sufficiency of help; it performed relatively worse in terms of the proportion crossing the Rs 6,400 line, IRDP assistance for the Trysem trained, after-care support and increase in family income. However, the selection process is 100 per cent controlled by the gram panchayat compared with 65.41 per cent average for the country as a whole.

PROGRAMMES FOR SCHEDULED CASTES AND TRIBES

We have already noted that more than 27 per cent of West Bengal's population belong to scheduled castes and tribes, by far the largest proportion among the Indian states.

As our analysis of various programmes in West Bengal shows, whether land distribution on mandays under NREP or JRY or IRDP – the proportion of beneficiaries from these categories exceed their weightage in the population.

Two major outfits operate in the state for the upliftment of these categories of the population: the Scheduled Castes Development Corporation (SCDC) and the Scheduled Castes and Scheduled Tribes Development Finance Corporation (SCSTDFC).

An evaluation of SCSTDFC undertaken by AIC found that the beneficiaries had been properly selected, 75 per cent of them regularly pay their loan instalments and loans are properly utilised in 86 per cent of cases. However, the rate of loan recovery is low at 35 per cent and administrative expenses account for Rs 86 per beneficiary [Government of West Bengal 1991].

Another evaluation by the monitoring cell of the Development and Planning Department of the state government finds that 48 per cent of the beneficiaries earn more than Rs 2,000 per year from the scheme, loan is sanctioned within one month in 25 per cent of cases and another 37 per cent within three months, while loan is received within three months in 31 per cent of cases and within six months in another 37 per cent of cases [Government of West Bengal 1991].

VI

Public Distribution System

Compared with Tamil Nadu and Andhra, the PDS is a small affair in West Bengal. There is no elaborate scheme to supply basic food at a subsidised price to the rural poor and the state budget subsidy for this purpose is quite modest by the standards of these two south Indian counterparts. Yet it plays a major role in the rural life of the state as it has been a food deficit state ever since pre-independence days. The great famine of 1943 first led to the introduction of the rationing system, which is now an integral part of the daily life of the people of the state.

The PDS contains the following major components:

(i) A statutory system of rationing in mainly urban areas of greater Calcutta, the neighbouring major districts – Howrah, Hooghly and North 24 Parganas – and the highly industrialised areas of Asansol and Durgapur on the western side.

(ii) A modified system of rationing for the other, predominantly rural, areas of the state.

(iii) A revamped distribution area from 1992 for the tribal (ITDP), drought-prone (DPAP) and designated hill (Darjeeling) areas. Those in revamped areas are given one kg of rice and 750 gms of wheat per adult per week, thus necessitating diversion

from other modified rationing areas. The introduction of this component and the priority given to it along with the fact that no compensatory amount has been supplied by the centre for this purpose, has led to a reduction in the amount available to the rationing system in the other areas of the state. Let it be added that even before 1992, tribal areas were given a special allocation, albeit on a smaller scale.

(iv) Special allocation for the tea garden areas, a legacy from the early days of tea plantation when agriculture in the neighbouring areas was not developed and migrant labourers had to be brought from other areas.

TABLE 14 STATE DEMAND FOR PDS AND CENTRAL ALLOTMENT AND SUPPLY OF RICE
(In lakh tonnes)

Year	State's Demand	Central Allotment	Central Supply
1987	18.30	15.00	8.71
1988	18.00	10.80	8.81
1989	18.00	8.11	5.85
1990	18.00	8.54	5.91
1991	18.00	8.49	6.91

Source: Government of West Bengal

TABLE 15 STATE DEMAND FOR PDS AND CENTRAL ALLOTMENT AND SUPPLY OF WHEAT
(In lakh tonnes)

Year	State's Demand	Central Allotment	Central Supply
1987	15.60	15.12	8.95
1988	15.60	10.77	10.99
1989	15.60	10.08	9.45
1990	15.60	10.80	9.44
1991	15.60	11.01	9.63

Source: Government of West Bengal

TABLE 16 PDS – DISTRIBUTION OF MISCELLANEOUS ITEMS 1991

Item	Number/ Unit Amount
Exercise book	9 '000
Toilet soap	78 '000
Laundry soap	156 '000
Match box	12057 '000
Biscuit	11537 Quintal
Iodised salt	5781 Quintal
Turmeric dust	9592 Quintal
Chilli dust	72.34 Quintal

Source: Government of West Bengal

TABLE 17 PRODUCTION OF RICE IN WEST BENGAL
(In lakh tonnes)

	1981-82	1990-91
West Bengal	0.5	1.0
India	73.3	126.7
Rank	8	8

Source: CMIE (1992)

(v) A special programme for landless labourers was introduced by the state government in 1989, to provide subsidised rice (at Rs 2.25-2.50 in various years) of one kilogram per day, for a period of four weeks during lean season to agricultural labourers. Both the statutory and modified rationing systems are universal, and not specially targeted. This makes ration cards a basis for identification of persons during elections and for other purposes, but also leads to the phenomenon of 'bogus ration cards'. During 1991 a total of 4 79 558 bogus ration cards were seized.

Table 11 shows that West Bengal holds a middle ranking position among the Indian states as far as the number of fair price shops is concerned, and the relative position rather than improving as in most other cases, has slightly deteriorated since 1985. In terms of the number of fair price shops per 2 000 population, this state holds the unenviable position of being firmly placed at the very bottom.

Table 12 shows how the fair price shops are distributed among statutory, modified and revamped rationing areas. There has been little change since 1987 in terms of the balance between statutory and non-statutory areas or the number of shops.

The number of persons served in a typical week is near about one crore; the number goes up during years and months of scarcity and high food prices in the market, but declines at other times. The off take of ration depends on the quality of the items served, as also on the season and the state of production in a particular year.

Table 13 shows that the supply of cereals has declined since 1987, the figure for 1991 being 19 per cent less than that for 1987. The supply of edible oil has suffered many times more, the 1991 figure being a small fraction of the 1987 figure. Only in the case of sugar does the supply from PDS appear not to have declined.

Tables 14 and 15 on state demand for rice and wheat and the central allotment show a significant gap between the two, and an even bigger gap between the commitment of the centre and the actual supply from the centre in a given year. For a long time the practice was for the centre to supply 1,25,000 MT of rice and 1,26,000 MT of wheat per month. In February 1988, this allotment was curtailed to 80,000 MT each of wheat and rice. In November 1992 the allotment became 73,580 MT of rice and 80,000 MT of wheat. The state government claims that such supply takes care of only about half of the PDS requirement after deducting from estimated foodgrains production various wastage and leakages. It has been further argued that the norm of 453.6 grams per head per day, which is taken as the basis for working out the requirements of a state,

presupposes a diversified menu, which very few Indians can afford, and that 500 grams would have been a more realistic norm. The demand of the state government for 95,000 MT of rice and 1,08,000 MT of wheat is way above the current supply. It is being argued by the state government that for various reasons, for instance (a) the loss of the food surplus eastern part of Bengal at the time of partition, (b) the large inflow of refugees, and (c) the diversion of possible rice cultivation areas to jute production to earn foreign exchange for the country, the centre has a moral duty to make up for the deficits in food production.

The allotment of sugar on the basis of 500 grams per head per day in SR areas and 400 grams per head per day in MR areas norms has also been questioned, because the norm followed for Delhi and Chandigarh is based on a higher figure of 800 grams. As for edible oil, the total PDS need is for 1,80,000 MT per year, while the actual supply bears no comparison with such requirements. Recently the state government has imported 8,000 MT of palmolein for distribution with the approval of the central government. As for kerosene, the allotment of 7,25,072 MT is only 62 per cent of the requirement calculated by the state government.

Table 16 shows that in addition to the main items, a wide variety of items are supplied through ration shops, while jamaa, clothes and kerosene are also supplied through a separate set of agents.

The price at which the state government sells a particular item through PDS is usually higher by Rs 25 than the issue price charged by the central government. In revamped areas the central issue price has been reduced by Rs 50 per quintal and keeps PDS going, though the quantum is not as large as that for some of the south Indian states. The state government demands centralised procurement and distribution of 14 essential items (cereals (wheat and rice), sugar, edible oil, salt, match boxes, cheap cloth, pulses, tea, baby food, washing soap, fuel (soft coke and kerosene), cement, paper and drugs). Of these, tea, baby food and drugs have never been distributed through PDS or other channels.

In view of the high and rather unreliable dependence on the central pool for a wide range of necessities, the obvious question is whether it is possible to make West Bengal self-sufficient in those items. As our above account shows, foodgrains production has increased significantly over the past 10-15 years, but still has not kept pace with population growth. Another alternative is to procure more from within the state. As it is evident from Table 17, West Bengal has not performed well in terms of procuring foodgrains. The actual amount procured has always fallen short

of the target set for the year, and the amount procured is the lowest among the rice producing states. A part of the reason is that the market prices of paddy have generally been relatively high compared to the procurement price. Further, in view of the success with land reform, the proportion of very wealthy farmers is quite low. As a consequence, despite a 50 per cent levy on rice mill turnover, procurement has tended to be on the low side. One reason is the shortage of FCI godown capacity in Burdwan district, where most of the rice mills are located. Another is the tendency of the courts to grant injunctions to millowners against such levies whenever they apply for redress.

There is also the fear that a very strict procurement drive might push the rice supply in the state underground, and might even lead to more than usual transfers to neighbouring Bihar and Bangladesh, thus further pushing up prices within the state. Whatever be the reason, like the co-operatives, food procurement and distribution is a field where a great deal of room remains for improvement.

VII

Conclusion

This case study shows that West Bengal, a very poor and a very rural state, almost as rural and as poor as the rest of east India, taking the state as a whole in 1977, has vastly improved its relative position on a broad range of economic, social and rural indicators. Land reform, panchayati development, implementation of poverty alleviation programmes through panchayats, and political mobilisation of the rural poor through kisan sabhas and political parties have been the distinguishing features of the post-1977 developments in this state as far as poverty alleviation is concerned. The institutional reforms have begun to make their mark in terms of agricultural production too. However, at an absolute level, this state continues to be poor and backward and, among others, in terms of co-operatives and PDS development. The performance of the state leaves much to be desired.

Note

1. Between 1976-77 and 1980-81, the proportion of cultivated land occupied by those with less than two hectares of land declined from 40.4 per cent to 10.3 per cent, while those with more than four hectares doubled their proportion from 33.4 to 69.4 per cent. In contrast, in West Bengal, the proportion of cultivated land of those with less than two hectares increased from 55.6 per cent to 60.4 per cent, while that of the four hectare plus category declined from 17.3 per cent to 14.4 per cent. For India as

a whole, those with less than two hectares increased their proportion from 23.5 per cent to 26.3 per cent, and those in the four hectare plus category declined from 56.5 per cent to 52.5 per cent [Government of India 1987].

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Politics and Implementation of Integrated Rural Development Programme

Kuldeep Mathur

Although the eradication of rural poverty has been a recurrent theme over several decades of planning the proportion of those living below the poverty line has not declined substantially. The explanation for this apparent paradox must be sought in the political and administrative environment in which poverty alleviation programmes are formulated and implemented

I

DURING the several decades of planning the eradication of rural poverty has been a recurrent theme in the concerns of Indian policy-makers, politicians and administrators. Yet the proportion of those living below the poverty line has not declined substantially.

Explanations for such a paradoxical situation are varied and diverse. Within the liberal perspective poverty is a problem of lack of economic growth. Ahluwalia (1978) marshalled data to demonstrate that the proportion of rural poor fluctuates with agricultural performance and falls in periods of good agricultural output. As a prescription, what was necessary was to promote public policies that would accelerate agricultural growth and thus help in the 'trickle down' of benefits to the poor. The trickle down impact of growth has remained the dominant ideology of development.

On the other hand some explanations shift away from the pure economic perspective and argue that the problems of poverty lie in the nature of class configurations which has led to the weak response of the state in matters of poverty alleviation. The capitalist model of development, promoted through the dominance of the propertied classes whose influence has not waned since the days of the nationalist movement, has not provided adequate support for policies to remove poverty. In fact the dominant class has supported the trickle down philosophy because that alone is a justification for pursuing the capitalist path of development.

In a departure from the classical mode of analysis of the domination of propertied classes, Bardhan (1984) argued that the propertied classes do not have homogeneous interests and can come into conflict with one another in pursuing their goals. He shows that in the Indian development experience these conflicts have been resolved through bargains that over time left little for capital formation and resulted in a low level of economic growth. The poor suffered as a consequence.

Kohli (1987) argued that there are regional differences in the performance of distributive policies. This diversity has arisen because of varying regime characteristics in the states. Leadership, ideology and organisation influence the way such programmes are implemented. He suggests that only

organised left of centre regimes are capable of facilitating reforms of a distributive nature within India's seriously constrained political economy.

These explanations of the weak performance of the Indian state on the poverty front are useful to understand the broad contours of the national political will with regard to the issue of poverty alleviation in the country. But the impact of such programmes also depends to a great extent on how well they are implemented. The strategies of implementation are crucial to the success of a programme. These strategies are formulated within the constitutional and administrative environment. At the macro level the features of the environment may be easily discernible but they vary at the operational level. It is this difference that allows states to show their ingenuity in striving for success if they have the necessary political will.

Our focus of attention in this paper is on the programmes specially designed for alleviating rural poverty. These programmes became part of the strategy of direct attack on poverty and were initiated during the Fourth Plan. The first of such programmes were embodied in the Small Farmer Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Agency (MFALA) established in 1970-71. Both of these agencies were merged into one as the SFDA at the beginning of the Fifth Plan in 1975. Initially 46 SFDA's and 41 MFALA agencies were started. In 1979 there were 168 SFDA's run in 198 districts of the country. Subsequently in 1978-79 the Integrated Rural Development Programme (IRDP) replaced the SFDA programme in some selected blocks and by 1980 was extended to all the districts in the country. Under the Small Farmer Development Programme during the period 1971-77 around 6.5 million rural households were benefited. The total budgetary outlay was Rs 134.31 crore and additional credit of Rs 243 crore was released [see Raj Krishna (1979) for a review]. In the IRDP a national target of helping 600 families per block in each year of the plan was proposed. This aggregated to 15.13 million families for the Sixth Plan and a similar number for the Seventh Plan period. An outlay of Rs 1,500 crore in the Sixth Plan to be shared equally between the centre and the states, and Rs 1,186 crore by way of central assistance,

was provided in the Seventh Plan. Never in a country's history has such an impressive single poverty alleviation programme been initiated. Several other programmes related to area development and employment generation were also initiated but we shall focus our attention in this paper on the SFDA/IRD programme and examine issues connected with its implementation.

II

The development experience of about 15 years - 1951-52 to 1966-67 - brought into serious doubt the assumptions of the planners that strategies of growth and productivity in themselves would suffice to resolve the problems of rural poverty. The efforts to promulgate land ceilings and give land to the tillers had by and large failed. Rural tensions and violence were arising in some parts of the country and the reality of the kind of problems that policies of growth unconnected with distributive justice could generate began to be realised. The All India Credit Review Committee of the Reserve Bank of India (1969) rang the alarm bells when it said, "if the fruits of development continue to be denied to large sections of the rural community while prosperity accrues to some, the resulting tensions, social and economic, may not only upset the orderly and peaceful change in the rural economy but even frustrate the national effort to step up agricultural production."

A new perspective which advocated that growth and poverty alleviation could not be seen as distinct goals and that the latter should be built into the growth processes, began to crystallise. But in this new perspective strategies to correct structural imbalances that lead to poverty were not included. Land reforms did not find a prominent place. The international aid-giving agencies had also at this time begun to express dissatisfaction with a purely economic approach to distributive justice and were proposing direct attempts to benefit the rural poor through administrative packages [see Brara (1983) especially Chapter V].

The new perspective found wide acceptance in the country due to the 'favourable' political climate that prevailed during the late 1960s. Nehru had died, India had gone to war with Pakistan in 1965-66; and Nehru's successor, Lal Bahadur Shastri,

who also died after holding the office of prime minister for less than two years, was unable to initiate the Fourth Plan due to the economic crisis. The extensive food shortage because of drought, and low productivity, had taken their toll. The era of Indira Gandhi began with the devaluation of the rupee which was a widely unpopular measure. At the same time many states had gone out of the control of the Congress, and coalitions of land-based elites had taken over state governments. In such a situation the political will to implement measures like land reforms could not be expected. However, poverty could also not be taken out of the political agenda. Therefore programmes that sought to bring direct benefits to the rural poor through redirection of some investment were seen not only as instruments to contain rural unrest but also as a way to fulfil the demands of social change and distributive justice. This has been described as the fundamental paradox of India's political economy: the commitment to radical social change and yet an equal determination to avoid a direct attack on the existing structures [Frankel 1978:3-78].

Another change also began to be discerned at the central level. The occupational pattern of the members of the lok sabha began to shift towards the agriculturists, who began to emerge as the largest single group in parliament. Those who had entered national politics when India became independent were tutored into principles of social change and were predominantly lawyers by profession. This began to change and at the time of the Fourth and Fifth Plan – 1969-70 to 1975-76 – agriculturists had become the single largest group in the lok sabha (see the table). This trend has continued.

These agriculturists were the richer farmers who were taking advantage of the new agricultural strategy based on technology and pricing policies and becoming economic entrepreneurs who were the harbingers of food self-sufficiency. They were trying to enter the political arena to direct policies to their own benefit. As one can see from the table, when the Fourth Plan began with direct intervention and the Fifth Plan formalised specific programmes, the lok sabha had around one-third of its members with an agricultural occupation. State leaderships were already getting more and more agriculture based and had begun making demands on the centre for a greater role in matters that affected them. Panchayati raj which had introduced democratisation at the district level and below, was stagnating because elections to these institutions were not held in the 1960s. One expectation of elections is that it provides a turnover of leadership which helps in the redistribution of power among various social groups. But when elections are not held, those elected face no threat and work only to consolidate their power. In the initial elections, panchayati raj provided a secular method of elections to the landowning classes to

legitimise their hold on village social structure. Elected leaders based their power on land and they knew that land reforms would mean a drastic reduction in the power they wielded. They used their influence to forge links with state leaders, who began to become more and more dependent on them for votes. Consolidation of 'vote banks' was also consolidation of the power of the landowning classes. Thus, on the one hand, they were careful to thwart any effort to implement land ceilings, but on the other they were happy to welcome special schemes to alleviate poverty.

III

The new perspective on rural development began the era of special schemes, displacing the comprehensive programme of rural upliftment through community development introduced in the First Plan. The latter was allowed to wither away when the Fourth Plan introduced special measures to help small farmers, marginal farmers and agricultural labourers. This marked the beginning of a period when comprehensive programmes began to give way to a segmental view of rural development. Each aspect of rural life from agriculture to health, housing or education began to be looked at in a fragmented fashion. Each segment attracted a special programme not necessarily linked with the others. The Fourth Plan can also be seen as emphasising a new focus on poverty studies. There had been some discussion, undoubtedly, on the skewed income distribution in the country, and in the late 1950s a question like, 'Where have all the benefits of development gone?', was raised in parliament. The government of India did set up a high powered committee to investigate, but no satisfactory answer was forthcoming. Douglas Ensminger, during the last of his 17 years as Ford Foundation representative in India, commissioned 12 studies on problems he believed were crucial to India in the coming decade. One of the studies was on poverty, conducted by Dandekar and Rath (1971). This study was a precursor to the numerous studies that have followed ever since and a source for sensitising intellectuals and the political leadership to the emerging problems.

Finally, acceptance of the special schemes during the Fourth Plan projected the consensus that was emerging between the techno-economic view of development and

the constraints of the emerging political environment. The special schemes as appendages to the national development strategy of growth were readily accepted because they did not in any way interfere with the grandiose designs of development that continued to rely on the best and the strong. The landed interests apparently felt relieved of the pressure put on them through policies of asset redistribution, and no threat as they were before.

The political economic situation preceding the Fourth Plan has an important bearing on the way the special schemes were conceptualised. I consider it important that they were so readily accepted. Politically, they provided visible methods of working for the rural poor and thus could pay political dividends (a major part of Mrs Gandhi's constituency was the rural poor, SCs and STs). Economically they were acceptable because they did not hamper the pursuit of policies of growth. Removing poverty though high on the political agenda, was not the core theme around which development strategy was conceived, and initiating such programmes allowed it to remain so. Thus poverty alleviation schemes did not threaten either the strategy of development nor the structural relationships in society. Political acceptance of these schemes appears to be because of their innocuous nature and not due to an expectation that they would create a more equal society.

Within this zone of acceptability delineated above, it must also be remembered that these special schemes in the Fourth Plan came as an initiative from the central government. Even though agriculture and rural development are on the state list, the centre has assumed leadership in this area; the Community Development Programme introduced in 1952 was a centrally sponsored programme. Central sponsorship lay in the design of the programme, its monitoring, and provision of funds for its implementation.

Over the years the centre has intervened increasingly with what have come to be known as centrally sponsored schemes. In the constitution, subjects related to agriculture and rural development have been placed in the state list. Matters that concern more than one state or are considered to be of national importance, are placed in the concurrent list. The reason for a central role in state subjects is the responsibility of the

TABLE: DISTRIBUTION OF MEMBERS OF LOK SABHA BY PROFESSION

Lok Sabha Period	Agriculturists	Lawyers	Political and Social Workers	Total Elected Members
1952-57	22.45	35.46	—	432
1957-62	29.01	30.24	—	486
1962-67	27.44	24.46	18.72	470
1967-70	30.61	17.49	22.86	503
1971-77	32.20	20.35	18.97	506
1977-80	35.93	23.42	20.00	525
1980-84	39.38	22.17	17.20	523
1984-89	38.30	19.05	16.03	530

centre for social and economic planning. It has used the mechanism of a centrally sponsored scheme to initiate programmes in the rural sector. "These schemes subserve the objectives of providing basic social infrastructure which will lead to an improvement in the quality of life of the people in the rural areas" [Government of India 1988:442]. But of late these schemes have come to cover virtually every field of activity, and poverty alleviation programmes are also covered by it. There were 92 such schemes in the Third Plan, out of which 32 fell in the agricultural sector. The number had increased to 146 in the Sixth Plan and to 238 during the Seventh Plan. In the agricultural sector, the number had increased to 65 with an outlay of Rs. 2771.66 crore, [Government of India 1988:448-450]. Some of these schemes are totally funded by the centre; others are shared equally between the centre and the states.

There are at least two reasons for the centre to play an active role in the area of rural development over which states have jurisdiction. One is that the states are reluctant to formulate specific programmes and initiate policies because they lack the expertise or funds or both. Central intervention can fill the need. The other may be that the states are hesitant because the necessary political will does not exist. Removed from local politics the centre comes in to play a leadership role. On both these counts the states present a varied picture.

Some states have alleged that these programmes impose an extra burden on them without their involvement in designing them. The SFDA was fully funded by the centre, but the financing of the IRDP is shared equally between the centre and the states while the major responsibility for overall design continues to lie with the centre. What is significant is that sometimes these schemes curb state initiatives in the area of poverty alleviation. Rajasthan began its Antyodaya programme in 1978-79 when IRDP was being spread throughout the country. In Karnataka the state government started the Bhagyajyothi scheme under which one free light was given to an SC household in every village. The central government introduced Kutcer Jyothi in 1989-90 which is nothing but a copy of the Karnataka scheme. There are innumerable instances of such duplication [Thimaiah 1991].

The interest of the states is sustained through the promise of central funding, but this funding is tied to the IRDP and does not allow the states to use it for a programme designed by it even with a focus on poverty alleviation. Another problem is that when the programme ends and central funding is withdrawn, the states are saddled with the programme. The result is that states are wary of providing staff and infrastructural facilities, which can become an extra financial burden later on. The positions specified in the project design are rarely filled up, and when they are filled up they suffer from the

transience of the constantly moving state bureaucracy. Another difficulty is that being centrally sponsored, IRDP carries guidelines and design principles that are not necessarily reflective of diverse local situations prevalent in the country. As a centrally sponsored scheme, little flexibility is available to the states and regions [Thimaiah 1991].

This difficulty is compounded by the fact that local level planning has not yet taken root. Successive plans have emphasised the importance of local planning in the entire planning process. The thinking has been that the bulk of investment in agriculture, minor irrigation, animal husbandry, fishing, forestry, etc. and housing, health, education, etc. could be integrated to form a local plan. This will lead to more focussed attention on the development of the local area. But the local plan continues to be a rather disjointed exercise of implementing diverse schemes through a multiplicity of departments.

There are a plethora of development schemes being implemented at the block level, and in fact the total amount now being made available annually for rural development through financial institutions and the central and state government has been estimated at over Rs. 7000 crores. This works out to about Rs. 1.5 crores per block, obviously a substantial sum considering that on average a block has only about 20,000 households [Ray 1985:150]. There is little linkage of IRDP activities with other

investments taking place in the area. All anti-poverty programmes are not integrated, and IRDP has become an individual programme carrying its own planning and implementation machinery. Interestingly, at the central level the demarcation is complete at the joint-secretary level: there is one each for IRDP, NREP and DPAP who come together to sort out problems of co-ordination but not of planning. The Eighth Plan [Government of India 1992] continues to recognise the "need for integrating the various anti-poverty programmes with the sectoral programmes in a specified area" as other previous plans have done.

Setting up different agencies for separate but related tasks has led Indian administrative agencies to build protective walls around themselves, guarding jealously their programmes, their rules and their funding. However, IRDP was designed to be implemented by an agency that could be isolated from the general administrative environment. The Small Farmers Development Agency, which was the model for the District Rural Development Agency (DRDA) that was formed to implement IRDP, was established as a semi-autonomous institution at the district level. The considerations that appeared to have weighed with the government at that time were three: (a) to enable the central government to transfer funds directly to district agencies without routing these through state governments. This was to obviate the

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necessity for obtaining financial sanctions within the state governments as these were known to cause delays
(b) to create the agencies to retain the funds after the end of the financial year and not surrender them to the state government
(c) to create agencies at the district level which were directly answerable to the central government and were also insulated from local political pressures

IV

When IRDP was introduced the government of India directed each of the SFDA's to pass a resolution to rename themselves as DRDA's. All other characteristics of the structure remains the same. Two changes, however, did occur. The only source of funds was not the government of India alone. The state government equally shared the burden and transferred their share directly to the agencies. The transfer of funds was not governed by the normal rules of the financial year and the fund did not lapse with its end. In another change, the number of professional staff was increased. Apart from the project officer and a district planning officer, there were also assistant project officers for agriculture, animal husbandry, and co-operation. Little additional staff was sanctioned at the block level or below. The government of India advised the state governments that these agencies will only serve as catalysts activating the existing government agencies to come to the help of weaker sections of the community in a big way, and that the extension staff of the various development departments of the state should attend to the work of the agency as part of their normal duties [Government of India 1980:215].

This philosophy underlying administrative arrangements continued to be emphasised when it was suggested initially very early on that

our idea is that IRDP should not be a programme in the narrow sense of the term. It should be all comprehensive which should bring in its fold all the existing organisations and therefore no department as such has been created. Deliberately, there is no idea or intention to have a department of IRDP or a single line hierarchical command all along the line down to the lowest level or below. That is why we were not in favour of the suggestion of having an independent cell (at the block level) because that will alienate the field functionaries, the VLW, BDO and various other functionaries [Government of India 1980:68].

Though a separate agency was created it became dependent on the state administrative system for its performance. The district collector was nominated as the chairman of the DRDA, the professional staff came on deputation from regular departments, and the governing council carried all the officers involved in the rural development of the district. The project staff then looks to its own parent department for career prospects

and the performance in IRDP rarely enters into such considerations. If appointments in DRDA are part of routine postings and one among many little effort is made either to create a team or imbibe expertise that comes from knowledge of the area and the people. A study conducted in a district in Rajasthan [Mathur 1985] shows that the average tenure of a project director was 18 months. The longest stay of a project director was of 48 months, but during this period three changes in the office of the district collector, two in that of APO (agriculture), two in that of APO (animal husbandry) and five in that of APO (co-operatives) took place.

The tendency of the larger administrative system to impose its own characteristics on even those administrative institutions that are sought to be established outside it is pervasive.

Targets are set by the planners of the programme at the central level and fulfilment of the targets tends to be equated with the success and effectiveness of the programme. What is success? Target number of beneficiaries receiving loans and subsidies? Or getting possession of actual assets? Or the actual number of beneficiaries crossing the poverty line? Not only are the targets taken to mean different things, but enforcing them to monitor performance leads to many detrimental consequences. The Administrative Reforms Commission (1967) in its report on agriculture administration elaborated the impact of target setting even further when it said 'performance is geared to inspections, inspections are based on targets and targets are related to financial provisions'. Another baneful effect of target is in the area of performance. Individual administrators can blame other agencies for not fulfilling their part of the bargain and this can provide an alibi for not fulfilling targets. High milk yielding cattle, which can help augment the income of beneficiaries, cannot be distributed because they have not been provided by the cattle farms. But it does not matter if cattle of low yield, which cannot help generate additional income, are provided for at least the target is fulfilled. This is all done not only because the administrators become part of a network in which non-existing or non-descript cattle can be bought and sold, but also because the urgency of meeting targets makes them do so.

The areas that do not have the necessary infrastructural facilities, but where nationally determined targets have to be implemented suffer the most. Rath (1985) quotes a NABARD study which says that except in Punjab, Haryana, U.P. and Gujarat, the milk cattle supplied were of poor quality and poor yielders but had to be delivered to the beneficiaries because nationally set targets had to be fulfilled. The difficulty was that animals of better breed and quality were not available in such large numbers.

One other area in which the characteristics of the macro-system influence the implementation of IRDP is the overall

framework of a centralised planning system. The concern for decentralised planning has found expression in several reports of the government and has led to a recognition that a local implementation system would improve considerably if development schemes reflected local reality rather than the needs of central planners. But the planning exercise at the local level continues to be confined to compilation of schemes in specified sectors according to the guidelines issued from above. The implementability of a scheme is decided on administrative and/or political grounds, which can enable reporting back achievements of financial or physical targets. Without ascribing any motivations, the local administrator is constrained because without planning skills assessment of economic viability of schemes is not undertaken and location decisions are done on an ad hoc basis, partly because little systematic information on the distribution of local facilities is available.

In a recent comparative study of IRDP in West Bengal and Tamil Nadu Swaminathan (1990) points out that 'a common factor underlying the failure of specific schemes in both regions is the absence of serious and imaginative local level planning'. The argument is that the failures derive from mismatches: (a) between the structure of assets (and final output) created by the programme and the pattern of demand (macro-mismatch); (b) between the nature of demand for assets generated by the programme and the potential supply of assets; (c) between the type of assets and pre-existing resources of a beneficiary household (micro mismatch). Thus imbalances are created, wasteful investments

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are made, and beneficiaries are unable to take advantage of the assets acquired through loan and subsidy.

The concern to decentralise planning and develop district plans which would take care of the inter-linkages among sectors and ensure efficient use of local resources has been reiterated in many official documents and for many years. The Planning Commission issued guidelines for district planning in 1969. It not only emphasised the need to formulate local level plans but also linked this with the need to give sufficient freedom to the states to determine their own developmental priorities. It went on to say that the whole approach of directing development efforts in the states through centrally-assisted 'approved schemes' has to be given up. It is felt that the tying of central assistance with such schemes has led in the past not only to the distortion of states' priorities but also to a tendency to apply these schemes everywhere without due regard to the variety of conditions existing within states. [Government of India 1969:2].

During the Janata interlude of 1977-79, the Planning Commission appointed a working group under the chairmanship of M L Dantwala to initiate block-level planning in the country [Government of India 1978]. The group, while emphasising that there has been little systematic planning at the local level, suggested that the block be the unit of planning but recommended that the planning team should be located at the district level to ensure integration of the block plans with the district plan. A detailed exercise was further undertaken by the Planning Commission when it appointed a working group under the chairmanship of one of its members, C H H Rao. This group, while making recommendations also presented a 20-year plan wherein steps can be taken progressively so that sudden change, breeding resistance, could be avoided [Government of India 1984]. There have been two other committees [Government of India 1982, 1985] which were specifically concerned with the implementation of poverty alleviation programmes and which came to similar conclusions, emphasising the need to initiate local level planning. The importance attached to the practice of local level planning can be gauged from the fact that the Economic Advisory Council made it a subject of its second report submitted to the prime minister in 1984. It said that

even schemes explicitly meant to promote decentralisation and an integrated approach to development at the block level such as IRDP are in practice designed at the state capital in a manner by individual departments that precludes in effect both decentralisation and integrated development. What passes now for decentralised agricultural and rural development is, therefore, primarily distribution of funds through governmental agencies and financial institutions...

The council not only suggested ways to decentralise at the local level but also stressed the role of voluntary agencies and people's participation in any effort of this kind.

What is ironic is that field studies reporting in 1989 or 1990 [e.g. Dreze 1990; Hargopal and Ramalu 1989; Swaminathan 1990] continue to demonstrate that little local planning exists, and what passes as a district plan is not a document that identifies viable schemes in the context of a comprehensive view of existing resources and markets, or that provides for infrastructure to support projects with potential, but which rather apportions financial and physical targets accordingly [Sinha 1986]. The district plan continues to be a haphazard collection of schemes.

Another set of issues that are of central concern here are related to organisational design and the administrative system. The committees cited above have given their own suggestions of ways to improve the system of implementation. A specific committee was appointed in 1985 to look into the administrative arrangements for implementing poverty alleviation programmes [Government of India 1985]. While reiterating the need for district planning, the committee recommended a model administrative setup at the district level which attempts to incorporate people's participatory institutions. Separately, the need to strengthen the role of panchayati raj and that of voluntary agencies was also expressed. At the beginning of the Sixth Plan another committee had highlighted similar concerns [Government of India 1982].

As if unaware of all these concerns, central organisations continue to work on the mistaken assumption that uniformity and standard programming contribute to programme effectiveness and administrative efficiency. The government is reluctant to decentralise planning and the administrative system despite the recommendations of its own numerous committees urging it to do so. These committees have consisted of members who are distinguished civil servants and professionals. The chairmen are a galaxy of eminent names in agricultural and rural development: M S Swaminathan, C H H Rao, G V K Rao and M L Dantwala. By no stretch of the imagination can the honesty of their advice be disputed. The government is also reluctant to improve upon its civil service staff that is supposed to bring a revolutionary change in the countryside. The local staff have little training or incentive to perform better. Investment in administrative overheads continues unabated at central and state capitals but fails to percolate down to the district and lower levels. Anyone aware of the working conditions in rural areas cannot fail to be struck by the acute deprivation of facilities in the local level administrative apparatus.

V

The question is why the failings have persisted when they have been pointed out in official and academic writings since at least the beginning of the Fifth Plan in 1975-76. It is not as if administrative innovation has not taken place. After all, SFDA was established as a semi-autonomous agency at the district level. Why was it allowed to be absorbed into the normal administrative processes from which it was sought to be kept away? There are also improved rules, regulations, promotional opportunities and even training facilities. Why do they all tend to be confined to levels much above the local level?

It must be noted that administrative reform activity has usually been left as the responsibility of the administrators themselves. In their perception, the administrative system has stood the test of time and therefore they feel little enthusiasm to bring about far-reaching changes in it. Change is also not welcome for another reason. It may disrupt the spheres of power and authority that have been built up over the years. If strengthening the panchayati raj system poses a threat to the local administrative and political leadership, then decentralisation of planning reduces the influence of the central planner. In this scenario local administration is merely a good whipping boy – an errant child – a ready alibi for failures occurring elsewhere. For all one knows, an inept local administration is necessary to prop up the 'fair' image of central planners and administrators.

The nature of the federal system, however, is such that there are some redeeming features. It can and does allow the states to give expression to their commitment to poverty eradication. At the general level, Kohli (1987), comparing the efforts of three states – West Bengal, Karnataka and Uttar Pradesh – in improving the lot of the poor has rated West Bengal higher than the other two. He has suggested four features of the regime in power to explain the existence of political capacity to initiate effective action in this regard. These primarily relate to the nature, coherence and stability of the rule of the CPM in West Bengal. This political party has attempted to penetrate local level decision-making by strengthening panchayati raj institutions, by getting them to implement beneficiary-oriented programmes, and by holding regular elections and putting up candidates who belong to the deprived classes [Leiten 1988; Roy 1983]. There is also evidence that party commitment to the programmes of registration of sharecroppers also contributed in a considerable measure to its success [Bandopadhyay 1981]. In the specific case of the implementation of IRDP in West Bengal, Dreze (1990), after pointing out that beneficiaries include more of the rural poor, suggests that "the fact that the CPM is largely in control of,

the allocation of IRDP loans in villages and that the disadvantaged sections of the population are the main constituency of the CPM are the key factors in understanding the functioning of IRDP in West Bengal". In a comparative study of West Bengal and Tamil Nadu, Swaminathan (1990) also comes to a similar conclusion.

But this political commitment is limited to the choice of beneficiaries and disbursement of loans and subsidies to the appropriate targets. It has not necessarily meant that it has led to the alleviation of poverty, for the mismatch of schemes is as pervasive in West Bengal as in Tamil Nadu [Dreze 1990; Swaminathan 1990]. However, Rajasthan can be cited as an example of a benevolent bureaucracy attempting to take over the efforts at poverty alleviation. It was among the few states that set up a state level department, that of special schemes organisations headed by a secretary, to administer all schemes like SFDA, TRDP, DPAP, etc. The bureaucracy also showed considerable foresight in introducing the antyoda programme in 1979. Many of the principles of that programme were incorporated into the IRDP introduced a year later. But where the bureaucracy foundered was at the local implementation level.

The bureaucratic system appears to work at two levels. One is at the level of preparation and design of institutionalising a professional administrative system. At this stage, committees with well meaning and experienced administrators come up with model organisations and systems that are very attractive. At another level, these organisations and personnel become part of the nexus of local politics and are unable to perform as intended. The personnel are untrained and unskilled and plod through their assignments. The very same group which would like to see increased professionalisation, when sitting on other committees does not provide adequate support for the activity proposed earlier. In this sense, policy making and implementation are truly fractured and schizophrenic. There is possibly another reason for this. The central government likes to project a progressive image-bureaucrats would like to be seen as effective planners of forward looking schemes that can bring them credit in the eyes of international funding agencies or the community of intellectuals. Failures in performance can always be blamed on local level implementation and the inability of local bureaucrats to rise above the corrupting influence of local politics.

Thus unwillingness to 'dirty one's hands', so to say, can be traced back to the characteristics of the 'zone of acceptability' to which I pointed earlier. Direct actions to remove poverty become only appendages to the dominant strategy of development; and as long as they are so, the implementation

concerns will be what they are. In contrast, when the intensive agricultural development programme which led to the 'green revolution' was being implemented, the districts chosen were placed in charge of a senior administrator such as deputy director (agriculture) with innumerable technical officers [Mathur 1982]. Farmers' demands for increased and measured supplies of inputs were met and extension networks were beefed up. A clear cut goal oriented programme with an inbuilt system of incentives for the beneficiaries is created when it is needed to serve the interests of a particular strategy of development. IRDP finds poor planning and implementation support because it is outside the dominant perspective. It is allowed to flounder, and innumerable alibis are sea-ched for to explain its failures. So, all programmes in India do not suffer from the same administrative or planning maladies.

If IRDP is not to be a 'delusion', political support to effect change in the implementation system has to be strong. Even in West Bengal, the political support has been limited to the plugging of leakages in selection of beneficiaries; this is an important first step but does not take the programme to the goals it strives for. The solution has to be sought not only in improving the bureaucratic system but in searching for an alternative to it. This can only be done when greater flexibility is provided at various levels of planning and implementation. Experience has shown that variation among states and districts is possible and should be encouraged. Looking for alternatives and using them can also achieve the objectives of increased participation and 'empowerment' of the poor in tasks of national development.

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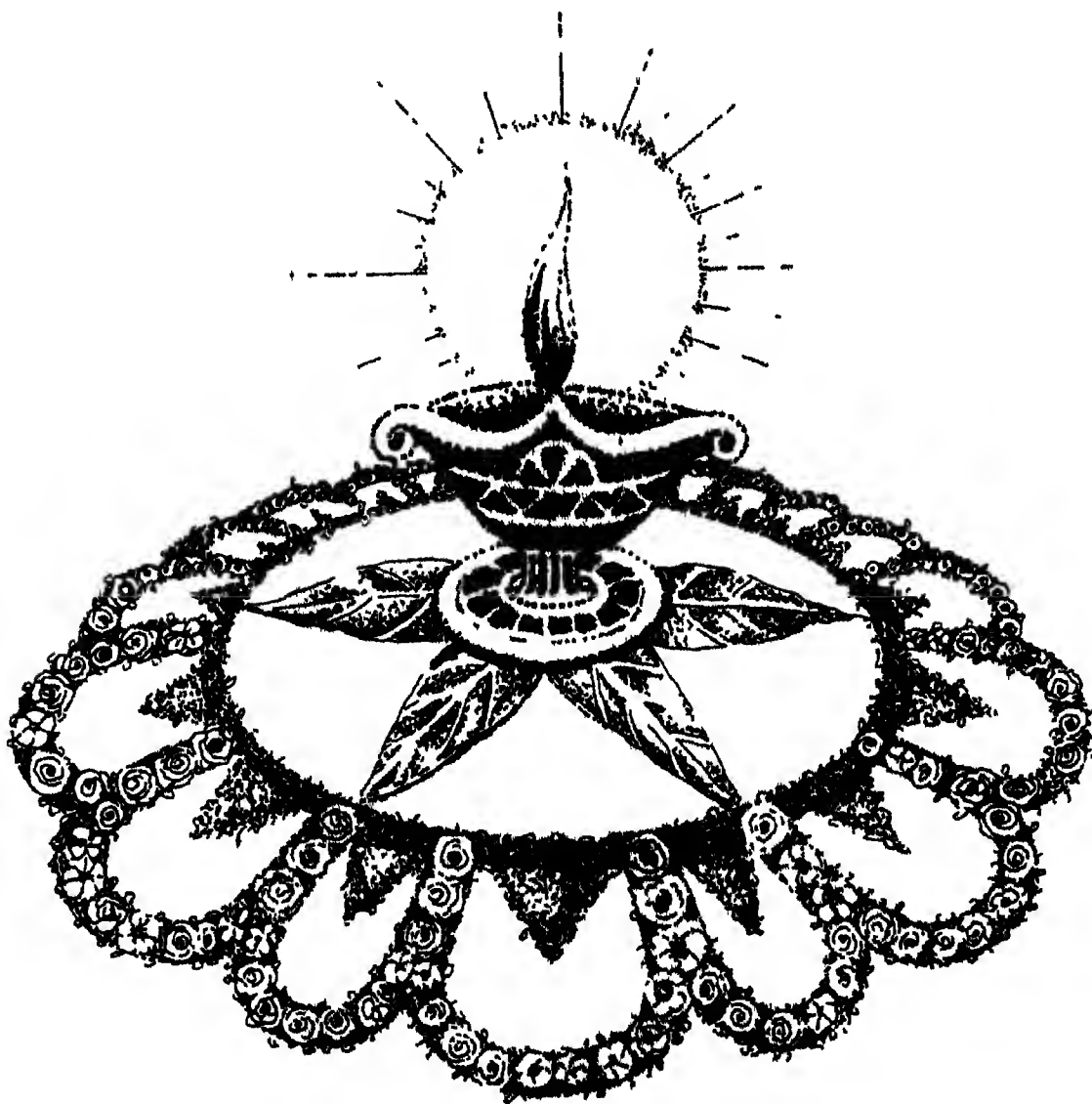
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Oppressive Gaze

The female body is viewed as no more than a 'body-for-others', culturally constructed through media images and through women's internalisation of the gaze of the other. Thus what women often experience as oppression is related to the denigration of a body-image and sexual identity. A study of the relationship between women's experience of physical violence and psychological oppression in the home and their perceptions of their bodies and sexuality.

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New Ideals for Old

The complex relationship, and shifts in it, among women, religion and the state in pre-colonial and colonial south India in the context of the movement for the abolition of the devadasi institution enables us to see the 'victims' and their marginalisation in a new light.

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Technology Priorities

Though technology upgradation is a vital component of economic reform and is necessary to enhance international competitiveness, the pattern of technology funding does not reflect the priorities inferred from economic development and growth objectives.

2739

Common Adversary

The ongoing debate about the justification, planning and management of India's wildlife-protected areas between wildlife conservationists and human rights advocates overlooks the fact that both wildlife and local communities are equally threatened and have a common adversary in elitist state policies and the urban-industrial development process.

2755

Building Bridges

Emphasising individual identities and differences among First and Third World women does not help women's emancipation in either world; it is necessary instead to look for linkages between different groups of women without undermining their specific histories. Sheila Rowbotham's writings should be read in the context of this need to create international links.

WS-50

Women's Land Rights

After the abandonment of collective farming in 1989, women and men secured equal titles to land in Cambodia. But with contradictory and unclear legislation and few checks and balances, the number of land disputes has increased sharply. The effect of this development on women's social position and gender relations.

WS-87

National Income

The new UN System of National Accounts, finalised after several years of deliberation, is predicated upon a particular economic system. It needs to be carefully modified by each country to suit its own institutional framework of economic activity.

2749

Fertility and Frailty

Evidence on the relative contributions of fertility decline and status improvement to trends in maternal mortality in India suggests that advancement in women's demographic attainment may not necessarily involve improvement in their health and social status.

WS-81

Dependency Game

A salient feature of the emerging education policy is the belief that the new money available for primary education is a sign of change of heart among the wealthy and represents a rare opportunity for us to break the cycle of poverty, child labour, lack of education and poor productivity.

2719

UN at 50

Most countries are placing increasing reliance both for security and development on regional organisations and mechanisms. So unless the UN is able to restructure itself as a confederal body linked to regional organisations as programming and operational arms it is unlikely to have much of a future.

2731

Gobinda Mukhoty

HE was arguing in court to protect the lives of people living close to an army firing range in Hoshangabad. He was preparing arguments in another case to protect people's right to public interest litigation, a right he was instrumental in giving meaning to. He was still expectantly waiting for a case challenging the constitutional validity of the Armed Forces (Special Powers) Act to be heard by court, a case which he had filed as president of PUDDR in 1982. All this while a nagging pain in the back was bothering him. And this had been so for over four years. In May this year it was discovered that this was no ordinary backache. It turned out to be a cancer. In a brief four months the cancer took its toll. After a week in coma, he died on September 19, 1995.

Thus ended a life which began in Faridpur district of undivided Bengal in 1927. Gobinda Mukhoty completed graduation from Presidency College, Calcutta, in 1948. In 1957 he went to UK to study law. After completing his bar-at-law in 1964 he returned to India and started teaching at St Xavier's College, Calcutta. He started practice as a lawyer at the Supreme Court in 1971 and was designated senior advocate in 1984.

In 1976, during the Emergency he was actively associated with the newly formed People's Union for Civil Liberties and Democratic Rights. The next year he was elected president of the Delhi unit. He was founder-member of PUDDR and its president till 1990. From then on he had been advisor to the organisation.

Mukhoty's legal acumen and professional expertise were lent time and again to the cause of the civil rights movement. In fact, it was his clear understanding of the role of law in people's struggles that enabled him to create a space whereby those who had no access to the courts of law could assert basic constitutional rights. He played a pivotal role in establishing public interest litigation as an instrument on behalf of struggling people. Quietly and surely he consolidated these gains over the past 14 years, taking up innumerable such cases, arguing them passionately, and personally bearing the cost of many of them. For PUDDR alone he handled over 40 cases covering a wide range of issues, large and small. Whether it was to challenge the validity of the Disturbed Areas Act in Andhra Pradesh, to demand justice for a custody death victim in Delhi, to fight for the right to information

of activists in Bhopal, or for freedom of bonded labourers in Haryana, Mukhoty gave of his energy and time without a thought to the cost to himself. Even as he made his brilliant legal mind available to those most in need of it, he carried the struggles and dreams of the civil rights movement into his everyday work, achieving a cohesion that in these cynical times has become near impossible.

We mourn, for what is gone is part of the best in our bedeviled country. Best, because he gave to the struggles of the people his intellectual and professional skills unstintingly.

We remember him, for he was an active maker of the civil rights movement for the past two decades. Through efforts such as his, the movement though small, has today become a distinctive presence.

His ever welcoming smile, his deep concern for the organisation and professional morality that he represented will remain a cherished memory for his 'boys and girls' in PUDDR.

PEOPLE'S UNION
FOR DEMOCRATIC RIGHTS

Delhi

In Support for Basel Ban

AS concerned citizens, citizen's groups and NGOs, we support the call for a complete ban on international waste trade, and urge the government of India to uphold the Basel ban on trade in hazardous waste from OECD to Non-OECD.

India has, until now, consistently taken a position against waste trade and is signatory to the ban. It is imperative that this position continues. Such trade will affect us adversely and we demand that details of all current and pending waste import licence information be made public.

There have been several obvious moves made by various OECD countries to subvert the ban. The industrialised countries must not be allowed to arm twist their way to further hazardous waste generation and use us as a dumping ground for their waste. The current movement of waste to Asian countries is in itself indicative of the politics of the international waste trade.

Such wastes end up in several recycling facilities both in the organised and the unorganised sectors. These often operate with little consideration for the safety and health of the labour force and the nearby residents, besides having poor implementation of pollution control laws. All the waste imported is not recycled: some of the most toxic waste is unsuitable for reprocessing and is dumped, severely damaging the environment.

Wastes should be tackled in the country of production, not sent to distant shores. We demand that the Indian government refuse to allow the country to be treated as a dump site and that it ratify the Basel ban.

Srishti, Public Interest Research Group,
Society for Citizen Concerns,
Kalpvinksha, Indian National Trust
for Art and Cultural Heritage and 30
other organisations and individuals

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Without a Policy

THE rapid and large depreciation of the rupee almost continuously during the past month and a half is a warning of the dangers of the government's free market policies when economic fundamentals are not ripe for them. The rather remarkable stability of the exchange rate at Rs 31.37 per US dollar for 28 months from March 1993 and July 1995 has abruptly given way to uncertainty and speculative fervour. This has happened because the earlier stability had been artificial, based as it had been on the growth of foreign exchange reserves attributable to rising portfolio investments from abroad, inflows on account of global depository receipts (GDRs) and foreign currency convertible bonds (FCCBs), larger unrequited transfers and some reversal of the earlier capital flight abroad. The claim that the stability of the rupee in terms of the dollar reflected economic fundamentals or the strength of the country's balance of payments was patently far-fetched. The accumulation of foreign exchange reserves was mistaken to denote this fundamental strength, even though a substantial part of the reserves emanated from a rapid build-up of foreign liabilities, of which a significant proportion comprised volatile flows induced by factors such as low interest rates abroad and sudden fascination of portfolio investors from the developed countries with the emerging stock markets.

The position of the country's own external sector in the medium term was far from secure and it was further weakened by premature liberalisation of imports, including of gold and silver. The authorities have lived in a make-believe world in regard to the import propensities of our economy. Thus even as the RBI governor was only recently projecting non-POL import growth of no more than 20 per cent for 1995-96, there actually took place a 29 per cent rise in non-POL imports in 1994-95 followed by a 42.7 per cent rise during April-August this year, with a rapid widening of the trade deficit. The likely merchandise deficit in 1995-96, which had been placed by the authorities at about \$4 billion earlier, has now been revised to \$6 billion. Likewise, the current account deficit, which was expected to be of the order of \$3.5 billion (or about one per cent of GDP), is now likely to touch \$5.5 billion or about 1.7 per cent of GDP. Net capital receipts are now expected to fall short of the current account deficit, necessitating a draw-down of reserves to the tune of about \$4 billion by the end of 1995-96. Total foreign direct investment (\$2 billion), portfolio investment (\$1.2 billion) and Euro issues and NRI investments (\$1.3 billion) would be slightly lower at \$4.3 billion against \$4.9 billion in 1994-95. The debt servicing burden, on the other hand, is expected to go up sharply from

\$10.8 billion in 1994-95 to \$12 billion in 1995-96 and further to \$14.5 billion in 1996-97.

It is also not as though the macro-economic imbalances prevailing before the onset of the so-called reforms have all been contained. The price situation remains disquieting and the fiscal situation very much more so, with the central government's revenue deficit quite out of control. The growth rate, particularly of industrial output, has picked up, but the impetus for this seems to have come essentially from what may be called 'borrowed' resources in the form of the large fiscal deficits and the rise in external liabilities. The overall domestic investment rate has not gone up, while the domestic saving rate has actually registered a decline. It was inevitable that the liquidity growth originating in the 'borrowed' resources would manifest itself in external sector imbalances.

Despite these salient facts of the economic situation being plain enough for anyone to see, the authorities chose to surrender what room for manoeuvre they had in responding to the emergent situations. It is hardly surprising that at the first signs of disquiet the foreign exchange inflows should have slackened and the external sector outlook changed dramatically. The authorities have taken pursuit of free market policies to mean adoption of a half-hearted approach to influencing exchange rate behaviour.

Till the end of August finance ministry and RBI spokespersons kept harping on exchange rate stability. In mid-September when there was a sudden depreciation of the rupee by about 8 per cent from Rs 31.41 to the dollar (RBI reference rate) in early August to Rs 34.15 on September 15 the authorities persisted with the theme of economic fundamentals being strong and did nothing to stem the fall in the value of the rupee. No indication was forthcoming of the government's determination to stem volatile market expectations and curb speculation. Also, few clues were available of the nature of the exchange rate policy being pursued. Given the goals of export competitiveness and macro-economic stability, what was considered the appropriate exchange value of the rupee and what was the range within which the authorities would allow the rate to fluctuate? It has emerged subsequently that the authorities were chary of entertaining any firm view on the exchange rate and were considering intervention essentially to minimise day-to-day fluctuations in the exchange rate.

Considering the fragility of the external balance and the persistence of major domestic macro-economic imbalances, this policy, if it can be called that at all, is a recipe for disaster. The rupee has already depreciated to Rs 35.60 per dollar or by about 12 per cent since early August. It has suffered a similar erosion of value in relation to almost all the major

currencies. In trade weighted terms, the real effective exchange rate of the rupee (REER) (base: 1985=100) was 61.02 in August 1993 and 66.08 in January 1995, showing an appreciation of 8.3 per cent but by August 1995 the REER had depreciated by 5.3 per cent. And in September-October so far the depreciation should be roughly of the order of another 10 percent. Leaving aside periodic fluctuations in the REER, the rupee has generally seen a steady fall in value in real effective purchasing power terms, with the total depreciation working out to 45 per cent since 1985.

The domestic foreign exchange market has been gripped by substantial uncertainty essentially because RBI intervention has been delayed and half-hearted. Apart from the fluctuations in the exchange rate, the premia for the dollar in the domestic forex market have reached unprecedented levels. The cash to tomorrow (tom) market has been activated with a scramble for dollars, with the premium exceeding 7.5 paise against the normal 0.5 to 1 paise. Similarly, the cash to spot premia have reached an average of about 7 to 8 paise or a phenomenal annualised rate of nearly 21 per cent against the normal 1.5 to 2 paise (6 to 8 per cent). What is more, the six-month premia were reportedly quoted at about Rs 2.40 (13.5 per cent annualised) as against less than half of that level (Rs 1.10 or 6.5 per cent) a month back. Importers do not hesitate now to quote as much as Rs 38 for delivery just six months hence, in April 1996. The uncertainty is also reflected in the very large spreads between buying and selling quotations for almost all periodicities. Against the minimal, competitive spread of half a paise between cash-tom quotations, the spread was as much as 9 paise for 'buy' quotations and 5 paise for 'sell' quotations. Similarly, in the six-month forward quotations, the normal spread of 3 to 4 paise has been replaced by a spread of 10 to 16 paise. Besides, as a rare occurrence, the annualised premia have turned out to be significantly higher for monthly or three-monthly forward cover than those for six months. The exchange rate weakness is also reflected in the prices of Indian GDRs quoted on the international markets, reduced capital inflows and inflows of export receipts and, above all, inflows of normal remittances of NRIs.

It is significant that opposition to the depreciation of the rupee has come even from exporting interests, for beyond a point the rupee depreciation, apart from creating unsettled conditions in the market, would impinge on the cost structure of industries and on the domestic inflation rate, particularly when the import intensity of the economy in general and that of exports in particular is rapidly rising. In such a situation speculative forces will easily be able to absorb RBI intervention on the current scale of some \$300-\$500 million during this month. What is called for,

therefore, is not only more decisive intervention to curb expectational factors, but also some rethinking on the part of the authorities on some of the liberalisation measures which have promoted speculation in the foreign exchange market. Decisiveness on both these fronts alone can restore a measure of stability to the market.

PANCHAYATI RAJ

Making Political Capital

THE recently concluded conference of panchayat adhyakshas at Delhi is reported to have adopted a 19-point charter of resolutions to serve as "the guideline for future strategy". Among other things, the charter calls upon the state governments to take prompt steps to make panchayati raj institutions functional by devolution of powers, functions and finances. This must have been done in response to the genuine complaint by the adhyakshas that the state governments were hesitant in the devolution of powers, functions and finances to the PRIs in consonance with the provisions of the constitutional amendments on the subject of panchayati raj.

The question however is whether the resolutions of the Delhi conference will exercise a greater force than the provisions of the constitutional amendments in persuading recalcitrant state governments in the matter of devolution. Or, does the centre propose to take resort to the provisions of the Constitution that authorise the centre to issue directions to state governments? There is no indication from the reported deliberations of the conference that the centre has made any such commitment. If anything, its concerns seem to be very different, namely, to capitalise politically on the funds it transfers to PRIs for certain schemes and programmes.

This suspicion arises from the reported observations of the prime minister that the panchayat programmes and schemes which are financed by the centre "should be recognised and spent as such". The prime minister is particularly reported as taking umbrage at states "passing off central funding as their own", especially in the implementation of schemes like midday meals, old-age pensions and family insurance under the recently launched social assistance schemes of the centre.

Isn't the prime minister protesting too much? Almost all the states have been operating destitute and old-age pension schemes, no doubt with wide differences in coverage. Several states are also funding midday meal schemes and even family insurance of some sort. Of course, the states would most welcome central funding of these schemes. But for the centre now to claim full credit for taking initiatives in this regard, as the prime minister seemed to be doing, is bound to be resented.

The larger question that arises is whether the transfer of funds in the name of specific schemes and programmes in preference to block transfer to the states under the aegis of either the Finance Commission or the Planning Commission entitles the centre to turn around and claim recognition as the benefactor. The states have for long objected to the increasing trend in this manner of resource devolution, but now the centre is brazenly seeking to make political capital out of this mode of resource transfer.

UNITED NATIONS

Hidden Agendas

ON its 50th anniversary, instead of holding its head high, the United Nations (UN) finds itself at the crossroads. Despite some memorable breakthroughs in solving international crises in the past, its recent chequered performance in containing the conflicts in Bosnia, Somalia, Sudan, Haiti, Rwanda, Angola and Afghanistan has provided its critics with enough fodder. The critics point to the proliferation of UN agencies, councils and commissions yielding no concrete results except expanding its bureaucratic apparatus. They draw attention to the rampant mismanagement of WHO and UNESCO and proclaim that the ideals that inspired the UN are now obsolete.

But these critics, mostly hailing from western countries, ignore the fact that it is not the ideal of international community that has become outdated, but the composition of UN bodies, especially the security council, that has ceased to reflect the changed global geo-politics. Five decades ago, when there were 51 member nations of the UN general assembly, the security council comprised 15 countries. Today, when the tally of member nations has shot up to 185, the security council still remains confined to the original number of 15 countries. When most of the UN peace-keeping activities are directed at strife-prone regions in the third world, the security council carries no permanent member from Asia, Africa or Latin America, except China. Fidel Castro has rightly labelled the veto power and the restricted membership of the security council as "new colonialism within the UN".

President Clinton, shrewdly sidelining the controversial issue of democratising the security council, focused on the growing threat of terrorism, international crime and drug trafficking. It was not surprising of him to advise the UN to cut its bureaucracy and unwanted expenditure, given that the US owes 1.3 billion dollars to the UN, the largest amount of arrears of any member nation. In fact, by not paying the dues the UN can be held hostage and bullied into accepting programmes serving the interests of developed countries. All UN initiatives can be scuttled by delaying financial

contributions, thus laying the blame for international imbroglios at its door. The recent social development summit at Copenhagen witnessed the growing marginalisation of the UN economic and social council (ECOSOC) and its replacement by the economic agenda of the Bretton Woods institutions. The UNCTAD has been similarly upstaged by World Trade Organisation (WTO) and International Labour Organisation (ILO) as re-drafting its policies to suit the needs of the structural adjustment programme.

Yet, as never before, the vision enshrined in the UN needs resurrection. In a world which spends a mere two dollars per person on peace and 150 dollars per person on armaments, where one billion remain without clean water and 1.7 billion lack basic sanitation facilities, the UN can act as a voice of conscience questioning the accepted path of development. Though the UN needs to re-orient itself to tackle the phenomenon of internecine warfare, it equally needs to be protected from any designs to dismantle its structure.

WORLD ECONOMY

Jobless Growth

WHILE world economic growth in 1994, according to UNCTAD's Annual Report on Trade and Development, was a mere 3.1 per cent, world trade rose in volume by almost 9 per cent, i.e. almost thrice as fast as output. In fact, in dollar terms the growth in world trade was even more rapid thanks to the fall in the value of the dollar against other currencies. Of course there were inter-regional and inter-country differences and that too within a wide range. It is noteworthy that for the group of countries going by the name of developed market economies while the rates of growth in output and trade volume were almost the same as for total world output and growth, their high levels of unemployment persisted showing little signs of decline.

The reason is not far to seek as far as output and trade are concerned. These economies still account for a major part, between three-fourths and four-fifths of world output and trade. Dynamic though the Asian developing economies are supposed to have been, their shares in world output and trade have not reached levels that would make a major impact on the overall world rates of growth, be it of output or trade. It was in the developed market economies that the increase registered in trade was markedly high and, within this group, it was in western Europe that strong export demand became the main factor in the economic recovery – total output in the European Union rose in 1994 by 2.8 per cent against a decline of 0.5 per cent in 1993. In the US also the significant step up in growth of output from 3 per cent in 1993 to 4.1 per cent in 1994 was

accompanied by growth in exports to the tune of 9 per cent, twice the growth registered in 1993. Only Japan was the laggard with output growth of less than 1 per cent and growth in export volume of 1.7 per cent.

Whether the growth in output and trade registered in 1994 is sustainable is the question of the future. UNCTAD forecasts a slow-down for 1995, possibly because the high rate of growth in world trade, the highest in two decades, may in itself be hard to sustain. Also it has to be borne in mind that much of the demand for exports of those countries came from the fast growing economies of Asia and they might well be slowing down. However, the basic problem the developed market economies have to tackle is that their internal demand is showing little sign of reviving, thanks largely to the high level of unemployment and sagging investment, particularly investment in infrastructure – the result of the social and monetary policies being pursued by their governments with overemphasis on price stability. Not for nothing does UNCTAD advise these countries to look inwards for solutions to their problems. The real culprit for job losses is the set of monetary and fiscal policies pursued in these countries.

UNCTAD is not an organisation that is looked upon with much favour by the developed world. It is supposed to be overly influenced by the concerns of the third world. But does the third world at least attach any weight to UNCTAD's analysis? If it does at least it won't resort to fiscal and monetary policies which result in high levels of unemployment alongside poor growth in output despite improved export performance.

BANGLADESH

Political Stalemate

MEDIATION by the US assistant secretary of state Robin Raphel has not apparently helped to end the political deadlock in Bangladesh as evident from the opposition led 32-hour strike which recently paralysed Dhaka and other major cities there. Raphel in a rather unusual diplomatic move, came down to Dhaka in early September to intervene between the two warring camps of the Bangladesh prime minister Khaleda Zia and the three-party opposition of Awami League, Jatiya Party and Jamaat-i-Islami, which had been demanding the resignation of the Khaleda Zia government and the holding of fresh elections under a neutral caretaker administration. That both the camps, unable to agree upon a third-party arbiter within the polarised political scene of Bangladesh, were willing to accept Raphel as a mediator was evident from the way both Khaleda Zia and the Awami League leader Sheikh Hasina welcomed her to their respective headquarters to listen to her long homily advising them to make up. But

obviously, Raphel could not come up with a formula acceptable to both.

The failure of the Raphel mission indicates the growing predominance of indigenous compulsions of political forces in Bangladesh which for the time being appear to prevail over the economic interests and needs that are shared in common by the Bangladeshi industrialists and their US collaborators. It is significant that every time there is a strike (and strikes in Bangladesh usually stretch beyond 24 hours), Dhaka's business houses appeal to both the government and the opposition to come to some settlement to spare them the financial losses that they incur. Foreign investors and collaborators as well as Bangladeshi industrialists are upset by the political crisis that had been dragging since December last when all the 144 opposition members resigned from parliament and launched an anti-government movement in the streets. The opposition has now threatened to plan a 96-hour strike along with sit-in demonstration in front of the prime minister's residence to put further pressure on Khaleda Zia to concede their demands.

Khaleda Zia, in a bid to delude the crisis, has offered to resign along with her cabinet colleagues only 30 days before the next elections. She has a five-year mandate to rule till April 1996. Till now she has neither announced the date for the next general elections nor spelt out the framework of the interim government that is to conduct the polls after she resigns. She rejects the opposition demand for a neutral caretaker government as there is no such provision in the Constitution while the opposition parties suggest that the Constitution can be amended to provide for such an eventuality and ensure free and fair elections under a non-partisan caretaker prime minister (such as the Supreme Court chief justice).

Meanwhile a constitutional crisis has developed. Under the Constitution the Bangladesh parliament cannot amend the Constitution or impeach the president without at least two-thirds of the total members present. With the resignation of the 144 opposition members, the membership of the legislature has been reduced to less than two-thirds. Since these members had not attended parliament for 90 consecutive days, their seats had been declared vacant and fresh elections were to be held under the law in their constituencies by May 3 this year. But the chief election commissioner has deferred by-elections to the vacant seats till mid-December on the ground of floods which are being described as an act of god, a term in Article 123(4) of the Bangladesh Constitution under which the decision has been taken. Constitutional experts feel that since the seats still remain vacant even after the expiry of the last date for by-elections, the basic structure of parliament has collapsed as it cannot constitutionally perform all its functions.

(e.g. amendment of the Constitution) The opposition demand for amendment of the Constitution to provide for a caretaker administration to conduct the elections therefore has thus been rendered infructuous by the opposition parties themselves through their resignation from parliament

Given this situation, the opposition may have to opt for a flexible course of action. Continuous strikes and demonstrations involving violent clashes with the police and musclemen of the ruling BNP party which have dominated Bangladesh politics during the last nine months, may have proved the opposition point that the Khaleda Zia government has lost its capacity to run the administration and maintain order. But these tactics cannot be repeated ad nauseam without losing public sympathy. While the opposition parties maintain that their movement is for the people's right to food and livelihood, successive strikes for days together mean for all practical purposes for the poor denial of their daily bread.

Despite the nonchalant front that Khaleda Zia is trying to put up by refusing to entertain the opposition demand, she is also saddled with a corrupt administration and oppressive police force that have tarnished the image of her four-and-a-half year old regime. A recent case of rape and murder of a girl by the police in Dinajpur – which has come in handy for the opposition parties in their present campaign against her – forced her to go to Dinajpur and apologise to the aggrieved people there. But her pusillanimity and dependence on the police were to become evident soon when she was persuaded by the home ministry to go slow on the arrest and prosecution of the guilty policemen.

Both Khaleda Zia's ruling party, the BNP and the opposition three party combine are thus bogged down by their respective compulsions – the former to cling to power and the latter to capture power. For the Bangladeshi voters the choice is between Tweedledum and Tweedledee. They have had the taste of governance by two from among the present three party opposition combine. Awami League under Sheikh Mujib from 1972 to 1975 and the Jatiya Party under Hushad's martial regime till 1991 – which had not been quite a happy experience for them. The third member of the combine, the Jamaat-i-Islami, even without being in power, is already forcing down on Bangladeshi society an alien Islamic fundamentalism imported from Saudi Arabia, through its paid mullahs in villages who flog and lynch women for their alleged misdemeanours. Riding piggy-back on the opposition campaign against the present regime, the Jamaat politicians who had till recently been treated with contempt by Bangladeshis because of their collaboration with the Pakistani army during the 1971 liberation war, and who could not garner any significant number of votes at the last elections in 1991 – are

gaining respectability among the electorate, and they are sure to make use of it in the coming elections.

PALESTINE

Illusion of Self-Rule

ON September 29 yet another highly publicised hand shake was organised at the White House at Washington between Arafat and Rabin, witnessed this time by king Hussain of Jordan and Hosni Mubarak of Egypt in addition to the host Bill Clinton. This was the finale, delayed by a whole year, to the two-year long negotiations since the first hand shake in Washington.

But was the delay worthwhile? The Israelis may think so because in the process of the long, protracted negotiations they could beat Arafat and his team down to the very minimum of devolution of land and power to the Palestinians. After 28 years of occupation, all that the Palestinians get as a result of this second accord referred to as Oslo II (the first accord signed exactly two years back is generally referred to as Oslo I), is municipal authority over the towns and villages (not all of them even since Israel will continue to occupy 50-60 villages out of 450) in the West Bank, "with no real security responsibility, no right to resources or land outside the population centres and no authority at all over Israeli centres, police and army stationed in the West Bank" as Edward W Said of Harvard University, a well known observer of west Asia puts it. Although Israel will move its troops out of the towns it hands over, it will establish 62 new military bases. Not only will the Israeli settlements remain untouched – indeed in these first two years since Oslo I, there has been virtually no freeze on the expansion of settlements, particularly in and around East Jerusalem which is being systematically transformed into a Jewish town – but also a road system will connect them to one another making it possible for settlers, like whites in the old South Africa, to avoid or even see the people of the Bantustans and making it impossible for Palestinians to rule over any contiguous territory.

Oslo II may give the outward appearance of self rule for Palestinians but it will be self rule without the reality – "a kingdom of illusions with Israel firmly in command". The so called legislative council of 82 members to be elected by next March will be a legislative body only in name, both because the subjects under its control are no greater than those of a local body and also because Israel retains veto over any piece of legislation that this body passes. Arafat will no doubt have the satisfaction of promoting himself to presidency of the Palestinian Authority but to all intents and purposes he will be no better than a civic body chairman – something like the president of a typical zilla parishad in India.

TWENTY YEARS AGO

EPW, October 25, 1975

TO live under the executioner's shadow for four years is to die in instalments. Gunal Kista Gowd (45) and Jangam Bhoomiah (48), who belong to one of the now-illegal Marxist-Leninist groups in Andhra Pradesh, were sentenced to death in 1972. All had been set for their execution in the early hours of November 26, 1974 when the Chief Minister of Andhra was prevailed upon to stay it. The execution was then set for May 11, 1975 when a group of young lawyers sought to save the lives of Kista Gowd and Bhoomiah through a writ of the High Court. A few hours before the scheduled execution, they obtained a stay from the vacation judges. But the writ petition failed and the matter was taken to the Supreme Court which on October 3 rejected the petition for special leave.

The arguments in the petition before the Supreme Court were based on socio-legal grounds. The petitioners had acted in the manner they did because they were appalled by the injustice of the massive suffering and suppression of the poor and they wanted to shock and shake the custodians of the status quo. Their act therefore stood on a separate footing from the common run of crimes, further, there has been a growing trend against the death penalty as legal barbarity discernible in the pronouncements of the Supreme Court and the penal reform currently before parliament. The president had not taken these factors into account when he rejected the mercy petitions.

However, while rejecting the petition, the Supreme Court visualised the contingency of the petitioners appealing once again for clemency setting out various factors which the court may not be concerned with while imposing the sentence but which may still have persuasive value before the concerned executive. "The rejection of one clemency petition does not exhaust the power of the president or the governor", the Supreme Court said.

The last-chance-to-live for the two condemned political workers thus once again lies in the area of presidential clemency. Over 130 Supreme Court lawyers, including several former chief justices and judges of high courts, have appealed to the president to commute the death sentences.

RALLIS INDIA

Inputs Package for Farmer

RALLIS INDIA, a member of the Tata group, is a leading agrochemicals manufacturer and has pesticides and fertilisers accounting for over 60 per cent of its total sales, the rest coming from the pharmaceutical and export divisions.

The year 1994-95 saw the company complete 50 years in business. It achieved a turnover of Rs 647 crore, a rise of 28 per cent from Rs 504 crore in the previous year. Total income of the company rose by 28 per cent from Rs 524 crore to Rs 670 crore. Provision for depreciation rose by 21 per cent. A corresponding rise was witnessed in tax provision which rose by 44 per cent. The disposal by the company of its holding in Boehringer Mannheim (India) during the year contributed handsomely to net profit. The company has maintained a 45 per cent dividend for the year under review.

The exports division deals with garments and marine products. The exports stood at Rs 67 crore, up by 27 per cent as against Rs 53 crore in the previous year. Imports increased by 137 per cent from Rs 52 crore to Rs 122 crore. As a result of the sharp rise in cotton prices the division suffered a setback. The marine products department saw a revival with emphasis being laid on higher value added products to ensure profitability. The company exports a sizeable quantity of agrochemicals to developed countries such as the US and western Europe.

During the course of the year the agrochemicals division also established Acephate, as a leading insecticide in India. The year also saw the expansion of the basic manufacturing facilities.

The performance of the pharmaceutical division showed improvement in the operating year as a result of restructuring and pruning of the product portfolio. Production facilities at the Madras and Aurangabad factories were upgraded in order to reduce manufacturing costs. The fine chemicals division put up a satisfactory performance. The distribution of gelatine and chemicals was satisfactory.

The company has a major Rs 150 crore expansion plan of which Rs 90 crore is to go towards the setting up of a new agrochemical unit at Lohte in Maharashtra. Rs 15 crore has been set aside for expansion schemes at the pharmaceuticals and the fine chemicals divisions, while the remaining Rs 30 crore is for investment in related projects. Also in the pipeline is a marketing tie-up with the Danish multinational Novo Nordisk for the introduction of a vegetable crop biopesticide. The company is contemplating an entry into tissue culture. The R and D division is currently working on the development of commercial prototypes for tissue culture

products in the flower and fruit segment. Work on a project for vegetable tanning extract based on technology from the Central Leather Research Institute, Madras, is also underway. Vegetable tanning is a natural product and is more environment-friendly as compared to synthetic tans which is the main cause of pollution in tanneries. The company has set up a formulation and packaging factory in Akola.

The company is planning to expand its range of ayurvedic products with three new brands being added to the existing line of products. Rallis agrochemical research station in Bangalore is the only one of its kind in Asia besides Japan, certified by the German certification authority, Bundesgesundheitsamt (BGA). Rallis produces several basic pesticides and exports a sizeable quantity of agrochemicals to developed countries such as the US and the countries of western Europe.

With a move to phase out its manufacturing activity from the metros, Rallis hopes to put its several underutilised properties there to use. The company plans to develop its metropolitan city offices commercially.

AEC

New Projects

Ahmedabad Electricity Company has come a long way from being a small diesel generating power station set up in 1915 to being one of the leading players in power generation and distribution. The Gujarat government holds a 24 per cent equity, financial institutions hold 33 per cent and the Torrent group 9 per cent, the remaining being held by the public.

The company achieved a sales turnover of Rs 510 crore for the year ended March 1995 against Rs 435 crore, a rise of 17 per cent. Total income rose by 18 per cent from Rs 449 crore to Rs 532 crore. There was a marginal fall in interest cost which came down by 6 per cent. The company achieved a gross profit of Rs 59 crore against Rs 39 crore in the previous year. An increase in provision for depreciation which rose by 52 per cent and a zero tax provision saw the company close the financial year with a net profit of Rs 14 crore, up by 48 per cent compared to Rs 9 crore achieved in the previous year. A dividend of 18 per cent has been recommended by the board of directors.

The company had 8,07,684 consumers at the end of the year against 7,70,755 in the previous year. At the end of the year there were 2,232 kms of high tensions and 6,783 kms of low tension mains in the system against 2,160 kms and 6,150 kms, respectively, in the earlier year. 138 new substations were added during the year. The company has an annual capital outlay of

about Rs 37 crore for systems improvement and development. The company has major plans for system augmentation at a capital cost of Rs 40 crore, the finance for which has been raised through rights and public issues.

The power services division improved its performance and has achieved a profit of Rs 335.63 lakh, 15 per cent higher than last year. The sales of the fly ash division stood at Rs 62.32 lakh, an increase of over 30 per cent over that of the previous year. The company has identified new power projects to meet the shortfall in demand for power in the company's system.

KEC INTERNATIONAL

Joint Ventures Abroad

KEC International, a Goenka group company, is in the business of manufacture and supply of power transmission line towers and execution of turnkey projects for transmission lines. The company is engaged in designing, fabrication, galvanising and erection of transmission line towers. The RPG family owns about 43 per cent of the total capital, Indian institutions and mutual funds together own about 18 per cent, while FII's and the public own 19 per cent and 20 per cent, respectively. With the acquisition of SAE India from the Asea Brown Boveri (ABB), the RPG group is the largest in the industry. SAE is the leader in railway electrification in India and has a manufactur-

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Financial Indicators	Rallis India		AEC		KEC International	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	64719	50434	50971	43499	39832	25447
2 Value of production	66504	51415	50971	43499	41568	25713
3 Other income	465	969	2218	1421	292	247
4 Total income	66969	52384	53189	44920	41860	25960
5 Raw materials/Stores and spares consumed	15016	12792	1220	1062	20573	12886
6 Other manufacturing expenses	39334	28394	25503	23108	8492	3131
7 Remuneration to employees	3063	2795	5670	3948	3423	2806
8 Other expenses	6024	4430	9481	7528	4818	3537
9 Operating profit	3532	3973	11315	9274	4554	3600
10 Interest	2071	1609	5453	5490	553	833
11 Gross profit	2266	1952	5872	3872	3938	2788
12 Depreciation	477	394	4481	2930	492	404
13 Profit before tax	1789	1558	1391	942	3446	2384
14 Tax provision	360	250	0	0	439	579
15 Profit after tax	1429	1308	1391	942	3007	1805
16 Dividends	539	539	1089	690	888	581
17 Retained profit	890	769	302	252	3007	1224
Liabilities/assets						
18 Paid-up capital	1198	1198	6473	5661	2159	1601
19 Reserves and surplus	5331	4441	24242	19785	20836	7959
20 Long term loans	5651	4967	29298	35836	12000	6831
21 Short term loans	7224	3831	4750	983	5712	508
22 Of which bank borrowings	3892	2197	1060	983	1505	4
23 Gross fixed assets	10340	7802	70431	63549	7740	6688
24 Accumulated depreciation	3151	2757	20232	15776	3199	2776
25 Inventories	10659	8856	4148	4675	5991	4328
26 Total assets/liabilities	31721	24062	82762	77895	58687	29280
Miscellaneous items						
27 Excise duty	2972	955	0	0	1620	971
28 Gross value added	8300	6037	15573	12652	7976	6491
29 Total foreign exchange income	7165	5573	28	0	19743	16165
30 Total foreign exchange outgo	12287	5386	1077	1076	12508	6381
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	204.0	209.6	61.6	55.8	67.9	86.9
32 Sales to total net assets (%)	333.5	349.3	78.7	69.9	97.9	150.1
33 Gross value added to gross fixed assets (%)	80.3	77.4	22.1	19.9	103.0	97.1
34 Return on investment (gross profit to total assets) (%)	7.1	8.1	7.1	5.0	6.7	9.5
35 Gross profit to sales (gross margin) (%)	3.5	3.9	11.5	8.9	9.9	11.0
36 Operating profit to sales (%)	5.5	7.9	22.2	21.3	11.4	14.1
37 Profit before tax to sales (%)	2.8	3.1	2.7	2.2	8.7	9.4
38 Tax provision to profit before tax (%)	20.1	16.0	0.0	0.0	12.7	24.3
39 Profit after tax to net worth (return on equity) (%)	21.9	23.2	4.5	3.7	13.1	18.8
40 Dividend (%)	45.00	45.00	18.00	18.00	45.00	35.00
41 Earning per share (Rs)	11.93	10.92	22.00	16.71	13.93	10.87
42 Book value per share (Rs)	54.5	47.1	483.4	459.0	105.1	56.0
43 P/E ratio (based on latest and corresponding last year's price)	26.0	38.4	6.6	3.7	9.0	27.6
44 Debt-equity ratio (adjusted for revaluation) (%)	86.6	88.1	95.4	140.8	52.9	73.4
45 Short term bank borrowings to inventories (%)	36.5	24.8	25.6	21.0	25.1	0.1
46 Sundry creditors to sundry debtors (%)	124.6	144.9	99.5	99.2	52.8	59.1
47 Total remuneration to employees to gross value added (%)	36.9	46.3	36.4	31.2	42.9	43.2
48 Total remuneration to employees to value of production (%)	4.6	5.4	11.1	9.1	8.2	10.9
49 Gross fixed assets formation (%)	32.5	-	10.8	-	15.7	-
50 Growth in inventories (%)	20.36	-	-11.27	-	38.42	-

ing capacity of 36,000 tonnes of power transmission line towers per annum, which is proposed to be expanded to 56,000 tonnes per annum.

The company achieved net sales of Rs 391 crore for the year ended March 1995 against Rs 254 crore in the corresponding period in the previous year, a rise of 57 per cent. Total income of the company rose to Rs 419 crore up by 61 per cent from Rs 260 crore in the previous year. There was a fall in interest payment from Rs 8 crore to Rs 5 crore for the year under review. Gross profit went up by 41 per cent from Rs 28 crore to Rs 35 crore. A 22 per cent increase in the provision for depreciation was nullified to a large extent by a fall in tax provision which came down by 24 per cent. The company closed with a net profit of Rs 30 crore, up by 65 per cent from Rs 18 crore last year. Enthused by the buoyant performance, the company has declared a dividend of 45 per cent. The management has also proposed a bonus share issue in the ratio of one share for every two shares held.

KEC executes contracts for exports, for state electricity boards, for IBRD projects in India and for central power projects. These are a mix of vanilla sales, supplies and construction, and turnkey projects. Of these turnkey projects contribute over 40 to 45 per cent of sales and 70 per cent of export orders. KEC had been exporting transmission line towers to about 30 countries and has plans to set up joint ventures abroad for manufacturing towers and transmission lines.

During the year under review, production of transmission line towers increased from 52,992 mt to 68,280 mt, registering a growth of 29 per cent. The company received orders worth Rs 443 crore and the order level as of March this year was Rs 520 crore compared to Rs 457 crore in the previous year with more than 50 per cent being export orders. KEC has a market share of about 35 per cent in high voltage transmission business and has huge orders on hand. Keeping the future scenario in mind, the company which has a capacity of 7,500 mt per annum is raising it by another 3,500 mt by setting up a new plant at Nagpur at an estimated cost of Rs 24 crore. Production is expected to commence in the current year.

The division which manufactures methyl ethyl ketone (MEK), ISO propyl alcohol and other products saw sales double to Rs 36 crore.

KEC is exploring the possibility of setting up joint ventures in China, Africa and South America. As a part of its globalisation strategy, the company is setting up two overseas joint ventures in Vietnam and Malaysia. Plans are on to invest Rs 2.5 crore for a 49 per cent equity stake in a joint venture with Hoerbiger Ventilwerke AG of Austria, the rest being held by Hoerbiger. The company plans to make valves and other engineering products near Pune. The company has raised resources to finance its various expansion plans by private placement of shares.

CURRENT STATISTICS

EPW Research Foundation

Disbursements of the all-India financial institutions generally financing investment by large-scale enterprises grew by nearly 200 per cent between 1990-91 and 1994-95, while those of institutions supporting small- and medium-scale industries rose by only about 62 per cent (or just equal to the inflation rate). Growth of M, and reserve money slowed down in the first half of 1995-96. The rise in net bank credit to government, in particular that in RBI credit, was high, reflecting the central government's massive borrowing programme. Bank credit to commercial sector remained sluggish. Aggregate bank deposits grew by a mere 2 per cent, the lowest in history for a half-year period. Incremental money multiplier, behaving in a see-saw manner, was high at 3.56 against 2.28 and 3.11 in the preceding two half-year periods.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Oct 07. 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year 1995-96	So Far 1994-95	1994-95	1993-94	1992-93	1991-92
				Latest	Previous						
All Commodities	100.0	297.0	0.2	8.1	8.9	4.1	6.3	10.4	10.8	7.0	13.6
Primary Articles	32.3	305.3	-0.4	7.0	10.2	4.6	10.2	12.7	11.5	3.0	15.3
Food Articles	17.4	335.7	-0.8	3.6	9.8	6.9	15.6	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	325.3	0.3	13.5	12.2	0.5	2.3	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	5.3	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	294.6	0.5	10.8	8.2	4.7	4.6	10.7	9.9	7.9	12.6
Food Products	10.1	284.1	0.7	4.3	6.5	4.3	8.0	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	316.7	-0.3	3.8	8.7	6.0	13.0	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Oct 07, 1995)	100.0	293.3	-	9.8	10.1	9.0	10.9	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	315 ^b	0.6	10.9	10.9	7.5	6.4	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244 ^a	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1405 ^b	1.3	14.1	10.6	8.1	4.8	10.6	11.6	0.7	21.9
* for 1994-95										

Institution	1994-95		1993-94		1992-93		1991-92		1990-91		1989-90	
	S	D	S	D	S	D	S	D	S	D	S	D
	Assistance Sanctioned (S) and Disbursed (D) by all Financial Institutions (Rs crore)											
All India development banks (excluding SIDBI)	44597.9	21800.1	26323.6	15449.0	18145.4	11759.7	13643.0	9075.7	11990.7	7350.9	11196.4	6441.1
Institutions assisting small-scale industries:												
SIDBI	3314.8	2478.4	2086.0	1778.7	1518.1	1291.2	1357.2	1181.8	1213.6	1094.6	..	..
State-level institutions:	2708.8	2314.6	2845.6	2282.9	2988.4	2252.1	3199.3	2215.5	2687.6	1869.1	2177.0	1692.1
SFCs	1808.2	1579.0	1909.4	1568.0	2015.3	1557.4	2190.3	1536.8	1863.9	1270.8	1511.0	1154.6
SIDCs	900.6	735.6	936.2	714.9	973.1	694.7	1009.0	678.7	823.7	598.3	666.0	537.5
Investment institutions, total (UTI, LIC, GIC)	9138.6	6051.8	9889.9	7001.7	10753.9	7711.2	4786.0	3341.5	2414.7	1404.0	1956.0	1500.3
of which: UTI	6910.1	4529.6	7601.9	5937.4	9104.8	6229.8	3013.5	2127.2	1413.7	830.2	1166.6	865.5
Specialised financial institutions	364.5	244.9	195.6	116.6	159.0	92.9	133.2	74.5	107.0	57.9	75.7	27.3
Total, by all Financial institutions	60124.6	32889.8	41340.7	26628.9	33564.8	23107.1	23118.7	15889.0	18413.6	11776.5	15405.1	9660.8
Data are adjusted for inter-institutional (all-India and state-level) flows												

Index Numbers of Industrial Weights Production (1980-81=100)	May 1995	Fiscal Year So Far		Average for Full Fiscal Years						
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	
General Index	100.0	256.3	255.8(14.2)	224.0(7.4)	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)
Mining and Quarrying	11.5	251.3	241.7(14.4)	211.2(2.4)	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)
Manufacturing	77.1	243.6	245.5(14.7)	214.1(8.3)	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)
Electricity	11.4	347.3	339.1(11.5)	304.0(7.0)	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)

Capital Market	Oct 20, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3514(-17.9)	3444	4282(56.4)	3015	3557	3233	4604	3261(-13.7)	3779(65.7)	2281(-46.8)
National Index (1983-84=100)	1593(-21.5)	1573	2029(54.2)	1482	1691	1572	2176	1606(-12.2)	1830(79.2)	1021(-48.1)
BSE-200 (1989-90=100)	352(-27.3)	349	484(51.7)	336	385	360	497	368(-18.2)	450(92.3)	234(-60.0)
NSE (Nov 3-21, 1994=100)	77(-22.2)	76	99*	72	83	-	-	79	-	-
* For November 23, 1994.										

Foreign Trade	August 1995	Cumulative for Fiscal Year So Far		Full Financial Years					
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	
Exports: Rs crore	8029	38676 (28.2)	30157 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)	
US \$ mn	2543	12302 (27.9)	9613 (10.6)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)	
Imports: Rs crore	9236	44889 (37.4)	32662 (16.4)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)	
US \$ mn	2926	14278 (37.1)	10412 (16.4)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)	
Non-POL US \$ mn	2393	11625 (42.7)	8149 (26.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)	
Balance of Trade: Rs crore	-1207	-6213	-2505	-6375	-3259	-9687	-3809	-10640	
US \$ mn	-382	-1976	-798	-2018	-1039	-3345	-1545	-5930	

Foreign Exchange Reserves (excluding gold)	Oct 13, 1995	Oct 14, 1994	Mar 31, 1995	Variation Over							
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	64238	59824	66028	3441	4414	-1791	12198	18402	27430	5385	10223
US \$ mn	18873	19156	20816	-95	-283	-1943	3980	5640	8724	731	3383

Money and Banking

Monetary Variables	Outstanding	Half Yearly Variations					Full Financial Year Variations			
	as on Sept 29 1995	Apr 95 Sept 95	Oct 94 Mar 95	Apr 94 Sept 94	Oct 93 Mar 94	Apr 93 Sept 93	1994 95	1993 94	1992 93	1991 92
Rupees crore										
Money Supply (M ₁)	549786	18984	51938	26679	56661	16646	78617	73307	50916	50359
		(3.6)	(10.8)	(5.9)	(14.3)	(4.4)	(17.4)	(19.3)	(15.5)	(18.1)
Currency with the public	107238	6449	15177	3429	10417	3753	18806	14170	7111	8111
		(6.4)	(18.0)	(4.2)	(14.6)	(5.5)	(22.9)	(20.9)	(11.7)	(15.4)
Deposits with banks	437832	11199	36621	22335	45524	12401	58956	57925	43377	42037
		(2.6)	(9.4)	(6.1)	(14.1)	(4.0)	(16.0)	(18.7)	(16.3)	(18.7)
Net bank credit to government	235924	13508	13811	2107	13864	14858	15918	29262	18657	17206
		(6.1)	(6.6)	(1.0)	(7.2)	(8.4)	(7.7)	(16.5)	(11.8)	(12.2)
Bank credit to commercial sector	298392	8737	36368	8623	20119	-2972	44991	17161	30187	18582
		(3.0)	(14.4)	(3.5)	(9.0)	(-1.3)	(18.4)	(7.5)	(15.3)	(10.4)
Net foreign exchange assets of the banking sector	73067	2857	7702	15596	23741	3933	23298	27668	3726	10645
		(3.8)	(11.3)	(29.6)	(82.2)	(15.8)	(44.3)	(110.9)	(17.5)	(100.5)
Reserve Money (RM)	174616	5337	22777	7830	34282	-6389	30607	27893	11274	11726
		(3.2)	(15.5)	(5.6)	(32.8)	(5.8)	(22.1)	(25.2)	(11.3)	(13.4)
Bankers' deposit with RBI	59028	-2190	7033	3434	7611	5000	10467	12611	3258	3059
		(3.6)	(13.0)	(6.8)	(17.6)	(13.1)	(20.6)	(33.1)	(9.3)	(9.6)
Net RBI credit to government	108196	6718	12749	10571	5090	5941	2178	851	4433	5168
		(6.6)	(14.4)	(-10.6)	(4.9)	(6.0)	(2.2)	(0.9)	(4.7)	(5.8)
of which to Centre	107627	8714	10472	-8342	7623	7883	2130	260	4257	5508
		(8.8)	(11.8)	(-8.6)	(7.3)	(8.2)	(2.2)	(0.3)	(4.6)	(6.3)
RBI credit to banks and commercial sector	17754	2309	7628	439	229	-3880	8067	-4109	3743	-3987
		(11.5)	(61.3)	(3.7)	(1.9)	(-24.1)	(67.2)	(-25.5)	(30.3)	(-24.4)
o/w to banks (incl NABARD)	11214	2256	7534	385	388	-3946	7919	-4334	4783	-4905
		(16.7)	(126.9)	(6.9)	(6.5)	(-39.9)	(142.7)	(-43.8)	(93.7)	(-49.0)
Net forex assets of RBI	71863	2857	7702	15596	24842	3933	23298	28775	3809	10855
		(3.8)	(11.5)	(30.3)	(93.5)	(17.4)	(45.3)	(127.1)	(20.2)	(136.0)
Net non monetary liabilities of RBI	25442	3919	5568	-2244	213	2422	3324	-2209	831	393
		(13.3)	(33.4)	(-8.6)	(0.8)	(8.6)	(12.8)	(-7.8)	(3.0)	(1.5)
Net domestic assets of the RBI	102753	8194	15075	-7766	9440	10322	7309	-882	7465	871
		(8.7)	(19.0)	(-8.9)	(12.1)	(-0.1)	(8.4)	(-1.0)	(9.3)	(1.1)
In percentages (except money multiplier)										
Monetary Ratios										
End Period										
Currency/Aggregate deposits		24.5	23.6	21.9	22.3	22.2	21.9	19.5	18.1	18.5
Currency/M ₁		19.5	19.0	17.8	18.1	18.1	17.9	16.3	15.3	15.8
Aggregate deposits/M ₁		79.6	80.4	81.4	81.3	81.4	81.8	83.5	85.0	84.9
Money multiplier M ₁ /RM (in multiples)		3.15	3.14	3.27	3.26	3.79	3.42	3.75	4.34	4.29
As proportion to domestic credit*										
(a) Net bank credit to government		44.2	43.4	45.2	45.8	46.2	43.4	45.8	43.8	44.6
(b) Bank credit to commercial sector		55.8	56.6	54.8	54.2	53.8	56.6	54.2	56.2	55.4
Incremental										
Currency/Aggregate deposits		57.6	42.0	15.4	22.9	30.3	31.9	24.5	16.4	19.3
Currency/M ₁		34.0	29.6	12.9	18.4	22.5	23.9	19.3	14.0	16.1
Aggregate deposits/M ₁		59.0	70.5	83.7	80.3	74.5	75.0	79.0	85.2	83.5
Money multiplier M ₁ /RM (in multiples)		3.56	2.28	3.41	1.65	2.61	2.57	2.63	4.52	4.29
As proportion to domestic credit										
(a) Net bank credit to government		60.7	27.5	19.6	40.8	125.0	26.1	63.0	38.2	48.1
(b) Bank credit to commercial sector		39.3	72.5	80.4	59.2	25.0	73.9	37.0	61.8	51.9
* Domestic credit is the total of net bank credit to government and bank credit to commercial sector										
Scheduled Commercial Banks										
Rupees crore										
Aggregate deposits	394707	7848	34206	19424	41472	10672	53630	52144	39017	37294
		(2.0)	(9.7)	(5.8)	(14.2)	(3.8)	(16.1)	(18.6)	(16.1)	(18.2)
Demand deposits	70243	-6660	12297	3231	14242	-6775	15528	7467	2168	11218
		(8.7)	(19.0)	(5.3)	(30.2)	(-12.6)	(25.3)	(13.9)	(4.2)	(27.7)
Time deposits	324464	14508	21909	23545	19878	17447	45454	37325	36849	26076
		(4.7)	(7.6)	(8.9)	(8.1)	(7.7)	(17.2)	(16.4)	(19.4)	(15.9)
Total advances	219095	7535	33752	6886	14708	-3142	40638	11566	23757	12164
		(3.6)	(19.0)	(4.0)	(9.4)	(-2.0)	(23.8)	(7.3)	(17.5)	(9.9)
Food credit	12606	331	1281	1560	585	2106	2841	2691	2073	164
		(2.7)	(11.7)	(16.5)	(6.6)	(31.2)	(30.1)	(39.9)	(44.4)	(3.6)
Non food credit	206489	7204	32471	5326	14123	-5248	37797	8875	21684	12000
		(3.6)	(19.5)	(3.3)	(9.6)	(-3.4)	(23.4)	(5.8)	(16.6)	(10.1)
Investments	156190	6937	1494	12471	18974	9667	13965	28641	16820	13751
		(4.6)	(1.0)	(9.2)	(16.3)	(9.1)	(10.3)	(26.9)	(18.7)	(18.1)
In Percentages										
Credit/Deposit ratio										
End Period		55.5	54.7	50.4	51.3	53.5	56.7	52.2	61.1	61.2
Incremental		96.0	98.7	35.5	35.5	-29.4	75.8	22.2	60.9	32.6
Investment/Deposit ratio										
End Period		39.6	38.6	41.9	40.6	39.9	37.9	40.7	36.5	34.6
Incremental		88.4	4.4	64.2	45.8	90.6	26.0	54.9	43.1	36.9

Monetary data are based on March 31 figures both for RBI and scheduled commercial banks after closure of government accounts

Notes: (i) Superscript numeral denotes month to which figure relates e.g. superscript 7 stands for July (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year

Learning and Money

Children as Pawns in Dependency Game

Krishna Kumar

A consensus of interests has emerged inspiring everyone concerned to believe that the new money available for primary education is a sign of change of heart among the wealthy and that it represents a rare opportunity for us to break the cycle of poverty, child labour, lack of education and poor productivity.

DEPENDENCE on foreign resources for expansion and improvement of primary education, and privatisation of higher education are two salient features of the emerging educational policy. Considering that neither has systemic precedence, together they can be said to form the real and 'new' educational policy replacing the much-publicised National Policy document of 1986. It is not as if 1986 was too early to foreshadow the impending. On the contrary, plans for large-scale induction of foreign resources – both funds and expertise – were already afloat and international consultants knew what was cooking in the oven of development business. In retrospect it looks as if it was all a coincidence, but such a view can only be superficial though it has the merit of being consolatory. As far as India is concerned, it is clear that in the years during which the Jomtien conference (March 1990) on 'Education for All' (EFA) was being planned, details of the social safety network were also being worked out to be revealed to the innocent after the announcement of the structural adjustment programme (SAP). Jomtien is now referred to as a turning point at which the attention of the wealthy nation-states was forced upon the plight of the poor, especially the latter's children. No one now needs to be told that Jomtien was merely the venue of a public ceremony at which the poor were introduced into the nasty new world of post-cold war capitalism. For India, Jomtien was the beginning of a structurally adjusted political economy of education. It is hardly surprising that policy documents of the 90s mention Jomtien rather than the Indian Constitution as the origin of the concept of universal schooling. To expect that Gokhale or Tagore might have formed relevant references is to be too arcane and hopelessly 'swadeshi' which only the RSS can afford to be.

Let us realise that there is nothing startling for us to discover in the new economy of primary education, simply because the government has by itself revealed it all. The document titled 'Education for All', published by the government on the occasion of the so-called summit (must heads of states

remained absent) of nine high-population countries (Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria, and Pakistan) held in December 1993, states with transparency. "The concept of comprehensive district-based projects came of age with the launching of the District Primary Education (DPEP) – the primary education component of the Social Safety Net Adjustment (credit financed by IDA)" (sic).¹ True, these words were written for a clientele consisting mainly of educationists who have little interest in the meaning of words like 'adjustment' and 'social safety'. Individuals who might be familiar with the history of IDA funding and its aftermath in Africa and Latin America have been marginalised, in any case, as part of the fashioning of the new ideological state apparatus of education. If the new class of professional experts and assistants serving education were to be told that 'social safety' really means discouraging political turmoil expected as a result of the 'adjustment', and 'adjustment' means getting ready for deeper penetration by advanced capitalism, they will find this kind of decoding quite uninteresting. Bureaucrats are, of course, aware of these meanings, but their roles and positions do not permit them to acknowledge this awareness, let alone use it to steer policy. Many politicians too know these meanings, but they privately acknowledge the futility of efforts to stem the force of new economic agendas. Thus, a consensus of interests has emerged, inspiring everyone concerned to believe that the new money available for primary education is a sign of change of heart among the wealthy and that it represents a rare opportunity for us to break the cycle of poverty, child labour, lack of education and poor productivity.

It is noteworthy that in the army of educationists and pedagogues currently under recruitment across the country, members of non-government organisations (NGOs) have a very special place. Jomtien diction recognises NGOs as 'prime delivery mechanisms'. That the NGOs could provide a valuable intermediary class, having links with bureaucratic and industrial elites on

one hand and the downtrodden on the other, is certainly one attraction. But a more palpable reason to recruit them as agents of state-sponsored programmes is that it protects them against the tendency to get politicised in the course of working for the poor. NGOs working for women and children have presented plenty of examples of this tendency in the recent past; the process of induction in well-funded (read foreign-funded) state programmes discourages this tendency. Moreover, NGOs impart a pluralistic character to development, masking its monotonic, ideological roar which has become increasingly unbearable since the 70s when Doris Lessing recorded it in her *Summer before the Dark*.² The young, often highly sensitive and professionally competent members of NGOs, need to be brought into the international business of development and socialised into the culture of sponsored work, or else they might lend their weight to social and political forces impeding development work, for instance in the case of Narmada dams. It is time we recognised that NGOs are conceptually a part of the state apparatus, not outside it, practically, there may be substantial resistance among NGOs to being co-opted.

Foreign loan and aid for primary education now constitute a significant part of the social safety network – a euphemism used for maintaining the facade of the welfare state while it is being demolished and reassembled into a commercial agency state serving global capitalism. Foreign-assisted projects like the DPEP have a scale unprecedented in the history of social programmes assisted from outside. The DPEP started in 43 districts, within the Eighth Plan period, it will spread to 110 districts, and the number will more than double soon thereafter. The kind of money it provides for at the district level implies an enhancement of five times or more of customary spending. The fact that donor agencies are not sure about the district-level machinery's ability to spend this much more money is best reflected in terms like 'capacity building' and 'accountability' which dot programme documents more than any other technical terms. As it happens, district-level proposals were written according to the format provided by the donor agencies themselves, and monitoring by foreign experts and consultants continues to be followed as a norm a little too visibly under the cover of decentralised planning and self-monitoring. The excess money presents an all too real, and in certain states already manifest, risk of soaking the new Panchayati Raj to its roots in corruption. There is also the risk of creating heavy liabilities for the future. Is the creation of such liabilities a part of the scenario of engineered indebtedness and political

vulnerability? Wadi Hadded, World Bank's representative to the UN, offers us the basis for precisely this question when he says that an aid-receiving country "needs a level of expenditure in the next decade or two that may not be self-sustainable, in order to reach the higher levels of development in subsequent decades, when it then (sic) will be able to sustain such expenditure on its own".¹

It is clear that to believe in the correctness of the current policy of financial dependency for improvement in primary education one is required to believe in the ultimate promise of structural adjustment itself. The whole package is really a belated structure as Susan George and Fabrizio Sabelli show in their recent book on the World Bank.² On the matter of World Bank's portrayal of a rosy future following the current phase of aid-dependent social programmes such as the DPEP, George and Sabelli correctly ask why the Bank failed miserably to predict the ghastly effects of debt trapping which surfaced in many third world countries during the 1980s. How stark and tragic the effects were in the context of children's welfare formed the focus of UNICEF's report, *The State of the World's Children* in 1989. The report said in surprisingly clear but little noticed terms:

As the social effects of adjust processes become more obvious, it can also be seen that the heaviest burden is falling on the shoulders of those who are least able to sustain it. Over the last decade, for example, the proportion of government expenditure devoted to health has fallen in most countries of sub-Saharan Africa, in more than half the countries of Latin America and Caribbean, and in one third of the nations of Asia. And the cuts have not been marginal. Meanwhile, the proportion of national budgets devoted to the military is approximately 30 per cent higher than total spending on health and education combined.

UNICEF's staff know from first hand experience that in most countries the real cost of such cuts is being paid disproportionately by the poor and by their children. And since 1984 we have been concerned to draw world attention to the social consequences of adjustment policies and to warn that the worst is yet to come.³

Surely we have the right to ask the government how it proposes to sustain high levels of expenditure on primary education after the social safety net provided by foreign help and loan is lifted. So far the government has not presented any plans for the future. Perhaps it is unnecessary to ask such questions when the government has not quite decided how to use the excess funds that have become available. Financial management has proved the most difficult aspect of 'capacity building' not just in the context of foreign funds but even the extra funds provided out of indigenous resources. The failure of Operation Blackboard in the states where it was most needed is a case

in point. The Comptroller and Auditor General's report released earlier this year found glaring deficiencies in the manner in which Operation Blackboard funds were utilised. In Madhya Pradesh, where DPEP has begun in full earnest under the auspices of the Rajiv Gandhi Mission, Operation Blackboard could not proceed beyond the second phase when inquiries into charges of corruption in its handling resulted in stoppage of further utilisation of the funds available under it. That was three years ago.

It is ominous that foreign-assisted primary education has received no systematic critical attention from educational institutions involved in research and professional training. The only critical piece to be published so far is Vinod Raina's in the *Alternative Economic Survey*, which says that the 'real danger' of DPEP lies in its capacity to purge the search for alternatives in education and 'to bring it in line with a homogeneous and globalised world propelled by the market'.⁴ The risk of education being used as a tool of ideological indoctrination is, of course, real, but not as direct and immediate as the one involved in the penetration of the rural hinterland by research methods and data-designs cloaking ulterior motives. It is not for nothing that under the banner of 'accountability', donor agencies are demanding achievement profiles of elementary school children. The emphasis on psychometric surveys and regular reporting on achievement levels attained by every child is a bit too loud for anyone to accept that it reflects a purely pedagogic concern. The language in which, for instance, a World Bank office memorandum talks about the modalities of achievement data is very suggestive indeed.

Modern psychometric techniques will be applied to student learning achievement data and each country will produce a national report describing achievement levels and the distribution of school resources by geographical areas, and types of schools and students provide an analysis of the determinants of student achievement, analyse the effects of any policy changes on learning achievement changes over time and draw overall conclusions. This report should be produced regularly (annually/biannually/triannually). Approximately six months is (sic) required for analysis and report writing. Assistance will be provided for local researchers to conduct secondary data analysis and to publish their results in international refereed journals.⁵

It is hard to imagine that this elaborate data base on our children will have no use other than pedagogic reform. Why is it that one has never heard of such data being collected in developed countries, let alone published regularly? The ineffectiveness of primary education in some of the richest countries of the world, including the US and Canada, has been a frequently reported fact over the recent years but no one has suggested

rigorous maintenance and publication of psychometric data as a remedy. Even the International Association for the Assessment of Educational Achievement (IEA) studies which were carried out in the 70s on limited size samples, were resented by many developed countries. Perhaps the real reason why our young professionals will be trained in psychometric techniques (educational research in India has already suffered enormously by exaggerated emphasis placed on such techniques in the training of researchers) and why our system will be asked to reveal each tiny detail of children's attainment by geographical region is such data can help in the geographical shaping of foreign investments especially in the negotiations for investment potential of different regions.

These are only a few among the many questions we need to ask in order to probe the emerging political economy of primary education. There is, of course, no doubt that the current efforts heavily funded though they are, will fail to stem the rise in child labour and school drop-out rate. Education for All will remain a mere slogan well into the first quarter of the coming century simply because economic compulsions imposed upon us in the post-GATT era can only result in the cheapening of our labour resources and the consequent exacerbation of problems such as child labour and child prostitution. The brave new world of global trading and capital moving at the speed of telecommunications offers no room for compassion and grace for children especially those born in third world countries. The future of learning during childhood looks bleak everywhere simply because advanced capitalism looks down upon the sacredness and specificity of the local milieu which Dewey had celebrated as a principle of sane pedagogy. The only hope there may be for children, especially ours, lies in the future of democratic politics which may reverse the sinister trends set by the structural adjustment programmes.

Notes

- 1 *Education for All: The Indian Scene*, Ministry of Human Resource Development, Government of India, New Delhi, 1993, p. 88.
- 2 Doris Lessing, *The Summer before the Dark*, Paladin, London, 1990.
- 3 Quoted in Kenneth King and Roy Carr Hill, *Changing Patterns of Development Assistance to Basic Education (Phase I)*, paper presented at the International Consultative Forum on Education for All, Unesco, Paris, December 1991, p. 14.
- 4 Susan George and Fabrizio Sabelli, *Faith and Credit: The World Bank's Secular Empire*, Penguin, London, 1994.
- 5 *The State of the World's Children 1989*, Unicef, OUP, Oxford, 1989, pp. 16-17.
- 6 Vinod Raina, 'Elementary Education: A Donor Driven Agenda' in *The State of India's Economy 1994-95*, Public Interest Research Group, New Delhi, 1995, pp. 83-85, p. 85.
- 7 World Bank Office Memorandum from Marlene E. Lockheed, March 12, 1991.

Total Literacy Campaign in West Bengal: An Appraisal

Tushar Mukherjee

The post-literacy programmes have been unable to address the predicament of fragile standards of literacy achieved under the total literacy campaigns.

AFTER Kerala, West Bengal perhaps is the only state which is relentlessly marching towards total literacy. Out of 18 districts, 16 have already come under the literacy campaign and the other two – North Dinajpur and Darjeeling – are likely to join the rest very soon. As per a state government handout published on the eve of International Literacy Day on September 8, 1994, eleven districts have already completed the first phase of the campaign with varying degrees of success and have embarked upon the post-literacy stage. Out of eleven, however, only four districts, viz, Burdwan, Birbhum, North 24-Parganas and Hooghly, could achieve 80 per cent or more rate of literacy among their target groups and could claim to be a literate district as per norms prescribed by the National Literacy Mission (NLM), the governing body of our national literacy efforts. A few more districts, nonetheless, have declared themselves fully literate on the basis of other criteria. Most notable of them were Midnapore and Bankura which had achieved 51.24 per cent and 6.29 per cent rate of literacy among their target groups, respectively. In total terms, out of 13.57 million brought under the campaign, 6.61 million persons have already been made literate. This is no mean achievement, although it falls far short of the expected outcome.

The NLM has been regularly bringing out reports entitled, 'Status Report of Literacy and Post Literacy Campaigns'. These reports have been compiled up to November 1994, on the basis of:

- (1) Monthly progress reports submitted by different zilla saksharata samities (ZSS) in the proforma prescribed by the NLMA;
- (2) Consolidated reports from state adult education directorates;
- (3) Feedback received from the state chief secretaries/education secretaries in response to letters addressed by the government of India;
- (4) Visit reports of NLMA members and departmental officers;
- (5) Internal and external evaluation reports received from time to time.

On perusal of a report which describes status of various districts both for literacy and post-literacy between the period from December 1993 and February 1994, it appears that none of the districts could record progress and did not feel it necessary to send any report to the NLM. The current achievement percentage of various districts, according to the report, is: Burdwan-87.5 per cent, Birbhum-82.8 per cent, Bankura-73 per cent, Hooghly-71 per cent, North 24-Parganas-62.2 per cent, Cooch-behar-54.9 per cent, Midnapur-52.1 per cent, Murshidabad-44 per cent, and South 24-Parganas-21.2 per cent.

It is therefore certain that, except for Burdwan and Birbhum, none of the districts were entitled to declare themselves as fully literate districts. Nonetheless, they have declared themselves literate and with more than necessary fanfare. The claim of Birbhum was however hotly contested by a study conducted by the redoubtable Indian Statistical Institute, Calcutta which was not at all ready to ascribe more than 50 per cent achievement rate after conducting a sample survey by a team of experts. There is also some confusion about the claim made by Burdwan district. Final evaluation of learners in the district was done in April 1991 while decadal census operation was completed in March 1993. The latter revealed a literacy rate of only 62.7 per cent, far short of the claim made by the district. The district stated that learners covered by them were excluded from the number of literates shown in the census data. This is difficult to accept in view of the fact that Burdwan and Midnapur, which started the total literacy campaigns (TLCs) almost simultaneously, recorded phenomenal decadal literacy growth rate of 12.6 per cent and 17.7 per cent, respectively, indicating positive impact of TLC on the literacy rate. While Midnapur acknowledged, Burdwan did not.

Deficiencies in the TLC become more compounded when post-literacy scenarios of the 'literate districts' are taken into account. In the words of NLM report referred to above, "The reporting status of post-literacy projects is also far from

satisfactory. Only three reports were received against seven ongoing projects. The situation in Midnapur appears to be in deplorable condition. In Burdwan, out of 10.49 targeted neo-literates, 6.45 lakh have completed post-literacy (PL) phase while Hooghly did not send any report since the project was sanctioned in May, 1992."

Post-literacy in West Bengal is in fact an euphemism for extended TLC because the major task of this phase is consolidation of literacy with the help of a 3rd primer which was originally designed for inclusion in the literacy phase as per IPCL methodology. The competencies recommended by the NLM did not anticipate a fragile level of literacy which could be of no use unless backed by so-called post-literacy efforts. Hence, the word 'neo-literate' bandied about in the post-literacy projects are myths and only half-literate persons were produced everywhere at the conclusion of TLCs. If this is the fact then we may surmise that lakhs of neo(half)-literates have reverted to illiteracy due to failure of the post-literacy projects. Even in case of Burdwan which has some PL records to show, more than four lakh neo-literates could not be brought under the post-literacy umbrella and were lost from the total achievement of the district.

The Arun Ghosh Committee which evaluated literacy campaign in India has pointed out serious lapses in external evaluation methodology and has in fact branded them unreliable in view of their deficiency in terms of coverage, sample design, size of samples and in the estimate procedure adopted to arrive at district level estimates. Since all the TLC districts of West Bengal suffer from all the deficiencies mentioned by the Ghosh Committee, the estimates of the state in the campaign need drastic discounting.

TLC is claimed to be superior to former project-based literacy schemes. The most important argument in favour of TLC is that it is cost effective and cheapest literacy programme of the country. Cost per learner in former RFL projects was around Rs 80. The cost calculation for TLC is given in Table 1. It appears that barring Burdwan and Birbhum, remaining 5 districts have exceeded the per learner cost of RFLP although above cost structure did not include expenditure incurred from local resources which may run into several lakhs in every district. Moreover, the RFLP was run by honoraria-paid volunteers whereas in TLC any kind of remuneration was strictly prohibited. If, however, we calculate the cost-equivalent of the labour of voluntary instructors even at the rate paid to the RFLP volunteers (@ Rs 100 per

month), then the cost would far exceed the per learner cost under RITP

BASIC DEFICIENCIES

In the background of none too happy performance of the TLC both in terms of achievement and in terms of cost effectiveness it would not be out of place to examine the process through which the campaign has been run so as to find out if there was any conceptual or structural deficiencies in the whole system which rendered this wholly plausible and achievable method of literacy campaign somewhat off the track.

First of all it must be loudly proclaimed that the campaign method as against project method adopted earlier is the only method through which huge backlog of illiteracy can be removed. In all the developing countries which have recorded phenomenal success in eradicating illiteracy campaign method based on voluntary participation was adopted with excellent results. Kerala having moderate success introduced the method in India after borrowing the concept from successful developing countries. NLM has more or less tried to adopt the Kerala model and there is no reason why West Bengal, which also drew its inspiration from Kerala directly and well before NLM adopted the method should not be as successful. To find out the reasons of TLC performance it is necessary to examine a few basic features of the campaign mode and see how far those features were in operation in West Bengal.

Centre based vs Learner based. The most important basic feature was substitution of centre-based teaching learning process with learner based process. In the former system emphasis was given to establishment of literacy centres where learners would be brought almost a replication of formal school system. Lesson learnt was that centres were established but learners did not come. There were a number of reasons. The most crucial among them was that the centre and its timetable did not suit the convenience of the learners, exactly for which children do not attend primary schools. Campaign method underscored the importance of learners their convenience their priority and their preference for learning places. And also the learning time. Hence the voluntary teachers (VTs) were instructed to meet the allotted learners first and then fix up learning time and venue. But in most of the TLC districts these plans remained on paper only and the old-type centres were organised. The only difference this time was that these TLC centres were inconveniently located in places where anything but learning took place. In fact learning environment in TLC centres was worse than earlier project type centres.

Learner VI Ratio. The second feature was that number of learners per teacher should be as little as possible on the assumption that PLCT primers need more intensive and personal coaching so that end of lesson workouts and periodic self-evaluation did actually take place under the watchful eyes of the teacher. In almost all the districts of West Bengal number of learners per centre varied from 10 to 15 precluding any chance of intensive teaching learning process and closer teacher learner relationship. TLC learning groups were not only disparate they were also forced to come from places far from their hearth and home in semi-illuminated ambience much below minimum comfort level. The ideal situation would have been to appoint a VT from a family who could cover his/her own family members of 2/3 persons and a few more from amongst his/her close relatives so that s/he can choose any venue and instructional hours as may be convenient to the learners. This micro level nuclear learning groups are highly motivated to learn seriously and complete the lessons uninterrupted which is otherwise impossible as has been found in most districts to the utter frustration of the TLC managers.

Universal Participation. The third and the most important feature of any secular and non-partisan campaign was unreserved participation of the entire community irrespective of political, social, economic and communal divergence. In West Bengal however the ruling elite could seldom rise above the sectarian political cocoon and embrace with open hands all other political forces even their own political allies. Assistance of NGOs wherever extended was disdainfully refused.

Environment Building. The NLM has made liberal provisions for environment building (EB) and most TLC districts were flush with EB funds. But these funds were more misused than used. There was a stiff competition among various districts to churn out novel 'fancy' 'culture specific' motivational programmes suitable to the local needs. Posters, hoardings, stickers and folders with multi-colour pictures abounded as were video films on literacy and even films. All they could do was to start a debate among the officials and non-officials engaged in TLC to compare relative merits and find out which district scored better. While road side posters and hoardings gave a sense of elation among the district-level organisers the literate passers-by looked amusingly at them and contrived a number of popular jokes. The hapless illiterates for whom they were meant primarily could only stare vacantly at them and count the enormity of expenses that might have gone behind those materials. Cultural 'jathas' offered temporary employment to groups of

budding artistes and gave them captive audiences which otherwise they would not get. There was indeed a 'cultural revolution' throughout the state with literacy as focus point but audiences were largely rural (into urban elites who would come in droves with their families to see their loved one flourishing on the stage for the first time courtesy some benevolent organisers of TLC). Prospective learners remained conspicuously absent because they had hardly any time to spend an evening on non-productive purposes. Nor was there an conscious attempt to make them participatory or to find out the impact of such programme on the campaign. Knowing that such programmes have limited utility, NLM nonetheless promoted such groups of artists only to give themselves an aura of respectability which association with piecemeal cultural organisations normally bestow. Similarly the rich crop of video film remained collectors' delight and score competition points among the districts. But they were seldom used in motivational campaigns due to non-availability of video sets in remote rural areas. Even when such contraptions were available through the good offices of local video parlours, the showrooms were crowded more with the organisers and their admirers than with the learners. Moreover the small screens with over used VCP/VCRs could not present attractive spectacles to communicate simple messages much less motivate.

Survey. The fifth basic feature of TLC was comprehensive survey of the population to find out actual illiterate population in the 9-50 age group not delineated in the census, to find out prospective learners and also to find out peoples who are willing to take up various jobs necessary for launching of the campaign. The survey during which organisers would have the first opportunity to interact with prospective learners directly was also deemed to be the starting point of motivation campaign. Although this idea came late in the day and there were no guidelines from the NLM or state authorities.

TABLE I. DISTRICTWISE COST PER LEARNER FOR TLC

Name of the District	Amount Spent (in Lakh)	No of Persons Made Literate (in Lakh)	Cost/ Learner (Rupees)
Midnapur	900	8.58	104.90
Burdwan	500	9.87	50.63
Hoochly	483	5.73	84.20
Birbhum	335.36	6.08	55.15
Bankura	439.05	4.99	87.98
North 24 Parganas	558.70	6.22	89.82
Cooch behar	346.50	2.95	117.47

to consider survey as a springboard for motivation campaign, enlightened and all-knowing heads of district literacy campaigns should have thought it ahead of others. Paradoxically survey which should have been utilised as the formidable initial tool for launching TLC, it was done in most perfunctory manner. As a result, findings of the survey not only could not produce expected by products to help the campaign, it failed to achieve its primary objective of estimating the number of illiterates required to be covered by the campaign. In at least two districts North 24-Parganas and Howrah survey has had to be conducted repeatedly to bridge the yawning gap between the survey figures and figures available through interpolation of census data. Table 2 shows the extent of discrepancies in selected districts.

While estimation based on 1991 Census was calculated by me using age-wise proportion of 1981 Census the survey figures were quoted from the status report referred to earlier. Astonishingly, estimations calculated by me and estimation done in individual project furnished by the districts to the NLMA for funds were similar to a large extent thus lending authenticity to my calculations. Unfortunately, most of the districts later retracted their estimations based on the survey conducted by them. While cases like Burdwan, Midnapur, Hooghly, Birbhum and Bankura can be accepted as natural as they had to exclude 51-59 age group from their earlier estimation and some differences between census and survey is plausible in remaining cases differences are too big to be accepted without further investigations. The TLC districts of North and South 24-Parganas and Howrah have adopted an intriguing approach towards these statistical *faux pas*. While North 24-Parganas straightforwardly discarded the census statistics on literacy and held its own survey faultless, Howrah did not offer any reason for retracting its earlier estimation based on their own survey which found illiterate population to be around 6.5 lakh, somewhat nearer to our estimations. There ensued a long debate between the NLMA and the above two districts who got their funds sanctioned on the basis of greater number of illiterates mentioned in their project reports. In both the cases the NLMA had to relent thus giving a free hand to the district literacy committees to judge the vital statistics. Minor implication of such discrepancies were that the district literacy authorities of North 24-Parganas were saddled with about 4 lakh primer I which they had printed on the basis of their earlier estimation but found no takers and had, therefore, serious problem of disposal. This problem was also faced by the Birbhum TLC authorities who had to dispose of

more than 2 lakh primers to some other districts who had adopted TLC later.

But the serious implication lies elsewhere. To begin with let us quote verbatim from the status report (July, 1994) of the DAE. It states "North 24 Parganas (TLC) was sanctioned in January 1991 to cover 17 lakh illiterates in the age-group 9-50. Against the proposed coverage of 17 lakh, the survey results showed 10 lakh illiterates and all learners were enrolled out of whom 6.72 lakh learners achieved level II." Now, in West Bengal level II is equivalent to competencies prescribed for full NLM norms and is therefore entitled to declare the learners as literates. The district indeed declared itself fully literate with much fanfare. Now, if the district indeed had an illiterate population of 17 lakh, or even 15/16 lakh as estimated by us the percentage of illiterate person made literate would come down to 39.5 per cent for 17 lakh illiterates and 48.8 per cent in case we accept our calculation of 15 lakh. In no case it could be 82 per cent as claimed by the district. Besides this, the status report itself mentions two figures of 67.2 per cent and 82 per cent, the former calculated from the simple arithmetic of 6.72 lakh learners achieving level II out of 10 lakh enrolled and the latter available from external evaluation report. The DAE status report did not however explain this discrepancy.

The implication is that almost 8 to 10 lakh illiterate persons remained uncovered even after the district was declared fully literate. There would be no literacy efforts for them in the foreseeable future at least till the ZSSs rule the roost. Similar is the case with Howrah and some other districts. This phenomenon would continue to haunt us till the 2001 Census but then most of us would not be here to witness the confusion. To the question of whether these discrepancies between plausible figures and survey results were natural or deliberate some diehard critics of TLC told me that illiteracy figures were kept deliberately low with a view to show maximum achievement in the rat race among the district collectors. While it would be improper to be swayed by such cynical apprehensions of diehard critics, there is need for further investigation into this weird phenomenon. Admitting that census figures are not sacrosanct, the survey results cannot be accepted without a pinch of salt. There is no reason to believe that data thrown by survey were more accurate to the census data if we look at the manner in which the surveys were conducted in various TLC districts. In most cases no systematic training was given to the survey enumerators and there was neither proper supervision of their work nor any cross-checking was done to evaluate the reliability of the data collected by the voluntary enumerators. Moreover, the poor

machinery of TLC survey could not match those of the census operations which not only have experience and expertise in these kinds of works but also have an elaborate machinery for training and cross-checking. Yet the literacy data of the census is suspect because it has a very simple definition of 'literate' person and was liberal in enumerating a person literate. Logically the TLC surveys should have found more illiterates. But the reverse has happened. All these factors portend ill for our literacy status and put a legitimate question mark on the achievement of the campaign.

POST LITERACY

The factor which undid the TLC was the post-literacy phase. The concept of post-literacy is peculiar to India and has been in vogue since the beginning of literacy campaigns in the country from the 1950s. Bureaucratically, it was well conceived and planned and ritually followed literacy campaigns. For the planners of TLC, however, the idea of post-literacy did not occur initially and it was added as an afterthought. As a result no uniform post-literacy strategy was developed by the NLMA till recently. West

TABLE 2 DISTRICTWISE ILLITERATES ACCORDING TO CENSUS AND TLC SURVEY

Name of the District	(in lakhs)	
	No of Illiterates in 10-59 Age Group (1991 Census)	No of Illiterates in 9+ 50 Age Group as per District Survey
Howrah	9.58	4.64
North 24 Parganas	16.19	10.00
South 24 Parganas	17.63	13.48
Nadia	12.15	7.75
Murshidabad	20.02	12.73
Malda	11.55	5.32
Burdwan	14.89	12.00
Hooghly	9.08	8.03
Midnapur	17.18	16.46
Cooch behar	7.90	5.37
Bankura	9.05	7.43
Purulia	8.44	5.74
Birbhum	9.02	7.30

TABLE 3 STATUS OF POST LITERACY PROGRAMMES IN WEST BENGAL

Name of the District	Proposed No of Neo Literates	Actual No Enrolled	Actual No Attending
Burdwan	10.89	8.03	1.45
Birbhum	6.04	4.96	4.68
Bankura	5.00	NA	NA
Midnapur	8.58	3.46	3.36
Cooch-behar	2.95	0.83	NA
North 24 Parganas	8.92	8.06	4.05

Bengal has however drawn up a strategy quite early but could not enforce the same on the ZSSs who on the plea of having an independent post-literacy policy undertook some patchy programmes having little impact on the overall literacy situations in their respective areas.

The concept of post-literacy is not only unique but it appears to be a deception. Literally, post-literacy can mean anything taken up after the literacy phase but in practice it is continuation of the literacy phase as stated earlier. If the norms recommended by the NLM are achieved during the literacy phase itself as it should have been, 90 per cent of the objectives set out in the so-called post-literacy programmes would become redundant. Post-literacy would then turn out to be 'continuing education' programme, which is an essential input of any literacy campaign worth its name. But none of the TLC districts could bring their learners to levels prescribed by the NLM. TLCs produced extremely fragile levels of literacy which cannot survive even for a month in the absence of continuing programmes of literacy. The expert group headed by Arun Ghosh was candid when it stated, "There is a real fragility in literacy achievements and thus very serious problems of relapse of neo-literates even in districts where there have been successful TLCs". According to S Banerji, "There are two aspects of the problem. One, the possibility of relapse into illiteracy after a certain period. Two, the inadequate acquisition – or even complete absence – of the skills of literacy among those who had been learning under the TLCs during the last two or three years" [Banerji 1994]. While the former aspect could be remedied by providing arrangements for continuing education through supply of adequate numbers of reading materials and development of library services or even by organising distant learning courses, the latter has no known remedy other than extending the literacy phase till all learners learn adequately. That TLCs of West Bengal suffer from the second problem is borne out by the contents of thousands of post cards mailed by the 'neo-literates' to the district and state authorities, by the answer-scripts of both internal and external evaluations and by examination of the primers themselves where the learners have left indelible evidence of their learning standards. Furthermore, the question papers set by various districts, both for internal and external evaluations, have been much below the NLM norms and guidance given to the examiners diluted the norms even further. Now, a learner achieving 70 per cent of these questions with a liberal marking system could ensure only self-congratulatory outcomes which could hardly form the basis of declarations.

Banerji, who has done considerable field work in West Bengal could not therefore ignore the 'fears about this fragility' when he remarked that, "In fact, fears about this fragility had been expressed all these years by several observers who questioned the tall claims of 'total literacy' made by the target-obsessed bureaucrats of the HRD ministry keen to sweep the 'fragility' under the carpet. Allegations about fudging of figures to claim total literacy, misgivings about the mode of evaluation of literacy programme and examination of learners, complaints about administrative pressures to reach the target – all these had been expressed both by academicians and journalists who visited some of the districts under TLCs" [Banerji 1994].

Knowing well these problems but lacking the courage to express, the enlightened bureaucrats of West Bengal took shelter under the vague umbrella of post-literacy which they had defined in their own way to atone for the failure of TLCs. Hence, Burdwan, Midnapur and Birbhum devised a 'bridge course' where part-III of the basic primer of IPCL method was introduced to complete the three-part lessons meant for the literacy phase alone. Then, they embarked upon the so-called 'post-literacy' with reading materials not much different from the 3rd part of the primer. Along with these programmes also ran conventional literacy programmes for the so-called 'left-outs'. Added to these multipurpose literacy programmes were the 'Janasiksha Nilayams' in Burdwan district for continuing education and district resource units (DRUs) in three districts. In this way some of the leading districts of West Bengal could show their continued concern for literacy and could perpetuate the ZSSs with their substantial funds at the call of cash-starved district administration. Even these contraptions could have offered some benefits had they been executed with imagination and finesse. But failure to gauge 'VT fatigue' and gradual withdrawal of political support coupled with fatigue-borne indifference of official and non-official workers killed the post-literacy efforts in the launching stage itself. Several attempts by the ZSSs to resuscitate the programme led only to brief flutters of life here and there before they became permanently still. The report compiled by the DAE for National Overview published in December, 1994 eloquently tells the story of post-literacy programme in West Bengal. Table 3 gives the details of the report.

It appears from the report that except for Birbhum, remaining five districts are far from their targets. While Bankura is yet to evolve a MIS for PLP, Cooch-behar is not interested in collecting attendance reports lest they show the ZSSs in poorer light than

the poor enrolment data. The only consolation West Bengal can get from this sordid picture is that countrywide the situation is no better. Prefacing the post-literacy report the DAE says, "The current status of post-literacy phase appears to be very grim which is a cause of great concern. The major problem with post-literacy projects are: poor reporting, high dropout rate and very poor participation of the neo-literates". West Bengal has a participation rate of only 34 per cent as against 62.29 per cent in Tamil Nadu and 58.79 per cent in Gujarat. The conclusion derived from the above report is that more than 60 per cent of the neo-literates could not be brought under post-literacy umbrella and consequently, have to be written off as wastage. This will have serious implication on the literacy status of the state besides pushing up cost per learner still further.

Bengal claimed as a politically conscious state, one would expect some ideological content in the literacy programme. In fact, strong presence of ideological content in literacy campaigns of many third world countries like Cuba, Vietnam, Tanzania, Nicaragua and, even our southern neighbour Sri Lanka, ensured their considerable success. Although functional aspects like health and sanitation were tagged with literacy in some of the districts which also included universal primary education as one of their social goals, no specific ideological or social issues were thrown up in any of the districts of West Bengal. In fact, Arun Ghosh committee's commendations about TLCs' ability to engineer 'social development' was challenged by S Banerji. After narrating an incident he learnt in a Burdwan village, Banerji concludes, "The incident – not an isolated one, as I discovered in some other villages in Burdwan – give the lie to the glib official claim that communally potential incidents are nipped in the bud by the villagers (who are presumably made neo-literates by the TLCs)" [Banerji 1994].

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In Memory of Gobinda Mukhoty

Sumanta Banerjee

Gobinda Mukhoty will be remembered for his success in hollowing out a foothold for the dispossessed in the solid conservative trunk of the Indian judiciary.

THOSE who were his colleagues in his profession are in a better position to pay tribute to his legal acumen. My homage to him is from a position of a communist who joined the democratic rights movement soon after release from jail and the lifting of the Emergency, followed by the general elections, in mid-1977. Those were difficult times, with many of our comrades still behind bars, and the newly installed Janata government refusing to release them on the plea that they had indulged in violence.

In those days, Gobinda Mukhoty came to represent and revive the best of the old liberal humanist tradition, which had got lost somewhere along the line during the intellectual odyssey of the Indian middle classes since independence. It was his commitment to this tradition that he inherited which opened up a wide space in the democratic rights and civil liberties movement for dissidents, and the various oppressed sections of our people – ranging from Naxalite activists of Andhra Pradesh to Naga secessionist fighters, from unorganised workers in construction sites of Delhi to bonded labourers in Haryana. His impassioned arguments before the Supreme Court on their behalf – with him bearing the cost of many of these cases – bore the stamp of the liberal humanist values with which he grew up in the late 1940s as a Presidency College student in Calcutta (where today, sadly enough, those values seem to be on the retreat), and later as a student of law in the UK. After a stint as a teacher in Calcutta's St Xavier's College, he began to practise as a lawyer in the Supreme Court in 1971, where he was designated a senior advocate in 1984.

I remember having met him first in mid-1977 in Delhi's Gandhi Peace Foundation at a meeting of the then People's Union for Civil Liberties and Democratic Rights (PUCLDR). The heavyweights from the established political parties, ranging from the Janata and the Jana Sangh (the ancestor of today's BJP) to the CPI(M), who dominated the meeting, tried their best to throttle the demand made by some of us for the release of all political prisoners including the Naxalites and Naga and Mizo

secessionists, on the plea that while the former were 'criminal', the latter were 'anti-national'. Gobinda Mukhoty took a firm stand and agreed with us on insisting that any movement launched at that moment must aim at restoring, protecting and extending the civil liberties and democratic rights of the Indian people. The restoration of these rights could be possible only with the release of all political prisoners, repeal of MISA, DIR and other such laws, end to police and military atrocities in different parts of the country, and denotification of 'disturbed' areas, among other things.

His readiness to share these concerns of ours – and his assertive articulation of these demands – naturally made us gravitate towards him. The activists of the democratic rights movement in Delhi converged around him and the Delhi state unit of the PUCLDR under his leadership organised the convention on Political Prisoners and Civil Liberties in the capital on August 20-21, 1977 – the first of its kind in post-independence India. The recommendations he made in a paper on jail reforms that he submitted at the convention were of far-reaching implications – although unfortunately few of them were followed up.

Gobinda Mukhoty's role in the Indian human rights movement was tied up with a basic debate – a debate between two trends: one favouring concentration on only the civil rights of the citizens, the other stressing extension to the democratic rights of peasants and workers and militant activists fighting for their demands. To briefly recapitulate the background, soon after the Janata Party came to power in 1977, the PUCLDR national body became almost defunct, with its leaders (mainly drawn from the different non-Congress political parties) presumably assuming that now that they were in power at the centre, there was no need for any movement for ensuring civil liberties and democratic rights. The Delhi state unit of PUCLDR alone not only continued to fight on the old issues that were a legacy from the Emergency period (e.g. release of political prisoners, and to police brutalities and 'false encounters', etc) but also exposed cases of human rights violation in the new Janata-ruled states (e.g. communal riots in Aligarh

on October 5, 1978). Soon after the Congress came back to power, the national body of the PUCLDR was revived in 1980 (it came to be known as People's Union for Civil Liberties). We in the old Delhi unit, headed by Gobinda Mukhoty, had in the meantime expanded our activities beyond issues of civil liberties in general to those of economic rights and political demands of unorganised workers, tribal peasants and other oppressed and deprived sections of the people in particular. As we felt that the PUCL might not provide enough space for such activities, we chose to maintain an independent status as People's Union for Democratic Rights (PUDR), separate from the national PUCL, although we proposed to collaborate with PUCL whenever necessary (as we did in bringing out the report 'Who Are the Guilty?' after the massacre of Sikhs in 1984). It had been a history of happy collaboration.

It was with the formation of the PUDR in 1981 that Gobinda Mukhoty really came into his own, and his role in the human rights movement acquired a distinct character. He will be remembered for his success in hollowing out a foothold for the dispossessed in the solid conservative trunk of the Indian judiciary. He was at his best in making use of the laws and steering the arguments in a direction as to tease out from reluctant courts concessions for the underprivileged – whether migrant labourers working in ASIAD, or victims of police and landlord oppression in Andhra Pradesh. It was primarily due to his persistent and patient efforts that public interest litigation came to be recognised as a legitimate weapon in the hands of the poor seeking justice.

Enthusiastically fervent in his responses to requests for intervention from every quarter, he would often take decisions that sometimes landed us in awkward situations. But affectionate and understanding as he always was, he could soon remove all traces of misunderstanding and tide over whatever minor crises that might have been caused, by his affable charm.

Essentially, it was his uncompromising stand on defending the democratic rights of the underprivileged and opposing the Indian state's draconian laws that suppressed those rights – both in the Supreme Court and outside in numerous conventions and mass meetings on human rights in far-flung corners of the country – that will endear his memory not only to his close comrades-in-arms of the PUDR, but far beyond among the generation of young lawyers and activists who have been inspired by him, and upon whose shoulders falls today the mantle of Gobinda Mukhoty's brief.

Religion, State and Secularism

Irfan Engineer

Secularism should not mean equal encouragement to fundamentalism of all communities. To reject this version of secularism, the ruling classes whose interests it serves need to be defeated.

THE recent rise of communal fervor around the Ram Janmabhoomi-Babri masjid controversy and the consequent demolition of the Babri masjid by Hindu communal fanatics shook many from their complacency. The power of religion to fanaticise millions and mobilise them on streets instilled with fury shocked all secularists. A debate was generated and existing theories of secularism were challenged. The debate helped deepening our understanding of the term in order to apply it to Indian situation. Some felt that though communalism is a serious problem, secularism will not work in Indian conditions and the rise of communal fervor is rather a reaction to attempts by the state to impose secularism on the masses [Madan 1987, Nandy 1990]. The ultra left opinion, on the other hand, is that the Indian state itself is communal and acts on behalf of the Hindu communal forces [Reddy 1993, Kumar 1993]. There are various shades of opinion between these two extremes. Some consider the BJP and the Sangh parivar to be communal while others look upon the Congress as equally communal. The Sangh parivar calls the left as well as the Congress as pseudo-secularists and accuses them of appeasing the minorities in order to use them as vote banks. Constitutional and judicial experts have elaborated upon secularism while sociologists have written on religion and secularisation in Indian society. These discourses no doubt give valuable insights, and contribute towards developing a theory on secularism. Without understanding the role of religion, a proper understanding of secularism in India is unimaginable.

RELIGION: DOUBLE-EDGED SWORD

It was predicted that the hold of religion will wane in the post-industrial period. Notwithstanding such predictions, religion continues to have its sway in the present global arena, not only in the backward countries of the third world but also in the advanced countries of the first world. The imperialistic world order has led to concentration of global wealth into few hands. The reactionary ruling classes of the resource rich third world countries are fully backed by the imperialist to repress their people and brutally crush any challenge to the world order. Of course, the reactionary ruling classes of the third world countries do get some crumbs and opportunities to amass wealth out of the toil of their people and the natural resources within their

territory. This has led to a decadent consumerist culture and values, which is evident from the disproportionate growth of service industries, five star culture, womanising, drug industry, gambling, casinos, and what not. It has led to alienation, individualism, racism and above all dehumanisation. High suicide rates are but a manifestation of this phenomena. However, even drugs, and consumerism failed to provide solace to the alienated mortals. They started turning towards religion of Osho Rajneesh and ISKCON variety or towards movements led by Catholic churches against abortion. This is the form of religious revivalism in the first world.

Those who migrate from the third world to the first world in search of greener pastures, after receiving education on resources generated by their country, find themselves as targets of racism. Unable to give up the greener pastures, they too turn towards religious revivalism and finance revivalist movements of their home country.

The regimes of the third world country have not completely outgrown the habits and practices of medieval ages. They seek religious sanction for their hegemonic and repressive dictatorships. The religious establishments, too, eagerly extend their support to these regimes and India has been no exception to this process. However, religion is not to be solely blamed. Though fear resulted in the origin of belief in the existence of some supernatural power, religion in the proper sense evolved only could the human society produce surplus and a class of people who lived off it. Such religion, needless to say, justified such appropriation and called upon the labouring class to work harder to achieve their salvation. Such religions help maintain status quo.

However, as the crisis within the system deepens, forces of change emerge from the womb of the old society. A new religion may gain currency that supports the call for change giving birth to new values and philosophy. Christianity as well as Islam are examples of such religion, enshrining values of equality. However, once the old, exploitative order was overthrown, the new versions of religion became new establishments. Christianity had to face challenges from the rising capitalist class. This class dealt heavy blows to the church and the feudal classes in western Europe. Nevertheless, religion did have new utilities for the merchants and the imperial bourgeoisie who were in constant

search of new markets. Missionaries accompanied the merchants to 'civilise' the 'barbarians' of Asia, Africa and Latin America and lent legitimacy to the colonisation process. The toiling masses of the colonised world as well as the working classes fighting for their liberation resurrected the original spirit of Christianity. Liberation theology emerged out of these efforts. Thus religion by itself is not reactionary or progressive. Its nature depends on the section which employ it as an instrument to further its interests.

Whosoever may be employing the service of religion, one thing is clear that religion is deeply entrenched in the psychology of the masses. It will not be easy, at least in the near future, to do away with it. People have always understood the cosmos, universe as well as the purpose of their existence through the medium of religion. Whenever there is a feeling of insecurity and uncertainty in life, one turns towards religion for solace.

In order to perpetuate its hegemony over the masses, the church in the west had to oppose new scientific discoveries. Science with the backing of the newly emerging bourgeoisie, not only won the battle, but also revolutionised people's lives. Bourgeoisie, the ruling classes in the west, no more required the crutches of organised religion to maintain its hegemony over the rest of the society. This process led to the secularisation of the society.

Scientific knowledge that was emerging on the Indian soil was suppressed by the British colonialists. The knowledge base of the communities was systematically destroyed and a deluge of imperialist goods and services were dumped on the Indian soil. In India, religion was never confronted by science and renaissance. Not only the science was never employed into the service of toiling masses. The western technological solutions that multiply the profits of the comprador bourgeoisie have led to many big projects that result in eviction and displacement of millions thus increasing the problems rather than solving them. In the name of science and modernisation, western technology was imposed on us from above. In such situation, can one dream of importing secularism as it developed in the west? Will it be meaningful for the masses? It is doubtful. However, this does not mean that our country should not be secular and religion should dictate its politics. The crucial question is what kind of secularism and in what form. As Manoranjan Mohanty has pointed out secularism can be of two varieties; hegemonic and democratic.

MINORITY FUNDAMENTALISM TO MAJORITY COMMUNALISM

Religion being deep rooted in India, has been utilised by the both – the ruling classes as well as forces that want to change the status quo. The first widespread anti-British

sepoys' mutiny was sparked off on account of discontent on religious grounds in 1857. Almost all tribal revolts against the British rule, before and after 1857, expressed themselves in religious idioms. The Wahabi movement and the Farzi movement in Bengal, before the 1857 rebellion, were essentially anti-British movements. Further back in history, prior to the British domination of the subcontinent, social discontents were expressed through Bhakti and Sufi movements. The Indian National Congress did not have a popular base in the initial years. The extremists within the Congress in order to mobilise the people started addressing them in religious idiom. Tilak launched Ganeshotsav and Shiv Jayanti. Later, Gandhiji employed religious idioms — whether it was Khilafat movement or his support to the Gurudwara Reform Movement of the Akalis. Communal parties like the Muslim League, the RSS and the Hindu Mahasabha utilised religion for their communal politics. Thus, while the Britishers sought to perpetuate their policy of divide and rule on communal lines, the Congress used religion to rally people behind its demands that were otherwise secular, and the communalists resorted to religion to gain legitimacy for their communal demands and political gains.

In the post-1947 period, there is hardly any major parliamentary political party which has not used religious symbols and idioms for purely electoral purposes and patronised certain communal elements. Whatever, growth the economy has registered over years, has been at the expense and impoverishment of the toiling masses. With worsening conditions of the poor, their disillusionment with political parties has been growing. As a result, political parties come up with deceptive slogans and issues to divert the attention of the people from their miserable existence. The major parliamentary parties basically represent the interests of the ruling classes and depend on them for their support. Therefore, their political and economic programme is of a very limited spectrum. In order to differentiate amongst themselves and create their exclusive vote banks, they resort to linguistic, regional, religious identities which leads to polarisation among the masses.

The Congress is an old hand at this game. In order to create Muslim vote banks, it always appeased the fundamentalists of the community and agreed to all their religious demands while ignoring the basic issues of Muslims that would enable their political participation and economic and cultural development. On the contrary, the Muslim masses were discriminated against in political and economic field. They endured a severe backlash in the riots from the police as well as the majority community whose passions

were roused by rumours and false propaganda.

The Shah Bano and ban on *Satanic Verses* are recent examples of appeasement of the fundamentalist sections within the community. In 1989, V P Singh visited Jama masjid and persuaded Imam Bukhari to issue an edict to the Muslims to vote for the Janata Dal. The reformists within the Bohra community are struggling for their human and democratic rights which are curbed by the authoritarian high priest, the Sayedna. The reformists are demanding that a bill be brought against the practice of social boycott on the lines of banning of the untouchability. When the reformists demanded in the states where the BJP had come to power, to bring legislation to ban social boycott issued by the high priest, even BJP governments turned cold in their feet.

wooing the minority fundamentalists may get the votes of those communities but it is not sufficient to capture power. Therefore, caste formulas are worked out on KHAM and AJGAR lines. Only those casteist demands are agreed to which do not disturb the status quo or cause distribution of economic resources and political power. The toiling masses are left high and dry.

Not all fundamentalists remained under control all the time. Some in their zeal to outdo other sections of the fundamentalists demanded more than was due to them in the scheme of things conceived by the ruling classes. But the ruling parties could turn even this to their advantage. If Bhindranwale have exceeded their brief, the situation can be turned to the advantage by appealing to majority communalism. Instead of caste-wise vote banks, now attempts are made to convert the majority community as a whole into a vote bank by talking about the danger of fundamentalism of the other minority communities. Since early 1980s fundamentalism of the majority community is being wooed by giving in to their demands — sending army to the Golden Temple in Amritsar, 1984 anti-Sikh pogroms, breaking the seal over the disputed area Ayodhya and then allowing the Babri masjid to be demolished. In riots the police and fundamentalist vandals from majority community are let loose on the minorities. The fundamentalists of the majority community are not even touched for delivering rabid public speeches and the minority is made to feel helpless and powerless.

DEMOCRATISING SECULARISM

It is puzzling to argue that state is trying to 'impose' secularism on the Indian people. Every state transport bus has photos of deities or shlokas pasted on it. Every PM and CM visits religious places. The first thing that the smugglers and the black marketeers think

of is investing their booty in the places of worship. However, it is difficult to comprehend that the Indian state is a Hindu communal state. India is not a Hindu rashtra, as yet.

Though there is hardly any dispute within democratic circles regarding secular Indian state, secularism should be understood in the Indian context. In the west, the term 'secular' was a result of struggle between the rising bourgeoisie and the feudal church. As the church sided with the feudal elements against the revolutionary forces of the time, it got isolated and people's faith in religion and religious institutions was shaken.

In India, the term secularism was first used when the Congress was accused of being a Hindu communal party by Sir Sayed. The defence of the Congress was that it were a secular rather than a Hindu communal party. This meant that the Congress did not represent any one community. In fact, the Congress used the religious symbols of all communities to mobilise them in the freedom struggle. It always claimed to represent the cause of 'Indian' nationalism as against the communal nationalism of the Muslim League or of the Hindu Mahasabha and the RSS. Indian nationalism nevertheless predominantly drew upon the culture and values of the upper caste of north Indians with which the southerners, the minorities, the SCs, the STs and the OBCs could not identify. Indian nationalism did not have any common culture or language. The only thing common was its opposition to the dominance of the British imperialists. After 1947 Indian nationalism could be defined only as a sort of anti-thesis to the 'Pakistani or Muslim nationalism'. The Indian (read Hindu upper caste) nationalist would dread to think what would happen if the map of Pakistan was scrubbed off the face of the globe? How would India survive and what would keep it undivided?

The secularism of the Indian ruling class has meant that fundamentalism of not just one community but of all communities should be equally encouraged. This has resulted not only in the rise of fundamentalism in the country but also in armed separatist movements in the north-east, Assam, Punjab and Kashmir. Political parties are left with limited options. They cannot do without religion to consolidate their hold over the masses and therefore need the fundamentalists.

The meaningful interpretation and application of the term secularism is certainly not an easy task. It is not a question of defining it on paper and deriving satisfaction out of it. The struggle for defining 'secularism' is a struggle for establishing secular state and secularising civil society. It is therefore difficult to visualise any blueprint of Indian secularism. Nevertheless it might be possible to set out some broad parameters. First and foremost,

Indian secularism should mean non-religiousness rather than anti-religiousness of state and polity. This means that people should reject any politics which attempts to encourage or discourage any religion or interfere in any religious practices. Religion and religious institutions should be discouraged from supporting political parties. Everybody should respect the right of the other to follow any religion and also the right not to follow any religion. The state would be empowered to regulate the secular activities of a religious trusts and charitable institutions. Secularism does not mean merely separation of state and religion but also that the state would not interfere in any community and would allow all identities to grow and develop without coming in conflict with each other. If true and democratic secularism has to succeed the present hegemonistic secularism which has come to mean equal respect for fundamentalists of all religion has to be rejected and defeated. That may not be possible without delcating the class that is behind such secularism and whose purpose it serves. Thus the struggle for establishing democratic secularism has also to be a struggle for social change. Since the ruling classes derive their legitimacy and backing from the imperialists the struggle for

secular change will also be opposed by the global powers that be. The struggle for secularism has to be in that respect part and parcel of global struggle against the hegemony of the first world.

Cultural pluralism and encouraging democratic culture of every community would go a long way in inculcating tolerant democratic and secular values. In other words, culture for democratic struggle and struggle for democratic culture can build secular consciousness amongst the toiling majority that would not permit non-secular hegemonistic tendencies to operate.

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referring to it. Moreover, they have sought to divert the issue by voicing the devadasi system in Orissa as different from other regions of India. On the contrary, a Puri devadasi who leads a 'vegetarian life as kept woman' of Jagannatha, symbolises degradation of women as much as prostitute devadasi of Karnataka. Whereas the attempt to harp on tradition sidelines the present, a comparison with the alleged system in Karnataka seeks to romanticise and glorify the devadasi system in Orissa. Most importantly issues related to gender are completely ignored while these obscurantist positions are asserted. What has thus emerged as a tradition modernity issue needs to be re-located as a contest between the structure of brahminical patriarchy, under the aegis of a democratically elected government and the forces of democracy, humanism and the rule of law. Of course one can question the democratic credentials of the Orissa government since it has dissolved all the elected urban bodies and the rural panchayats within months of coming to power. Given this context, a clear connection between the state government's authoritarian credentials, opportunism and its attempt to draw legitimacy from patriarchy is evident.

What is equally intriguing is the hold of patriarchy on women. There were six applicants for the interview. This raises questions not only for those associated with the democratic feminist movement but also for those committed to development and progress. All the applicants are educated. One of them is a teacher in a primary school, another works for a voluntary organisation, yet another is an instructor in a government training institute for women. This reveals the self-imposed fetters on women who instead of challenging brahminical patriarchy legitimise it by such voluntary acts. But the most despicable aspect of the whole affair was the expectation that the devadasis should dance provocatively to satisfy Lord Jagannatha before his bed time. Three of the six candidates who reported for the interview expressed their disinterest in the job once they came to know the meagre cash payment of Rs 30 per day.

The Jana Dal and the left parties in Orissa besides several women's organisations in and outside the state registered protest. What might have seemed to be a tide might well turn against the ruling party in Orissa. It is tempting to recall the first elections in Orissa held in 1937. The landlord of Kanika had hoped to get the support of the electorate by seeking their pledges on the 'mahaprasad' of Jagannatha. As reported, the voters bowed to the 'mahaprasad' but dropped their ballot in the Congress box. However, given the state of affairs it will be too much to expect the Congress(I) to learn from history.

Of Devadasis, 'Tradition' and Politics

Biswamoy Pati

Under the garb of tradition the attempt to keep alive the devadasi system at Jagannath Puri is another instance of gender injustice in Orissa

SEPTEMBER 11, 1995 will go down in history as Orissa's black day as reports of an interview to select a devadasi for the Jagannatha temple at Puri appeared in the media. Fixed at a time when the Beijing conference was in session this incident raises many questions about our so-called journey into the 21st century. The fact that the management of the Puri temple is under the state government since 1960 makes the situation both intriguing and ridiculous. What is striking is that the idea of holding such an interview is about seven years old. Moreover, the silence of the Congress(I) government regarding the matter makes it a party to the happenings. After all, the decision to call suitable candidates for the interview was taken during Janaki Ballav Patnaik's previous tenure as chief minister. Electoral considerations with the 1996 general elections round the corner, seem to have a distinct bearing on this feature.

The devadasi issue needs also to be located in the context of Orissa where gender-related violence has assumed alarming proportions. Transcending the barriers of caste and region, dowry deaths and harassment of women has increased. The state has the dubious distinction of leading the country's statistics on this account. Additionally, there are other forms of violence unleashed by patriarchy and legitimised and reinforced by an insensitive bureaucracy. How else does one explain an ex-police DG's view that rape is not a crime, or one of his successors torturing his daughter-in-law over dowry? Given this discrimination, Jayanti Patnaik's wife should be the chairperson of the National Commission of Women. It is indeed ironical.

The administrators at Puri have projected the issue as linked with 'tradition'. The temple administrator and the Puri collector, both invoking tradition while

Art and Life in America

The Trial of O J Simpson

Carol Upadhyia

The trial of O J Simpson was broadcast like a soap opera but ended like a football match, with blacks and whites cheering opposing sides. Why did this happen? The racial tension that it generated had something to do with already existing racial divisions and inequalities in American society, but much more to do with the way in which the case was projected and produced by the media. The transformation of a murder trial into a race issue is but one example of the increasing control which the media exerts over the terms of public discourse in the US

AS the trial of O J Simpson (ex-football star, television personality and probably the most famous person in America ever to go on trial for murder) for the brutal killings of his ex-wife and her male friend ground on for nine months, it began to look more like a long-running TV soap opera than real life. Millions of Americans watched the proceedings on TV which were covered exhaustively by CNN, and an estimated 135 million people, or half the population, are thought to have watched or heard the verdict which was carried live by all the major networks and cable channels (during which time advertising slots reportedly were sold at five times the normal price). With all of the interest generated by media hype, the case became a spectacle in which many of the tensions and contradictions of life in the US in 1995 were articulated and projected in black and white onto a large screen. As the verdict of 'not guilty' was read out, reports say, most whites reacted with dismay while many blacks cheered. Thus in the end the trial was transformed from a TV drama into a football game with blacks and whites largely championing opposing sides.

Why did this happen? How did this court case, in which a man who was proven to have physically abused his wife was being tried for her murder, turn into a major public issue with race at its core? This question is difficult to answer, and there are several levels at which one can understand the phenomenon.

At one level, it appears that blacks and whites perceived the OJ case in entirely different ways from the very beginning. Whites focused on the domestic violence issue and saw OJ as a brutal dominating black man who used to beat and eventually killed his (white) wife. They feared he would be acquitted because of his ability to buy the best defence and the sympathy of the jury (with a majority of non-white members). For blacks, it was not simply a matter of supporting a fellow black out of a feeling of solidarity. Based on their own experience of being black in the US, they saw OJ as yet another black man victimised by a criminal justice system that is designed to condemn black men and in which they can

never get fair treatment, and they feared he would be convicted because of his colour.

A view that was only reinforced by the evidence about the conduct of the police (LAPD) that was dug up by the defence. The support by blacks for OJ may also have been a reaction to the fact that most whites assumed that he was guilty. Even one month after his arrest, before the trial had begun and the mountain of evidence had been piled up, according to one poll, 68 per cent of whites thought he was probably guilty while only 24 per cent of blacks did so. The proportions did not change much after the trial – one third of whites but 85 per cent of blacks agreed with the verdict. The reactions to the verdict further indicate the depth of the racial divide. For many whites it was a travesty of justice because they assumed that OJ was guilty but had manipulated the system, through the use of money and the 'race card', to get off. But many blacks rejoiced to see a black man beat the system the same way rich white guys have always been able to do.

The fact that the evidence, and rules of evidence in criminal cases, mattered little in most people's opinions about OJ's guilt further indicates the extent to which the case was politicised. Given the cases presented to them (and contrary to majority opinion), the jury reached an entirely fair verdict. (That an all-white jury would have reached an entirely different verdict is a foregone conclusion that no one wants to talk about, even while accusing the black majority jury of 'reverse racism'.) What was indeed surprising, given the weakness of the prosecution's case, was that most observers predicted a long deliberation and a 'hung' jury. In the end, the jury spent only four hours in deliberation over 45,000 pages of testimony and 1,015 pieces of evidence. Based on what several jurors have said afterwards, it appears they were swayed not so much by the 'race card' as by the doubt cast on the evidence by the defence. The point is not whether they thought OJ was actually guilty, but whether the prosecution could prove it to them 'beyond a reasonable doubt'.

In fact, the blame for failure to convict lies not with the jury or the much maligned justice system but with the prosecution and particularly the LAPD which was proven once again to be not only incompetent and high-handed but full of racist Rambo-type police officers who seem to think they are above the law. The LAPD is particularly cavalier about observing fourth amendment rights which are supposed to protect citizens against unlawful search and seizure. If the police do not observe the law when collecting evidence, conducting searches, making arrests and so on, then evidence can be thrown out of court or seriously compromised. In this case the police acted in their usual manner, searching Simpson's house illegally the morning after the murders (and later lying about why they went there) in the process of which they came up with the only physical evidence linking him with the murders (the blood on the Bronco, the bloody glove) which on top of it was collected in a sloppy manner. Moreover, one of the detectives who carried out the search (Mark Fuhrman) was later shown to be a perjurer and a virulent racist who the defence argued was entirely capable of planting evidence to incriminate a black man. In the beginning the defence's strategy, seemed like a desperate and far-fetched ploy to deflect attention away from the apparently overwhelming evidence against Simpson, but eventually it became its trump card as the picture it was able to build up of Fuhrman's character threw doubt on his testimony. Thus it was a major mistake on the part of the prosecution to construct so much of its case around Fuhrman and the evidence he helped to collect. As a consequence of the LAPD's incompetence and the racism of some of its officers was accumulated by the defence team increasingly it was the police and in particular Mark Fuhrman who were on trial. In a sense, then, the celebration by blacks was not for OJ's acquittal but for the indictment of the system – just as blacks noted in LA when the system failed to deliver justice in the Rodney King case.

More than the Fuhrman issue, the jury's decision seems to have been influenced by the fact that the prosecution had no direct evidence linking Simpson to the crime (no murder weapon, no eyewitness). Winning a murder conviction based only on circumstantial evidence is in any case difficult, it is made even more so when the defendant can afford the best defence attorneys. The jury seems to have ignored the complicated technical evidence based on blood samples (DNA etc.) introduced by the prosecution, and used their common sense to zero in on the obvious weaknesses of the case – Fuhrman's lack of credibility, the glove supposedly worn by the murderer that did not fit Simpson, the fact that there should have been much more blood on his car than was found, the time factor (whether OJ had enough time to commit two murders, reach home, get cleaned up, leaving little evidence behind, and catch his plane). Based on these

considerations they did not have much trouble agreeing that the prosecution had not proved its case beyond a reasonable doubt. The jury's matter of fact appraisal of the case stands in sharp contrast to the media's construction of what would happen which focused on the race factor and the jury's presumed sympathy for OJ. As several legal experts have pointed out, it is mistaken to suppose that black juries will not convict in criminal cases involving blacks: in fact the opposite is true for blacks suffer disproportionately from crime and tend to be very harsh judges. The deciding factor in this case was not race but the prosecution's weak case together with a strong defence strategy. Since the verdict then was quite reasonable, why the huge public outcry about miscarriage of justice and the incompetence of the jury? Did the public expect the jury to behave like a lynch mob and convict on the basis of their gut feelings, as a white jury might have done?

For all the hand wringing (this time mostly by whites) about how the justice system failed to deliver justice, the OJ case says very little about how the system really works. Unlike this case, most violent crimes never go to trial: most defendants have to make do with public defenders instead of high priced lawyers, so that the prosecutors do not have to spend so much time and money constructing their cases, and most cases end up in plea-bargains in which the accused plead guilty to lesser crimes and are sentenced accordingly. This is the system through which most blacks are processed and land in jail, guilty or otherwise. It is a system that can be made to work for the rich, which whites have at last discovered but blacks have known all along, and it is also a system with a built-in bias against blacks. For example, according to a recent study by the US Sentencing Commission, drug sentencing guidelines are heavily weighted against inner city blacks: possession of five grams of crack (a cheap form of cocaine popular in the inner cities) carries a mandatory five year sentence while an equal amount of powder cocaine (the drug of choice for affluent whites) is a misdemeanour punishable by less than a year in jail. The report also showed that 90 per cent of those convicted of possessing or selling crack cocaine in 1993 were black, although according to another survey half of users of the same drug are white. Moreover, about one third of black men in their twenties are in prison, on probation or on parole. Such facts are taken by some as evidence of black criminality and hence a justification for white fear of, and hence discrimination against, blacks, yet they give substance to blacks' sense that the criminal justice system is designed to persecute them.

Although it is clear that blacks are often victimised by the law enforcement and justice systems, OJ is not like most blacks – he is rich and famous and a perfect example of a black man who has made it in white society. In fact he has much more in common with all those rich white guys who have

managed to buy themselves out of trouble with the law (Claus von Bulow, William Kennedy Smith – and by the way, where was the public outcry when these two high profile society guys were acquitted by all white juries?) than with most blacks who land in court. So why this rallying around a man who has been anything but a symbol of black pride (for his preference for white society and country clubs, he was known as an 'Oreo')? And why did this turn into an issue of race rather than of class (not to mention gender – the wife abuse issue seems to have been all but lost)? In part it may be due to the way the defence constructed its case, but it probably has more to do with the way in which the media projected it – this is the second level at which it should be understood.

As the trial (and the media circus) proceeded, a complex set of issues were boiled down to one simple one – race, and the question of whether a minority dominated jury would convict. This was possible because although television creates a public discourse on issues such as race and sex discrimination, it is also able to control the terms of discourse. In the age of the media, it is becoming harder and harder to separate image from reality: the hype from the real political issues. This has all been said before, especially around election time, but during the last several years the increasing intrusion of the television camera into the courtroom (Bobbit, Menendez, Tonya Harding) and legislative hearings (Anita Hill) has resulted not only in bringing social and political issues into the public forum and opening them to debate as never before, but also in giving free rein to the media to determine the parameters within which such debate takes place. Viewers do not just see a trial or a hearing in progress – they are subjected to continuous running commentary by the anchors and various invited experts, in the process of which several permissible shades of public opinion are given shape. Since the facts of a case are not only gathered, sifted, organised and presented by the media, but in a very real way are constructed by them (through the dramatisation of news, the use of opinion polls, the choices made of what and what not to print or televise, the presentation of people's views, the manipulation of emotion, and so on), it is hardly possible any more to move outside of the dominant discourse on any particular issue and take a fresh look, grounded in reality, at what is happening (if indeed there is anything happening beyond the discourse created by the media). Added to this we have the ratings wars, the compulsion to make news more and more sensational in order to sell one's programme or paper, and it should not surprise anyone that the line between fiction and reality is becoming too thin to see. Far from reflecting or reporting on political issues or people's current concerns, the media has shown itself capable of whipping up a frenzy on one issue or the other – a very good example is the present

concern about 'crime', hysteria about which provides useful public support for building more jails and putting more people behind bars.

This is precisely why jurors in cases such as this are prevented from reading newspapers or watching television and sequestered if necessary, lest their impartiality be affected by what they read or hear in the media. Before the trial had even begun, OJ Simpson had been tried and convicted by the media, so the main criterion for selection of jurors laid down by the judge was that they should not have read any newspapers during the selection period. In this connection, two interesting facts came out about the jury – that none of them read newspapers regularly, and that most get their news from tabloid television shows – are not only indicative of the calibre of most juries and their ability to assess highly technical evidence (which some commentators have bemoaned), but probably give a fair profile of your average American's reading and viewing habits (leaving aside intellectuals and the upper middle class). It is in this context that one should interpret the various musings about public opinion and what blacks or whites think about this or that issue, for when opinions are formed on the basis of what one reads in newspapers like the *National Enquirer* or sees on TV's *Hard Copy*, and the public is not able to discriminate on the basis of what the media presents between what is true and what is not, it is questionable whether any real public debate can take place at all.

At the same time, the wide public involvement that is generated by the media in spectacles such as this does have the effect of crystallising lines of division – most commonly gender and race – as never before. For example, during the hearings for the confirmation of Clarence Thomas as supreme court justice, during which he was accused by former co-worker Anita Hill of sexual harassment, men and women came down almost 100 per cent on opposing sides – most women believed Hill's story and condemned Thomas, while most men dismissed her as a flake or found the whole affair silly, even if true. Just as the OJ Simpson case was boiled down to the race issue and people were divided along racial lines, the media managed to pare the Anita Hill case down to a gender issue (it could as well have been a race issue too, except that luckily Anita Hill and her tormentor were both black). The similarity in the way in which these two spectacles were mounted by the media almost suggests that the issues are deliberately oversimplified, public opinion manipulated and the debate defined along major social axes in order to generate more public involvement and hence larger viewerships and readerships. While this view may seem overly simple and cynical, the OJ case suggests that more awareness is needed about the ways in which public discourse is constructed on the air waves and can thereby be utilised for political ends.

UN at 50

S Nanjundan

At 50 the UN is in premature gerontocracy, the decline over the last 20 years due to bureaucratic inefficiency and corruption has been compounded by the post-cold war dominance of and dependence on the sole superpower, the US. In the next two decades most countries are likely to place increasing reliance both for security and development on regional organisations and mechanisms. Therefore unless it is able to restructure as a confederal body linked to regional organisations as programming and operational arms, the UN itself has not much of a future.

I Introduction

THE plenipotentiaries of 51 founder members who met in San Francisco on June 26, 1945 were not aware that in six weeks from the date of signing the US was to explode atomic bombs over Hiroshima and Nagasaki thus ushering in the nuclear era. Secondly they were not aware that very soon the victors would be divided and two worlds would emerge in a cold war which would intensify and last 44 years till 1989. Thirdly while the founders anticipated decolonisation and provided a machinery for facilitating the process, they by no means envisaged the development of a third world – which played a constructive role in the 1960s and 1970s – taking UN membership to 185 by 1995.

When representatives of member countries met in celebration 50 years later on June 26, 1995 at San Francisco they had varied thoughts, emotions and expectations. The secretary general of the UN was worried about the continuing financial crisis due to mounting expenditures on peace-keeping matched by mounting arrears in payment of assessed contributions by members, in particular the US. President Clinton gave importance to reform of UN, IMF, World Bank, WTO etc. while leaving unsaid that they should kowtow to the needs as viewed by the G-7. India and a few other major developing countries might have been dreaming of permanent membership of the Security Council. European countries could have had in mind Bosnia and differences within NATO on the Serbian problem. The NICs of east Asia and Latin America were perhaps bothered about their own regional groups and power equations with the US for Latin America and with the US, China and

Japan for east and south east Asia. Last but not least Australia down under was perhaps scheming to checkmate South Africa, Mauritius and India to dominate the proposed Indian Ocean ring group in addition to being an Asia Pacific power. After all, if the US could belong to both the Atlantic (NAFTA) and the Pacific (APFC) why could Australia not belong to the Pacific and the Indian Ocean? The poor of Africa and south Asia were forgotten, having been disposed of at the World Social Summit in Copenhagen in March 1995.

Fifty years after the establishment of the United Nations it has apparently become peripheral and the world is organising into neighbourhood groupings to derive the advantages of mutual trade, scale economies and peace and security. The UN is too centralised and too far removed from the real problems in the field. As for the haves, both co-operation and competition between regional alliances and negotiations (with or without WTO) will, they probably feel, lead to development and prosperity. For the have-nots it is the US and the G-7 powers – via IMF and World Bank rather than the UN – who will provide development and security.

This caricature is not a verdict on the UN's failure but rather an indication of its limitations. In reviewing the future of the UN this limitation arising from over-centralisation, over-bureaucratisation and non-proximity (to the poor half of the world) should be taken into account. At the same time, the UN's past achievements need to be recognised. First and foremost, the UN provided the forum and the mechanism for decolonisation leading to almost all dependent peoples attaining independence. More recently, problems in Angola, Cambodia, Mozambique, Namibia,

Zimbabwe and South Africa were faced and solved successfully. Secondly the UN provided the stage and often the *modus vivendi* for balance and containment during the cold war, the third world playing an increasing role in the 1960s and 1970s. Thirdly it was under UN auspice that basic studies and programmes of economic development and industrialisation were initiated in the late 1950s, the 1960s and early 1970s.

In the context of the current situation and future requirements the issues of peace and security, sustainable development and rights (human, legal and citizenship) of peoples of the world were studied by the independent Commission on Global Governance from 1992 to 1994. The commission was jointly chaired by Ingvar Carlsson of Sweden and Shri Jagan Ramphal of Guyana and had 26 other members. Its report *Our Global Neighbourhood* was released in March this year.

The commission's proposals and call for action are based on an idealised goal – a vision emanating from (i) emancipation and empowerment of the world, a shift from nation states to peoples and evolution of an international civil society; (ii) interdependence resulting in commitment of international citizens to common responsibility and shared effort; (iii) based on the above two assumptions, reform of the institutions and processes of global governance with a view to renewal of the international system of the Charter. The co-chairmen of the commission rightly observe that the challenge is to strike the balance in such a way that the management of global affairs is responsive to the interests of all people in a sustainable future, that it is guided by basic human values and that it makes global organisation conform to the reality of global diversity.

It is this writer's assessment that assumptions (i) and (ii) above are not valid in the post-cold war era: that enlightened world leadership does not exist at present and there is no will for action to bring about the reform required to meet the challenge posed by the co-chairmen. (iii) In the last sentence of the above paragraph: Our approach will be to take the realities of the power and economic balance and try to propose such changes as are possible and desirable for international co-operation. This writer feels that there is no point in strengthening the UN as such but rather those mechanisms and processes of international and regional co-operation

which could pragmatically and cost effectively subserve peace and security sustain development and people's participation. It is not intended to throw away the baby with the bath water. We advocate a smaller UN, a decentralised confederal body linked to and making use of regional organisations for monitoring, preventive action programming and operations relating to peaceful settlement of disputes, enforcement as well as trade and economic co-operation. The specialised and technical agencies of the UN system including those on international law, environment and global commons, NGOs and others participatory of peoples and civil society need to be restructured, trimmed and directly linked to regional organisations.

II Peace and Security

Except during the glorious period of the second secretary general of the UN (Dag Hammarskjöld 1953-61) the UN has always been reactive rather than proactive on security questions. In 1950 the US took the initiative on the Korea question and organised military action under its leadership though in the name of the UN. In the light of its monopolisation of the Security Council since 1989 it is noteworthy that fearing the Soviet veto in the Security Council the US at that time took a sort of preventive action by having the Korean action approved by the UN General Assembly under the 'Uniting for Peace' resolution. Apart from being active in the Congo and Jerusalem under Hammarskjöld the Security Council did little during the cold war period until about 10 years ago. The two superpowers were negotiating and containing each other's blocs. The UN could do little as the big powers did not want the UN to do much in West Asia or Indochina or Cuba or Berlin or Hungary or Czechoslovakia. Even on decolonisation, while the third world bloc in the UN kept up the pressure it could act only if the imperial power (e.g. UK or France) or the US wanted the UN to act.

There has been a dramatic change in the role of the Security Council and its use as a *modus operandi* in the last 10 years and particularly since the end of the cold war. The US dominates the scene encountering virtually no opposition, issues, decisions and draft resolutions are discussed informally among the five permanent members or even three of them (minus Russia and China) and steamrolled at formal meetings of the council. The conduct of the Gulf war against Iraq in 1991 and continued

stalemate over formal ending of the war represents a mockery of the procedures and ideals of peaceful settlement of disputes under Chapters VI and VII of the Charter. That action favouring an ally of the US takes precedence over empirical judgment on issues has been reflected in the US veto (May 1995) of a resolution against Israeli requisitioning of land in East Jerusalem and in July the condoning and justification of Turkish invasion of Kurdish areas in north Iraq (while losing no opportunity to condemn Iraq's more democratic approach to Kurdish autonomy). The US turning a Nelson's eye to the nuclear and missile programme of its ally Pakistan while objecting to a similar programme in Iran is another instance of unprincipled hypocrisy.

With the end of the cold war there has been a sea change in perceptions about the UN attitudes of key players, their governments and people and even their world view. While technology (price, computer, chip, internet, E-mail, etc.) together with liberalisation, marketisation and democracy have perhaps promoted the global village concept, regional groups for economic co-operation and security have taken the place of old security and military alliances. Despite the domination of the US there is an undercurrent of power rivalry. The obsolescence of human resource development in the US and its other domestic problems perhaps makes it adopt a defensive and isolationist posture not trusting anyone except close buddies of G 7, often minus Japan. It is natural for the US to regard the Security Council as a handmaiden, as a staging post, at best a catalyst, and not an agent and certainly not as a means for ensuring absolute collective security envisaged by the Charter. The despatch of US troops to Somalia in 1992-93 was not acceptable to Congress and the US people. And US intervention in Bosnia is similarly questioned.

Three broad issues will be reviewed here under the gamut of peace and security: (1) the UN Security Council, (2) military action by the UN and (3) non-proliferation and disarmament.

The founding fathers of the UN in their wisdom gave absolute and permanent power over peaceful settlement of disputes to the five victorious allied powers: the US, the Soviet Union, the UK, France and China. They are five permanent members of the Security Council in perpetuity, each enjoying a veto on decisions. This is the biggest impediment to reform of the UN. None is willing to be out and opportunities have been missed during the long stalemate over Chinese representation, during the cold war when veto was a constant threat and

at the time of the demise of the Soviet Union in 1989, Russia quietly taking the place of USSR without a finger being raised. Now everyone including the permanent members themselves realise the absurdity, unrepresentativeness, unfairness and inequity of the situation. Yet none of the biggies is fair enough or enlightened enough to find a solution – an indication that the UN does not matter: it is peripheral; the permanent five will decide or the G 7 will rule the world. The US agreement to take in Germany and Japan as permanent members (perhaps without veto) is a recognition of the paying power of these countries. It does not make the council any more democratic. More power to the already powerful, the poor remaining as voiceless as ever!

This writer feels that this crucial question demands a *de novo* approach taking into account the growing phenomenon of regional co-operation. Permanent country membership and veto should be abolished and the council composed of 20 or so representatives of regional organisations covering the entire membership of the UN. This should go with confederal restructuring of the UN itself, the designated regional organisations being responsible for the settlement of regional problems and also being regional UN arms. The UN itself will then be a small compact co-ordinating body dealing with interregional and worldwide issues. Specialised agencies will work independently as at present but not overlap with regional organisations.

Since some countries are members of more than one regional organisation while a few are left out of any organisation, the representation will have to be worked out carefully and provision made for changes with evolution of new ones. There could be one representative each from NAFTA, EU, CIS, east Europe (including Malta, Cyprus, Israel), central Asia (including Turkey and Iran), Arab League (North Africa), Arab Gulf, SAARC, ASEAN, Far East (China, Japan, Korea, Mongolia), South Pacific forum (including Australia and New Zealand) and North Pacific, Caribbean, central America, south America, west Africa, central Africa, east Africa and southern Africa. The secretary general of the UN should be the chairman of this new Security Council which may meet regularly once a month to take policy decisions, give advice/directions to regional organisations and monitor the world security situation. Decisions may be by a two-thirds majority.

As regards military action by the UN for peace-keeping and peace-enforcement, the disastrous Bosnian experience (and the UN's abject failure) has reopened several questions. The concept of a unified command has

virtually been given the go by, troop supplying countries wishing to control policy and operations. The induction of NATO's Rapid Reaction Force has virtually taken military operations out of UN hands. But on the political question NATO itself is divided: the US wanting to make a gesture to Turkey and the Islamic world by allowing arms to be supplied to Bosnia while being apprehensive of Slavic Serbia with its Russian backing. One is not quite sure whether the Europeans hack the pre 1918 Ottomans or the Czarists. The Germans and Austrians certainly support Croatia and Slovenia and would not like a resurgence of Slavic power. At any rate the western powers seem to agree on limiting the UN's role to that of a catalyst keeping it out of peace enforcement. They would like operations like the Gulf war using the UN only as an address. NATO can do the job and the US has its central and Pacific commands too. Another example is military action in Liberia undertaken by Economic Community of West African States (ECOWAS) and not by the UN directly. As things look right now operations by the UN directly under Chapters VI and VII of the Charter are likely to decline. The US pays 30 per cent of the cost of peace keeping. Congress is most unwilling to spend money unless there is a direct US interest e.g. oil in the Gulf. Germany and Japan too are most reluctant to support or undertake military operations (outside Europe in the case of Germany). There is no alternative except to involve regional organisations directly in their own affairs.

Preventive security measures through disarmament face a problem of deception. The big powers are also sellers of arms and whatever the international policy they do not hesitate about the transfer of even nuclear and missile armaments to close allies if this is in their own interest. The permanent treaty on nuclear non-proliferation is a mockery without a comprehensive test ban treaty (CTBT) and with China and France resuming tests within days and weeks. The same is true of the missile technology control regime (MTCR) since missiles continue to be supplied to Israel, Pakistan, Iran, etc.

A commentary on the current security perception in East Asia for instance is the reported reluctance of any ASEAN country to criticise China for the recent incident in the Spratly group of islands 'showing the flag' to the Philippines in a disputed claim. This was at an ASEAN-APEC summit where continued US defence umbrella over the region was reportedly felt necessary (perhaps even by China and Japan). No further evidence is needed that the UN is regarded

as peripheral on security questions, a post box or an address.

III Development Co-operation

In the early years of the United Nations the IMF and World Bank were preoccupied with reconstruction and stabilisation in war ravaged Europe. In the late 1940s and 1950s the UN took the initiative in studies and programmes of development and industrialisation. UN technical co-operation projects developed during the 1960s. From the mid 1970s however the World Bank has stolen the march with structural adjustment programmes intensifying in the 1980s and 1990s. The resources, capacity, professionalism and longer term outlook of the Bretton Woods institutions as well as the specialised agencies in education, health, agriculture, trade, industry, labour, etc. are much more than those of the UN and its UN Development Programme which in the present context seems to be duplicating and overlapping with the more capable agencies. Much could be gained by closing down gradually UN/UNDP's direct activities in development and letting the World Bank, the agencies and funds and programmes (population, children, environment, refugees) function independently and directly with regional bodies and countries.

The setting up of an Economic Security Council in place of the current Economic and Social Council has been proposed by the Commission on Global Governance to monitor the world economic situation from time to time to propose corrective and timely action and co-ordinate the policies and actions of different agencies. This writer feels that co-ordination and co-operation should first be achieved at the regional organisation level with specialised agencies. Secondly the reconstituted Security Council as proposed earlier could itself carry out this task with a second tier of representatives of agencies preparing the groundwork and assisting the Council. Another way of forming the Economic Security Council may be to hold joint meetings of the developed G-7 (G-8 including Russia) and the G-15 of the developing countries (formed by the non-aligned movement).

The commission has proposed the abolition of UNCTAD and UNIDO, the two organisations which gained notoriety in the 1970s, as advocates of the developing countries through domination by G-77 (the grouping of the developing country members of the UN). It is unfortunate that the proposal is not based on an evaluation of the work of these agencies but on the

argument that that work is no longer needed. Of course the UN is no longer needed by the developed countries and this writer believes they cannot do much in the current environment. It is not without significance that technical organisations not impinging on macro and international policies have been spared by the commission leaving the IMF, World Bank and WTO to rule the roost.

This writer is strongly in favour of a leaner and starker UN organisation and agrees that the regional economic commissions may be overlapping with the recently established regional trading/economic/political blocs. Duplication, overlapping and rivalry amongst the UN specialised agencies need to be removed and close co-operation take their place, especially by their becoming resource agents of the new regional organisations.

The history of growth and development has shown that endogenous factors of human resource development, savings and investment, entrepreneurship, management, leadership, work ethics, culture of working together, the right mind set and character are far more important than exogenous investment, technology flow and technical co-operation. And the UN as an exogenous factor of development plays only an infinitesimal part in the whole process. Playing the game to national advantage in the global village needs close interaction and co-operation of government, business, labour, industry, education, health, science, technology, sociology and psychology, with a clear perception of the objective of development: growth, income, employment, equity, poverty eradication, rural development, etc. A country or a region or a group has to choose the priorities and work together for attaining the objectives which can be influenced but not determined by exogenous factors. No crocodile tears need be shed therefore over trimming the UN's development role. As for the poor countries apart from endogenous development their regional organisations shall be directly helped by a competent agency or agencies of their choice including by means of co-operation with other developing countries (ECOC/TCDC), rather than by a centralised UN/UNDP mechanism, expansive, inefficient and tardy in delivery.

Genuine willingness to co-operate and work towards reducing the asymmetry in the distribution of incomes and productive power is not evident in the attitudes and behaviour of developed or donor countries. It has truly been said that while globalisation and liberalisation has promoted interdependence among developed countries themselves, the

dependency syndrome of poorer countries might have increased. For instance, a *quid pro quo* is demanded only from developing countries for implementing international agreements on movement of professionals, on freeing textile imports, on ozone depletion etc. Accommodation and a willingness to co-operate is often more important than aid itself.

IV

Conclusions

The existence of the United Nations system with its delicate balance amongst the first, second and third worlds may well be credited with having prevented a third world war from taking place in the last 50 years, even though most of the crucial negotiations took place outside the UN among the superpowers and others. The UN can also be credited for successfully handling the job of decolonisation and the resulting four fold increase in UN membership. The UN and particularly the specialised agencies have contributed substantially to economic, social and human development despite overlapping wastage and often cost ineffectiveness.

A deterioration in the role and significance of the UN has come about since the oil shock of the late 1970s. While the first world's fears of the third world ganging up against it proved premature and unwarranted, partly due to lack of will of the oil powers to press their advantage, the waning interest of the developed countries in the UN accelerated, resulting in the UN being unable to raise sufficient resources. Bureaucratic inefficiency compounded the problem.

A resuscitation of the UN's role began about 10 years ago with the deceleration of the cold war and more accommodation among the superpowers. The UN's role and activities in peace keeping increased. However, with the dismemberment of the Soviet Union in 1989 US domination of the new world order has reduced the UN to a tool of the US, since other powers toe the line of the US. Added to this is the growing role of regional groups like the European Union or the ASEAN. Members of the UN tend to work as a regional group. It should be noted that the US contributes 25 per cent of the overall costs and 30 per cent of peace keeping costs of the UN and has borne the brunt of responsibility (and power) in recent years.

The dominance of the coterie of five permanent perpetual members of the Security Council representing only US, Europe and China makes a mockery of the universality and democracy principles. Yet little can be

done to remedy matters since they are unwilling to give up the monopoly of power. On the economic and social front, greater interaction of governments, business finance, labour and services globally in the context of new technology and liberalisation has made the UN's role somewhat redundant, though it may give a greater role of specialised agencies such as IMF, World Bank, WTO etc. and to regional blocs like EU, APEC, NAFTA, etc.

The United Nations is at the crossroads. It cannot survive for long as a centralised bureaucracy, a monolith detached from the evolving dynamic regional organisations acting as an appendage of the US on security matters. It can rebuild itself as a leaner, starker outfit, linked to the regional organisations to whom functions of monitoring, surveying, programming and operations in the respective regions could be delegated. Similarly, the specialised agencies should review and prioritise their activities, eliminate overlap and duplication and work directly with regional organisations. We propose that the Security Council be composed of representatives of regional organisations, a total of 20 members presided over by the Secretary General. There will be no veto. Intra-

regional disputes will be handled by the respective regional bodies. On monitoring the world economy, this could either be done by formal meetings of the rich G-7 jointly with the G-15 of NAM, or by the Security Council itself as reconstituted. In any case a second tier inter-agency group of specialised agencies will do the groundwork and assist the so-called Economic Security Council.

Finally, to bring about effective changes, the secretary general of the UN to be appointed next year should be carefully chosen for dynamism and carrying conviction all round. The person should be sincere, sympathetic and have a proven track record. This writer would commend ex-US president Jimmy Carter for the job. His work as US president to achieve the Camp David settlement between Egypt and Israel, his negotiation of hostage release from Iran and the success of his domestic macro-economic policies have not been properly recognised. He has done even better under the Carter Centre in Guyana (1992), North Korea (1992) and Haiti (1993). Above all, his appointment will be a recognition of the past US contribution to the UN and perhaps a means of its continued involvement in a UN not necessarily dominated by it.

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Unfreezing Mira

Gabriele Dietrich

Upholding the Common Life: The Community of Mirabai by Parita Mukta, Oxford University Press, 1994

THIS book by Parita Mukta is extraordinary in methodology and content, though the style remains within the confines of scholarly anthropological study. Parita Mukta, brought up with Mira 'bhajans' herself, had set out during the 1980s to place Mira's memory in the socio-historical context of Rajasthan and Gujarat. What she had found at the outset was that Mira had not been sung in Rajasthan until recently, that her memory had been ostracised and suppressed as her life had been an open challenge to the Rajput ethos, that her name was used as a term of abuse levelling charges of promiscuity. This is in stark contrast with the image of Mira as a satyagrahi which Gandhi used in the freedom struggle. It also does not explain why a Mira mandir should have been built in Chittorgarh by the Sisodia ruler in the recent past. The suggestion that the Gujarat middle classes have promoted Mira 'bhakti' also does not explain how Mira's memory might have survived before this middle class came into being. The field work therefore focused on the Mewar region itself, the main site of social conflict provoked by Mira's life, then shifting to Marwar her environment of birth and Saurashtra where she migrated and where her life ended under unexplained circumstances.

The important features in Mira's life which stick out in the oral traditions as in the written biographies are her rejection of marriage and of the 'kul', the tradition that she survived attempts to murder her at the court of Mewar, and her migrant life among the 'bhaktars' until her disappearance in Dwarka. Parita Mukta traces the responses of different communities to the life of Mira and thus places Mira herself and the ways how her memory has been upheld within the caste-class constellations of the life-world which has responded to her life and preserved her memory. What emerges is a significant contrast between the 'people's Meera' rooted among weavers, agriculturalists and chamaris, the mercantile

middle class version and the feudal Rajput ethos.

The strength of this book is not only the meticulous field research but also the capacity to make social context visible in written and oral sources as well as in other media like film or political campaigning during the freedom struggle. Parita Mukta shows how the history writing which emerged after initial hagiographies was rooted in the ethos of the merchant communities. She also shows that Meera's bhajans were not incorporated in the early collections of the Vaishnav sects and that historical records have not taken notice of her in her own time. She shows how positivistic 'scientific' history writing of the 19th century has individualised Meera's experience and how she has been consistently co-opted into a high class philosophical Hindu ethos which has completely obliterated people's protest tradition. She identifies this as the underlying matrix which has led feminist writers like Kumkum Sangari to criticise Meera for her obsessive religiosity while missing out completely on the powerful protest content of the oral traditions which were rendered invisible. Parita Mukta rescues Meera from the sphere of domesticity (feminised creativity and sentimentality of homebound women). She tries to trace the specific socio-historical conditions in which Meera could rise as a popular figure, could gain support for her life against the Rajput mainstream and could be sustained in her life as well as in her memory afterwards, beyond the individual subjectivity of her own personal faith and convictions. Parita Mukta thus unfreezes Mira from her textual biography and from the oppressive association with the Krishna bhakti of destitute widows living on charity and places her within the community of peasants and artisans whose relations and feelings have kept her memory alive. She shows that without this community her memory would have been obliterated and even the later middle class recuperation would have had no material to draw on.

Community in Parita Mukta's understanding, in which she partly draws on Raymond Williams, has three connotations: (1) The immediate 'bhajniks' (2) Those people – though not necessarily active adherents of bhakti – whose experiences are articulated by these bhajans, who have experienced feudal oppression, unwanted marriages, widowhood, untouchability,

penury. And (3) the reality of a common life as it emerges around caste and class affiliation around Mira bhakti – a community which nurtures and strengthens the oppressed through the power of religious expression (p. 40). The most vociferous protest dimensions can be found in Marwar and Mewar where Mira the rebel gives strength to anti-feudal ethos. In Saurashtra Mira the mendicant comes to the fore strengthening a community of exiles who face deprivation. Parita Mukta places such Mira bhakti close to the slave religiosity in the South of the US. Far from being a diffused and confused protest, she tries to show the coherence and force of the 'morality of the people' (Gramsci) as distinct from official morality. In Parita's words: 'One must enter the vale of tears to grasp the conditions of the people's morality. Mira enables us to enter this vale' (p. 45).

The second chapter works out the historical power struggle between the Rathors of Mewar and the Sisodiyas of Mewar and makes visible the martial ethos of 'kul' (clan) and bhayad (brotherhood) connected with control over land. Marriage within this ethos involves a history of war, hatred and revenge, as the lineage of inferior power had to give their women to the stranger political power. By bhakti Mira asserted the power of love. She undermined simultaneously the power of the patriarchal husband, the prince and the superior clan which was wielding state power. In the succeeding chapters Parita Mukta works out the ostracism of Mira among the Rajputs and the affirmation of Mira bhakti among the dalit communities like weavers, leather workers and sweepers. Her connection with the leather workers goes through the tradition of Rohidas who was a chamar himself as Mira's guru. Mirabhakti is located within the rising artisanal classes and later spreads into the peasant communities. It was in the 16th century that these communities emerged and Mira bhakti took roots. The peasant communities took to Mira because of her resistance to the Rana of Chittor – as it was their taxes which contributed to the ostentatious life of the court while the hierarchical system denied them dignity. Parita Mukta emphasises the importance of men identifying themselves in 'strivachya' (the female voice) and works out the ethos of the 'underprivileged who are tied to each other by a distinct set of values that affirm a simple life uncorrupted by wealth and privilege' (p. 91). 'Vairag' (renunciation) for Meera did not mean death to society but a life renouncing privilege and living closely with the people. The bhajans witness to this collective identification. 'These bhajans are not only sung by ascetics, renunciators, who bear only a tangential relationship to social life but by people to whom poverty is a

* This makes the book at times somewhat difficult reading especially since quite a bit of the background history of Rajasthan and Gujarat is taken for granted. Explanations of cultural metaphors and background history for the less familiar reader would certainly be of help. However, if one takes the trouble to get one's teeth into this dense material the attempt will be eminently rewarding.

condition of everyday living" (p 95) The community of bhajniks which uphold this allegiance to Mira cuts across caste and is held together by poverty and evocation of a common life. This is most strongly symbolised by the protest against purity and pollution in accepting Rohindas a chamar as a guru. Parita Mukta gives contemporary instances of how a group of dalits travelling ticketless to celebrate Ambedkar's birthday in Bombay broke into Mirabhajan to defend their right against middle class passengers (pp 109-11).

The fourth chapter works out in great detail Mira's protest against the institution of marriage and makes clear that she did not just replace it with a marriage to Krishna but with the assertion of a life of her own. This also implies the rejection of widowhood. Both these aspects Gandhi in his version of Mira could not acknowledge. Resistance against such free choices came up not only in the attempt to murder Mira but also in the repression of the community as chapter five shows.

The bhajans from Saurashtra analysed in chapter six make visible the commonality between the community of beggars, mendicants and itinerant singers and the poor low caste communities who sustain them. Here Mira's personal emotionality and choices are more emphasised.

Parita Mukta sees this process of recreation of Mira's experience as a process of the recreation of the communities which sing her bhajans. "They have encapsuled a vision of Mira through whom they project their own history as well as showing the centrality of Mira in cementing alternative bonds. There is a collective political and deeply personal bonding here" (p 165).

The third part of the book analyses the co-optation of Mira by the middle classes, be it in the sanctified Gandhian version during the freedom struggle, be it modern film and cartoon versions. In the freedom struggle her quality as a satyagrahi is balanced out by depicting her as a pious, devoted wife completely neutralising her protest against patriarchy, family and feudalism. Not only this, Parita Mukta shows how the people's Mira was rooted in a process of shared struggle and suffering while Gandhi's Mira imposed ideals of distracted love of humanity which ultimately betrayed and antagonised people's struggles and contributed to the defeat of mass movement (p 197).

Such sanitised versions were amplified by the medium of film and the critical edge of Mira's affirmation among the low caste/low class bhajniks was systematically blunted. Such use of mass media is in danger of obliterating the popular culture in course of time. Not only this, the depictions of Mira have become more and more base. This cuts into the community of Mira who has persevered in upholding her memory. The

final chapter shows how such film versions shape the Krishna bhakti of middle class housewives and widows and how their emotional rejection of unequalitarian and unfulfilling relationships is channelised into self-isolation. The significant fact is that the bhajniks throughout have upheld the rebellious and controversial life of Mira while not a single bhajan mentions her death. Legend says that she merged with the murti at the Dwarka temple which only leaves open the two possibilities of destruction by the rana's emissaries and self-destruction. The bhajans only affirm the failure of all attempts to destroy Mira. Self-destruction would cancel out the hope within herself and the community of bhajniks. At the end of her book Parita Mukta identifies an open door which may have enabled Mira to live on among the bhajniks.

This book not only makes invisible history visible, it also shows how different castes and classes appropriate and reshape their own history and culture within their life world. It is a powerful testimony against the elitist versions of cultural and religious heritage. At the same time it raises very crucial questions on what happens to

culture and life world in the present context. The book has been published as we reach a point where we increasingly feel the economic and cultural impacts of globalisation, while the research has been done in a period when such onslaught could not yet be felt to its full extent. The question of cultural resistance takes on new importance in this situation. Not only that, the main thrust of Mirabhakti itself – the renunciation of privilege for the sake of affirmation of the common life – is of utmost relevance. The bhajniks of Rajasthan and Gujarat today find themselves engulfed by the political culture of Hindutva which could doubtlessly co-opt Mira as it co-opts Gandhi and Ambedkar. In such conditions studies as this are of a life-saving quality as far as people's collective memory of solidarity goes. It is imperative that popular movements which try to protect people's right to life and livelihood take note of such research and give it back to the people who have made it possible in the first place. It may be extremely difficult to defend such alternative identities in the present situation but obviously the attempt itself is of utmost importance.

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The Real Situation in Kashmir

A G Noorani

Heat and 'Mast' in the Valley, Committee for Initiative on Kashmir, B-10 Green Park, New Delhi 110016, 1995, Rs 20

SINCE the outbreak of militancy in Kashmir six years ago the Committee for Initiative on Kashmir has established a formidable reputation for its reports on the situation there. Readers of this journal are familiar with the excellent analyses by one of the leading members of the committee Gautam Navlakha. This is not a report only on the destruction of the shrine at Char-e-Sharief on May 20, 1995 though a long part of it is devoted to an on the spot report following the visit to the place by a team from the committee consisting of Ashok Aggarwal, Tapen Bose, Dinesh Mohan and Gautam Navlakha. They were in Kashmir from June 25 to 30 and the report contains a careful resume of events preceding the destruction of the shrine based on first-hand reports and an incisive analysis of the various versions. The questions they pose brook no evasion.

But they do not stop there. They proceed to discuss the role of guest fighters in the valley and the basic change they have brought about in the situation, the behaviour of the security forces and the outlook of the people today. The report shows empathy for those who really matter, the people of Kashmir without in any way compromising its objectivity. The report reveals a mastery of the printed record in press reportage. Personal observation fills the gaps.

It is clear by now that both the United Headquarters in the state and the union ministry were marginalised. The army was given a free hand. Who else could have done that but the prime minister?

The report contains by far the most detailed resume of the events before the destruction of the shrine to yet appear. There is no dogmatism in assertion but the balance of probabilities is indicated clearly enough.

There is also an eyewitness account of *The Statesman* correspondent (20/3) about shelling at Char-e-Sharief when he went there to interview Mast Gul. Could all these accusations against the army be motivated? The account of the townspeople about helicopters strewing gunpowder and firing parachute borne flares has been discounted by many as exaggeration and technically incorrect. However, it should be noted that the account of the townspeople has remained the same since the first batch of journalists reached Char-e-Sharief on May 12. The parliamentary delegation and team from the Editors' Guild met them in-between and exactly a month and a half later when we interviewed them they said the same thing.

It must be remembered that in the middle of an inferno the account of the townspeople who are not military experts cannot be dismissed simply because they are unable to identify weapons accurately. It is then description that carries weight. The people we spoke to talked about gun-firing and every now and then light flashing through the night and oil buildings catching fire where the light landed with a sound of explosion. We were also shown a few empty 51 mm mortar shells and parachutes for 51 mm mortars with Indian ordnance factory markings said to have been recovered from the rubble of the burnt down houses.

The town was engulfed before the shrine was destroyed. Why did the army advance towards the shrine after the basti was destroyed? What compelling reason motivated such a move? The curbs on the press from March 17 are well known. As the report points out, neither the Editors' Guild nor the Press Council was exercised about it.

The 'face of relief' and 'compensations' is described in meticulous detail. The discrepancies in the number of the 'guest militants' in the town given by the authorities are listed carefully. As for the much vaunted policy of 'transparency', all we have had are guided tours. In May 1994 the Iranian ambassador Sheikh Attar ripped off the pretences that cloaked the visits of diplomats to Srinagar.

The report's comment on transparency is telling. 'The interesting thing is that no one demands transparency where people are concerned where their lives and welfare are threatened. Transparency does not mean allowing select group of diplomats and other dignitaries access to the 'disturbed' area so that they can return home to file political reports. By disarming the word transparency in its democratic connotation, transparency has become an euphemism in officialese for image-repairing exercise. Transparency in its actual sense means access of people to correct information and authority, as well as accountability of the authorities to the people. This provides protection of people from the arbitrary and inhuman conduct of the servants of the government. In fact, if transparency had been intended, a non-militaristic approach to address the issue of people's alienation in Kashmir would have been accorded top priority, and chances of destruction of Char-e-Sharief would have been minimal. In the absence of transparency, repression continues unabated. Incidence of arson and pillaging had been a common feature in the six years

of insurgency, and Char-e-Sharief appears to be the latest act."

In the wake of the tragedy "there is a further clamping down rather than easing of repression." Both the governor general K V Krishna Rao, whom nobody respects and the union home minister S B Chavan talk of a return to normalcy conveniently seizing on some features of the situation today and ignoring the rest. This reviewer noticed during a visit to Srinagar last April that there was a genuine yearning for the resumption of tourist traffic which however did not indicate the slightest lessening in alienation from New Delhi.

The report captures the people's mood accurately in all its nuances and deserves to be read by the two election commissioners (T N Seshan the CFC is not only uneducated but also uneducatable). The report records.

On the surface the hustle bustle of daily existence has replaced the cry for Azadi. School children, working people, old, adult and young men and women are moving about. Marriages, deaths, births continue. Agriculture and farming of commercial crops have grown at the rate of 4 per cent. Foodgrain production has increased from 11.42 lakh tonnes in 1989-90 to 14.61 lakh tonnes in 1993-94 (7/1 June 12). Foreign exchange earnings from walnut exports rose from Rs 15.27 crore in 1989-90 to over Rs 60 crore in 1994-95. Handicraft exports increased from Rs 59.72 crore in 1989-90 to Rs 250 crore in 1994-95. Fruits exported to India in volume increased from 5.18 lakh tonnes to 7.63 lakh tonnes between 1989-90 and 1993-94. And it amazes one to see the large number of buildings being repaired or constructed. If life is so uncertain why should people invest in buildings. Unless this is a sign of fatigue. Or a loss of faith in the movement. All officials are convinced that the people's desire for peace overrides every other consideration. And yet beneath this surface what is palpable is an element of getting used to militancy, a realisation that it is going to be a long haul.

There is also disgust and revulsion at the misdeeds of militants. But neither that nor the despair imply disavowal of their political aspirations, which are proclaimed by one and all in the valley without exception, the right to self-determination. The alienation from the union is total and deep.

The government of India studiously sought to undermine the Hurriyat as it did the IKLF to the gain of the pro Pak Hizbul Mujahideen. The Hurriyat leaders have, thanks to no small extent to their own disunity and lapses, lost considerable ground. The local militants have lost ground to the 'guest militants' playing the game of Pakistan's ISI. 'Unfamiliar with the language and local norms all 'guest' militants remain outside any restraining social influence." Not that the local militants are free from blame. "Local

Kashmiri militant organisations have also indulged in this heinous activity" taking and killing hostages

The people have nowhere to turn to. Their leaders are divided. The guest militants and even some Kashmiri militants misbehave. The authorities are callous and the security forces brutal. The objective behind counter insurgency is to single out and crush the Kashmiri militants and force the leadership to accept the terms and agenda set by the Indian government. In this process control over militancy has slipped out of the hands of the Kashmiris to the guest militants. This suits the Pakistan authorities who want to exercise greater domination and find the non-Kashmiri militants better suited for their purpose. It is because of this that the escape of Mast Gail, fewer frontal encounters with the 'guest militants' such as in Chrar-e-Sharif and the targeting of the Kashmiris acquires significance. The danger is not that foreigners would move in and change the genetic purity of Kashmiris, a feeling both publicly and privately expressed. But that by allowing the well-trained guest militants to entrench themselves, an Afghan type war may get enacted. The lesson taught by Chrar-e-Sharif is that Indian security forces will pursue a scorched earth policy.

There is one saddening feature which only persons of sensitivity like the authors of the

report care to note – the contrast between the treatment of Kashmiris by the authorities and their behaviour towards Indians. "The contrast also comes out in the cockiness exhibited by Indian visitors from outside Kashmir when going to meet any official, especially a Kashmiri. We fix an appointment, we walk right in and at best request that we be allowed to meet the senior official. And even the non-Kashmiri Indian officials welcome us as people from back home. Since their interaction is from behind layers of security cordons, we even having a nuisance value, are accepted as a source of information for them. We have thus become a part of the complicity to divide the Kashmiri from the rest of the Indians without being conscious of it. In this twilight role lies a disturbing thought. To this one can only add that Kashmiris crave for sympathy in their plight and respond generously to sincere approaches."

This emerges also in the CTFD-PLC report on the burning of Chrar-e-Sharif by Kuldeep Nayyar, K. G. Kumharan, N. D. Panholi and Joseph Gauthi who visited the valley (May 27-30) and went to Chrar-e-Sharif for personal observation. The report demands inquiry into the outrage by a Supreme Court judge. It is less forthright and far less documented than the Report of the Committee for Inquiry on Kashmir.

unorganised industries which has given rise to a corresponding form of the labour process with its implication in the potential for the growth of the trade union movement. The author argues that Indian industrialisation is closely linked to her colonial past (p. 21) and it has also been influenced by the dynamics of both global factors and national contingencies. However, the classification of unorganised industries (pp. 37-40) into 4 types is overlapping. The author has confused between the process of 'manufacture' and 'the objective conditions of work'. He goes with certain fixed notions like commodification, globalisation, colonial exploitation, which may not appeal to all types of readers in sociology.

Referring to his case study of garment industry in Delhi, Manjit Singh prescribes that unless the workers permanently uproot themselves from rural areas and secure some relatively stable jobs in urban industrial sector, it becomes a formidable job to organise them into trade unions (p. 78). The contextuality and feasibility of such prescription should have been appropriately worked out before prescribing it. A careful look at his detailed study reveals that out of total 84 pages, the author's case materials have found their mention only in some scattered 10 pages. Taking his limited data into account, the author has derived ambitious conclusions. The book would have gained stature methodologically had the author made mention of the characteristics of sample, the research design and techniques applied to collect primary data.

In an answer to the question 'who are the unorganised?' in the concluding chapter, the author aptly observes: "It is not that capital is unorganised, rather it is labour which is unorganised" (p. 82). However, the author should have read the original text of Keith Hart who not only coined the term 'informal sector' but also appropriately distinguished it from the one hitherto called 'unorganised sector'. But within the limits, the book appears like a conceptual source text on class emergence of classes, evolution of capital industrialisation process and trade union movement in unorganised industries.

Study of Unorganised Industry

Rabindra K. Mohanty

Labour Process in the Unorganised Industry: A Case Study of the Garment Industry by Manjit Singh. Manohar Publications, New Delhi, 1991. pp. 97. Rs. 100.

THE fastly growing urban informal sector in India has played a vital role in the development of country's economy by absorbing rural manpower and also by using capital saving labour intensive techniques to produce goods and services complementary to those of modern formal sector. Sociological studies on unorganised industries or urban informal sector are very few. Although economists and geographers have hitherto dominated the discussions on unorganised industry, their attempts have many limitations. Economistic research pertains to data which are open and as a matter of fact, mainly statistics of governmental origin. It emphasises on the macro research and not a micro research. Manjit Singh's micro study of garment industry in Delhi is one welcome addition to that speciality which has come to be known as 'Sociology of Unorganised Industry'.

The book under review consists of six chapters. To start with, the author tries to locate the conceptual confusions over the

term 'unorganised industry'. The author dismisses the definitional claims of some authorities on unorganised/informal sector with charges like 'limited', 'inadequate', 'inappropriate', 'lack of clarity' and so on. He makes an appropriate claim that in spite of its (unorganised sector) major place in Indian economy, no serious attempts have been made even to give a precise definition of this huge sector. Several scholars in India have published works on the definitional question in the late 1970s and the early 1980s, about whom the author seems to be unaware. The author is advised to read especially I. S. Papola, Sethuraman, H. K. M. Singh and A. S. Oberoi, I. K. Majumdar, Heather Joshi and Amitabh Kundu.

The author's general theoretical discussion on the labour process and the capitalist development, 'the path of Indian industrialisation and the making of industrial working class, is broad-based and substantive. The focus is on the so-called determinate structure of the

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Cultural Imperialism and Women's Movements

Sheila Rowbotham: Builder of Bridges

Vinay Bahl

The recent massive growth of multinational companies and their impact on women's conditions, the migration of women from former colonies and the emergence of movements amongst Third World women within the First as well as the Third World have brought into focus a new dimension of the women's question. Mere talking of individual identities and differences among First and Third World women will not help the cause of women's emancipation in either world. Instead we should start looking for linkages between different groups of women without undermining their specific histories or the distinctions of nation, race, gender, caste and class.

Sheila Rowbotham's writings should be read in the context of this need to create international links and bridges.

Movements develop in the process of communicating themselves. We have not even words for ourselves. Thinking is difficult when the words are not your own. Borrowed concepts are like passed down clothes: they fit badly and do not give confidence. We walk and talk and think in living contradiction.¹

SHEILA ROWBOTHAM wrote these lines in the context of feminists using male-centred languages and concepts. But I find these lines also useful to explain my dilemma as a third world (I recognise that it is not a unitary entity and in want of a better term I use it within quotes) woman using the English language and its concepts as well as western feminist concepts and categories. The problem is, as Raja Rao wrote in 1938:

One has to convey in a language that is not one's own the spirit that is one's own. One has to convey the various shades and omissions of a certain thought movement that looks maltreated in an alien language. I use the word alien, yet English is not really an alien language to us. It is the language of our intellectual make up like Sanskrit or Persian was before, but not of our emotional make up.

The above quote explains part of my problem in using the English language and also indicates that the language of intellectual make up has always been a language of the ruling class of a particular historical time. This relationship between the language and the ruling class has created more problems for my authenticity (including proving my intelligence as it is considered synonymous with knowing 'good' English), earlier in India and now in the US. The authenticity of my 'Indianness' (a problematic concept itself) was distorted in India by a systematic suppression of the identities of various underprivileged sections of the society by British colonialism,² as well as in the independent India by the bourgeois ruling class, which got a substantial amount of support from the institutionalised Indo-Anglian literary critical tradition.³

The problem of proving authenticity is increasing with the pressures of the global market place which demand national allegory without making any effort to understand inter societal linkages.⁴ Post modernism has given the greatest lip to this pressure by fetishising the notion of differences, identity and regionalism.⁵ Post modernist discourses have highlighted the inappropriateness of continuing to see ourselves as the victims of colonisation. The centre itself becomes periphery because of the plurality of meanings, the stress on specificity, plurality, regionalism, social minorities, on political projects (which are local in scope), on surviving traditions and on suppressed forms of knowledge. All direct responsibility had been taken away from us (periphery) by the power split between representation and what is represented.⁶ The logic of representation governs the fields of language, image, politics and our private lives. This logic is problematic because what is represented is presented in fragments. Not surprisingly, under these new discourses and forms of representations there is now a growing tension between global homogenisation and local cultural identity.

Similarly, in recent years the slogans of multi culturalism are used to continually reiterate issues of difference and separation which have ensured the First World's global domination through their insistent segregation of the 'Other'.⁷ All our named distinctions—white/black, man/woman, straight/gay, plus all the hyphenated designations within nations and culture—both underpin and ratify their hierarchy. The mark of difference has been the inescapable burden of the 'Other' because it is always the second term that is 'marked' as secondary. The problem with multi culturalist practice seems to be that it is trying to assimilate many different groupings and issues under one concept.⁸ All significations are subsumed as undifferentiated, indistinguishable and interchangeable in a new sophisticated economy of 'sameness'.⁹ Thus the centre, though claiming to be disintegrating still operates as the centre and

with exclusive rights over all the others.

In such a context post modernism in fact has proved to be a new trick of rhetoric. Nonetheless we (Third Worldists) should try to see if any of the concessions made by post modernism to the periphery can be of any critical value to us. It in fact could offer us the chance to reconsider all that was left unsaid. For non western artists, intellectuals or feminists it is essential not only to be able to distinguish themselves from others but above all to create or recreate the historical and ideological conditions which at least provide the possibility to do so. Post modernism has no politics in the sense feminism has because post modernism has no theory of resistance and no way to transform the structures of meaning.

Here then follows an argument in support of the theory of resistance in an effort to save myself (and others) from getting subsumed in the sameness process (as created by the modernity in the form of Third World as a unitary concept or its elimination by post modernity which fetishises differences and reduces them into sameness). I am also using this opportunity to point to the alternatives available to us (all of us) and wish to emphasise an obvious issue which is generally overlooked by sociologists and historians as well as by feminists in their analysis.

The histories of all societies are also (along with the class struggle and external invasions/trade etc.) histories of inter linkages between societies.¹⁰ There is no single permanently rooted static society. Some societies may take along in changing, but none of them are static. Those which remain static disappear. The changes occur not just because of internal forces or because of external forces. Both interact on each other, changes occur which creates something new in all societies. Thus each society is linked to others, interdependent on them or even shaped by the processes of 'societalisation' that cut across them. This approach is 'problematic' because it is based on the premises of equality. Hence,

it does not allow any one society to take a privileged position and claim hegemonic power over the rest of people

Today, all of us ('Third' and 'First World') experience the pressure of contemporary global circumstances which are affecting every society and bringing changes (both intended and unintended violently or diplomatically, depending upon specific situations) in each one of them. In this perspective and context it seems illogical and unrealistic to interpret and analyse the experiences of people and societies as only a process of internal conditions (therefore, different) and create the phenomenon of Otherness. Instead, we should try to understand the contemporary hegemonic powers and forces, their ideological and other mechanisms of control and explore how they interact with different societies and shape people's lives and consciousness. Simultaneously, we must also find out how people are affected by interaction with new hegemonic forces. Because, often they do not passively absorb everything as helpless beings. In fact they may resist these hegemonic influences and develop survival techniques, sometimes as individuals or as a social group and sometimes as a nation. Once we understand these social processes, it may then be possible to develop proper strategies (as women as working class and as 'Third World' people) for resistance and change in today's interconnected world.

Having this perspective in mind, I feel that if I have to constantly define myself in opposition to the constructs of otherness thrust on me, then that would be the surest way of othering myself. I am well aware that the moment one allows oneself to be subsumed within categories of otherness, one automatically empowers what one is set against. In this process we (those who are otherised) forget our own history and culture and attempt to find alternatives to the practices that we are criticising (both within our own cultures as well as in the adopted countries of our choosing). Moreover, my 'authenticity' is evaluated by the demands of the recipient culture (in this case the US), one that is selective in its criteria. Thus it seems there is a planned authenticity' at play everywhere creating problems for people like me who try to establish their 'authentic' identity. The monoliths of our times cannot be defeated through the construction of other monoliths. But through the creation of several voices of dissent, multiple points of attack and defence, sharply individuated yet linked. We need to reconstitute, reconfigure new narratives and languages that are pertinent to the secular culture of our times.

Let me elaborate on this issue with a personal example. My 'nativism' is questioned¹⁴ whenever I wear western dress or have a western hairstyle or am not sufficiently critical about western feminists

because, according to the post-modernist standpoint I can establish my nativism only by standing against the west (as different). Postmodernists refuse to acknowledge that people like me who enter into western culture are primarily there because of the history of world capitalist system, western colonialism and imperialism in effect leads to forced westernisation.¹⁵ To me this is one more aspect of cultural imperialism (along with other types) of the postmodernists who are forcing me to remain different native" (indigenous) even when for all practical purposes and for sheer survival it is necessary for me to communicate in a language that includes western cultural concepts and ideas, whether I wish it or not, whether it is at all possible to become native or indigenous in any pure sense of the term today. If I am not able to establish my nativism, in the sense western people understand it, I am labelled as too westernised and have no right to speak for natives. With this strategy two birds are killed in one stone without seemingly silencing 'other' women. Those women who by postmodernist standards can be called authentic voices, but are unable to come to the west and speak in the language which western feminist can understand and people like me, who could manage to come to the west, who have no right to speak since I am not considered 'authentic' since I belong to the middle class (a problematic expression in the context of US society). Thus ignorance is perpetuated about these 'other' women and this ignorance is justified in the name of 'lack of authentic voices'.¹⁶

Moreover I am always being otherised (in India by the Anglicised academia and westernised feminists and in the west by the dominant culture of the ruling class including post-modernists) and I do not wish to accept hyphenisation of my identity or my work. I do not wish to be seen as anybody's other but as somebody who tries to define herself in opposition to certain monolithic others so that I can communicate and try to understand others. I find it equally necessary to explore my own self in relation to differences within my multicultural context in India as well as beyond. But I am compelled to remain silent, become different or 'other' or get labelled with another unifying term such as 'Third World', which further contributes in widening the gap of communication. This enables some feminists (post-modernists including western and Indian) to keep harping on the question of 'differences' so that they can escape the need to understand these 'others' whom they have refused to acknowledge as a product of western cultural imperialism a process imposed through the globalisation of the world capitalist system.¹⁸

Now, any theory, if it is to be of some practical use in the material world, must be capable of providing a tool to act upon

material reality as well as to explain it. That is what Marx meant when he said that it is not enough to understand the world but also to change it. The need for change is not an abstract or superficial wish for change for its own sake, as for example changing styles of dresses or experimenting with a variety of ethnic food, let's have something new today. The absence of colonial flags in Asia or Africa today does not mean that we are living in a post colonial era. It only means that relations between First and Third World have become more concealed such as the debt dependency of Third World economies on First world and the aid packages offered by World Bank and the IMF. This wider context has created a link between the micro politics of the academy and the macro politics of imperialism. Therefore scholars both from First world and Third World should not ignore the ways in which our investigative interpretive studies promote the designs of imperialism. As scholars we should know that what is at issue is not ultimate and transcendent truths (something mendicants had been doing for thousands of years) but the lived truth of specific human relationships in specific historical circumstances.¹⁹

Today the 'Third World' writers inhabit a space that is becoming increasingly difficult to negotiate due to the marketisation and marginalisation of dissent.²⁰ This problem has further increased as there do not exist many indigenous structures of production and representation. In fact this job is being done by globalising forces which are constantly homogenising 'indigenous' cultures everywhere. In this process of homogenisation of indigenous cultures the common heritage of mankind is created. This construct has become yet another universal up for grab, to be recycled, manufactured, marketed, priced and then sold back to 'Third World' in a new package. The idea of 'culture of choice' is promoted by a certain class of people with reference to the availability of different foods in the name of multiculturalism in metropolitan cities with catchy phrases of pluralism. This pluralism is the very product of a post capitalist post-modern conditions which can afford to indulge in an historic amnesia about those parts of the world where food may not be a matter of choice.²¹ "This form of globalisation of 'culture' has created serious problems for those Third World women who are different but are also part of the western culture as a result of colonialism as well as of their own migration to the western world.

It is this specific historical context of mine which makes me raise the question of creating bridges and not repeating the discussion on 'differences' or 'victimisation' or even 'multi-culturalism'. Sheila also points out in *Women in Movement* that "to simply

present 'difference actually disguises inequalities among the vendors [women]' By insisting on 'difference' it is possible to treat these women with inequality because in this way they are not comparable in any respect at all. She comments that this particular theoretical tack in feminism has thus pulled the rug from under feminism as politics.¹ It is with these dimensions of cultural imperialism in mind that I am attempting to read Sheila's writings.

COMMENTARY ON SHEILA'S WRITINGS

In this paper my effort is to show that Sheila's commitment to a vision of a humane society (which includes women) directs the content and contents of her writings. It was her political perspective which made it possible for her to look for bridges rather than otherising women. The idea of creating bridges has been picked up in recent years by many women in the world and I find Sheila's writings make a contribution to that tradition. The fact that today's Third World countries were once colonised and are even now being exploited in the globalisation process is undisputed. But the postmodernist approach, which sees language as slippery, has compromised the historians' ability to identify facts and chronological narratives by reducing to mere subjective stories 'the experiences of women struggling (in the 'Third World') to define themselves in particular historical contexts. This approach has already begun to isolate women's history from the women's movement. It tends to paralyse the women's movement politically through depoliticising gender. This separation of women's history from their movement has important implications for the women's movement in the Third World because it coincides with a moment at which minority groups (within US as well as in other countries) are finding their voices and speaking out with some sort of collective identity.

Third World gender construction (as is created in the west) took another turn with the emergence of neo colonialism. A process of neo colonisation has emerged with the development of a communication network which can shuttle information instantly around the globe and help multinational corporations to reorganise the flow of labour, capital and control across national borders. The earlier achievement of 'autonomous' (freedom from physical colonisation only) nationhood has been rendered almost irrelevant by the accelerated circulation of goods, money and culture. Within this new context feminist theories have now hypothesised a universally colonised 'woman' universally subjected to 'patriarchal' oppression thus effectively stripping the colonised subject from its agency.²⁶

I wish to emphasise that if we (both 'Third World' and western feminists) genuinely care to change women's condition all over the world, then western feminist scholarship (including the postmodernist trend in the non western world) can no longer avoid the challenge of situating itself and examining its role in such a global economic and political framework. For this essential work it is necessary to forge links between women's political struggles all over the world. This in turn requires an understanding of the complex interconnections between 'First' and 'Third World' economies and their effect on the lives of women in all countries. Literature on this subject is already emerging. "Links are already being achieved to some extent in international declarations such as those by the First Women's Conference on Security and Cooperation in Europe 1990, Isis International 1990, Mujer/Impress 1991, South Asia Feminist Declaration 1991."²⁷ These international links are based on cross national or global problems and the interrelation of women's emancipation and other emancipatory struggles. International surveys and articles with titles such as *Sisterhood is Global or Planetary Feminist*.²⁸ They are based on assumptions of a 'shared identity' (in the sense that all these women are being exploited by Multinational/Transnational Corporations) and common response or lack of it.²⁹ These women have recognised that it is impossible to think of either the historical or the contemporary experience of nationalist women's movements in isolation from each other. These advances in the level of discourse of women's organisations represent a step towards the making of international feminism through creating new bridges.

Sheila's writings should be read in this tradition of creating international links and bridges. All her works have stemmed from her active participation in the women's movement in Britain and her commitment to a humane society and to the search for social justice. This goal is fundamental for the women's movement. As she wrote in *Beyond the Fragments*:

Feminism for me is a movement to assert the interests of women as a sex. But more than this it is a means of releasing and communicating the understandings which that subordination holds in check. The movement for women's liberation is part of creation of a society in which there are no forms of domination. This society cannot be separated from the process of its making.

Feminism, like socialism, is a political historical movement with different strands in it.³⁰

In Sheila's earlier work she looked at women in revolution. Then she shifted the focus to women's struggle in day-to-day life. Later she attempted to develop an

analysis of sexuality and personal life together with its political implications – still keeping socialism, feminism, and activism together. Sheila explains about herself in these words:

I became interested in the history of women in revolutionary movements. This was the source for *Women Resistance and Revolution*. I was focusing on the history of women and socialism rather than the history of feminism. I am interested in how history related to people that keeps it alive. My work has often been influenced by my teaching *Hidden from History* for instance was written for WEA students who were housewives in the suburbs and didn't have much time to read. They needed something that could be read in short sections and had complained the *Women Resistance and Revolution* was a bit remote, the chapters were too long. I wrote that book for them but it has also been quite popular with trade unionists, perhaps because with a different working pattern they also have short bursts of time. There was a very organic connection between our historical work and our political work. Ideas about women's history have developed from many group discussions.³¹

Early on Sheila was aware of the fact that she should not apply western assumptions of oppression to understand women of other countries. Later, she also warned that western feminists need to be very careful. In an interview to MARHO she said:

I remember when I was doing *Women Resistance and Revolution* a friend who influenced me a lot was Hermione Harris, an anthropologist. She and other women anthropologists have stressed the dangers of imposing a piece of western feminism on other countries. Some of our problems don't seem quite so acute. I think that the most crucial thing (feminism) as I understand it has been saying that is relevant both in western capitalism and the Third World is that our need is to change relationship between people in the very process of fighting for revolutionary change – but I had learned it through history (also).³²

Reading Sheila's books, listening to her talks and knowing about her commitment to a vision of a humane society, I think Sheila is able to provide a way out of the dilemma created by western feminism without in any sense stripping 'Third World' women of their agency. It was possible for Sheila to achieve this linkage because her approach is based on actual actions in the field of women's movement amongst both white and coloured and including 'Third World' women living in Britain. She learns from women who are struggling to improve their lives as well as their living standards and trying to make sense of their existence. Her own life is full of such examples. She does this in England as well as by going to other countries and making contacts with

women who are in the field writing, struggling, and working. She perceives these struggles in terms of her own belief of changing society for all the downtrodden including women. For this reason her books are being translated in many languages of Third World countries and people can relate to them.

All of us (people in general) are struggling to survive in modern times against the vast influence of capitalist system and its institutions. This vast influence of capitalist system give us a common ground for understanding each others' problems at the work place and also the socio-political, historical, cultural influences on our lives.⁴⁰ The massive migration of ex-colonial population (because of the demand for cheap labour) to the industrial cities of Europe and the US has created new kinds of multiethnic and multi-racial social formations. This new situation as well as the tension and conflicts it creates, can be comprehended only through cross-national and cross-cultural analyses.⁴¹ Keeping these new realities of the contemporary world in mind Sheila describes in her recent book *Homeworkers Worldwide* the growth of a Third World within the First. She highlights an important fact that several organising initiatives among Third World women workers outside the conventional situation of highly organised western trade unionists have challenged the fatalism which assumed that poor women were not organisable.⁴² She does not stop at admiring this development but raises the question: what can be learned from such experiences of organising amidst adversity? She explains what she learnt from the efforts of Third World women in the following terms:

In 1987 I visited India and interviewed women involved in various forms of co-ops and trade unions... (in) Gujarat where the Self Employed Women's Association (SEWA) has successfully organised 40 000 women who are vendors, contract cleaners, agricultural workers, construction workers as well as homeworkers working in clothing, basket making, handrolled cigarettes.⁴³

What was occupying Sheila's mind was the question: can "it be duplicated was it specific to the conditions in Gujarat and the particular economic and political traditions of organising through the textile industry and Gandhian politics?"⁴⁴ She found her answer in Sheffield where she went to a small conference which was organised to discuss the problems facing workers in Britain because of the growth of flexible forms of work. 'Flexibilisation' was the part of casualisation of the labour force. One aspect of the flexibility has been the use of homeworkers rather than direct employment of factory workers. In this conference while hearing two homeworkers speaking about the conditions in Mixenden, West Yorkshire,

Sheila felt the need to make a connection between the organisation in Ahmedabad and the fears and isolation experienced by the homeworkers in Britain.⁴⁵ She was not thinking of these women as Third World or Others.⁴⁶ For her it was the need to bring the experiences of different women in different areas and nations on the same type of problems together so that they can benefit from each others' experiences, struggle and organisation. She saw the homeworkers phenomenon in Britain and in India as a product of a global process of capitalist relations rather than as problems specific to women of the Third World. From that perspective, he did not waste time in emphasising questions of others or identity. Instead she proceeded to organise a seminar which began to look at emerging organisational forms among casualised women workers and to network with women's groups and researchers. She reports in her book that soon thereafter homeworkers themselves began to make global links.

She correctly points out that historically this [global links of homeworkers] is of tremendous significance. It indicates the possibilities of a new kind of labour movement which challenges hierarchies of race, ethnicity, gender and class.⁴⁷ Global links of homeworkers contribute to a new kind of internationalism.⁴⁸ This new form of internationalism is created by those women who were considered to be unorganisable. English peoples' ignorance (or misconceptions) about other countries is revealing when Sheila points out that the English audience was clearly surprised to learn that in India there is a legal minimum wage.⁴⁹ She further explains that

[this] organisation of homeworkers is not simply an economic matter about low pay, or even work related problems to do with tax and National Insurance. It is also closely linked to a sense of identity and consciousness of self in relation to a social situation. Consequently the group in West Yorkshire has included areas of development and confidence building which are wider than those often tackled by trade unions which have tended in recent times to focus mainly in the workplace.⁵⁰

These (homeworkers) women are not just Asian, Chinese, Indian, Pakistani but also include white women. "Homeworking groups in Britain and Holland now are lobbying the EEC to recognise homeworkers' conditions and make legislation in the different European countries more similar."⁵¹ She noted that this kind of international comparison breaks the feeling of hopelessness which is an obstacle against the organisation of homeworkers. Even limited gains give ideas of what might be attained.⁵² These homeworkers' organisations are also backing SEWA's work with the ILO and linking with trade unions

internationally. They have shown the capacity to cross over the boundaries of production and reproduction, labour and community, economic and social issues.

Sheila urges us to understand how all the sources of resistance could combine and strengthen one another. Thus associations among poor women workers clearly could have more general implications for trade unionism which link economic and social demands, spinning workplace and community needs.⁵³ Most important of all the SEWA group realised that

neither growth nor equity follow each other automatically... whichever you take as your starting point. We need instead explicit strategies to denude the structural change that would enable people to liberate themselves from the oppressive social structures which perpetuate their dependency and their powerlessness.⁵⁴

These themes are further developed in Sheila's more recent book *Dignity and Daily Bread*. It presents perspectives which subvert the assumption that new cultural forms and then theorising originate only in the north.⁵⁵ An artificial separation of women and development issues in the Third World from the study of the economic and social circumstances of class, gender, race and ethnicity in the First, is being increasingly challenged. Sheila maintains that a significant social process is occurring, but the new forms of organisation emerging among poor women producers are still fragile. Therefore *Dignity and Daily Bread* should be seen mainly as opening an area of enquiry for the study of new kinds of organising poor women around production in different parts of the world.

This book urges women of the west to learn from the experiences of Third World poor women who are resisting and surviving exploitation by multinational corporations. Sheila writes:

we [people] are left with a vacuum in which the arbitrary criteria of the market and the interests of multinational capital predominate.

The experience gained by Third World poor women in developing forms of survival and resistance are becoming increasingly relevant to women of the First World. Women's mobilising experience also challenges the prevailing assumptions of who constitutes the working class and how class is to be defined.⁵⁶

She notes that SEWA has had an important international role in Europe and Canada as well as in the Third World where organisation of casual workers is emerging in countries like the Philippines. 'Synthesising old and new forms of organising will be the work of the future - that future whose outline we can as yet barely discern'.⁵⁷

Such bridges as Sheila is able to create are needed because today women's condition

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cannot change unless connections can be made with so-called others' Lessons can be learned from those 'others' by women who are not tied up with the problem of differences or with decontextualised identities' Rejecting the concept of identity (as propagated by postmodernists) Sheila points out in *Women in Movement* that

The problem with the concept of identity is that it tends to become rigid, fixing individuals artificially into a single aspect of their lived experience. One of the most fascinating puzzles of history is the attempt to understand how people came to identify with groups and causes in particular times and places. Does a consensus exist before it has expression philosophically, politically, organisationally?⁵⁸

Sheila gives the example of Charlotte Woodward who 'believed that her position as a woman in the economy was the crucial reason for her low wages. But in the same period many women in the British Chartist movement campaigning for the male franchise believed they were oppressed not because they were women but because they were poor. They interpreted similar circumstances in a different political language of class.'⁵⁹

Furthermore Sheila is able to create ground for bridges and international links between women by demolishing the myth that emancipatory ideas had developed only in the west. Sheila pointed out in *Women Resistance and Revolution* that we do not develop ideas in isolation and this is more so for liberationist ideas⁶⁰ since ideas come from the experiences of our lives, from the past wisdom of others and from the movement for change.⁶¹ She writes that a convergence of western and eastern reforming strands appeared in India in the early 19th century.⁶² Elaborating on this issue in the *Past Is Before Us*, Sheila has written

[The] national boundaries cannot contain the movement of feminist ideas. Influences have travelled from North America and Europe. Now there is a growing interaction with women in the Third World, which has been documented in the magazine *Outwrite* and increasingly in *Spine Rib*—the thought of a social movement is not packaged neatly between two covers. Anyone who has been an active participant in politics knows people do not all sit solemnly reading a book and then march off to make strategies and programmes. There is less conscious process of political thinking in a movement, untidy for historians to be sure but fascinating nonetheless.⁶³

More recently, Sheila writes on the same issue that,

although international interactions resulted in theoretical crossovers, every new beginning has assumed differing shapes. It is as if thousands and thousands of women

were busy making a gigantic garment borrowing and creating their own patterns. Despite varying emphases there have been common themes and common problems and over time several attempts to unravel the knitting and make fresh starts.⁶⁴

While pointing to the international links between women's movements and the interaction of ideas, Sheila argues that the development of ideas itself is an integral part of the movements. One cannot develop without the other. She explains on the basis of her own experience that,

Without a movement as a reference point without the ideas expressed in that movement and without the constant support and help of the women I know in women's liberation I would never have written more than a fragment of this. Women's liberation brings to all of us a strength and audacity we have never before known. I am not however speaking for anyone. What I write is simply a contribution to a permanent communication which comes from me personally but only exists because of other women. An individual woman who appears as the spokeswoman for the freedom of all women is a pathetic and isolated creature. She is inevitably either crushed or contained as a sexual performer. No woman can stand alone and demand liberation for others because by doing so she takes away from other women the capacity to organise and speak for themselves. Also she presents no threat. An individual 'emancipated' woman is an amusing incongruity, a titillating commodity easily consumed.⁶⁵

This relationship between collective action and women's emancipation is of special significance because, as Sheila points out, by standing as lone individuals women cannot take away from other women (and people) the capacity to organise and speak for themselves. Moreover, a lone voice claiming liberation represents no threat. While rejecting the notion of individual liberation Sheila maintains that the women of colonised countries have to fight their own battles within their own countries and to find new meaning for their lives.⁶⁶

Clearly Sheila is aware that none of us (women in colonised countries and the rest of women) can know how the new struggles would emerge, what interpretations would be given to women's movement, or what ultimate form it would take. This uncertainty and unpredictability arises because there are no clear maps or trodden path available to women in their struggle for emancipation.⁶⁷ The lack of blueprints and lack of theories to follow make women's movements complicated to understand and explain. Women join collective actions for different reasons at different times and in different places. Many women participated in social protest action because of their own historical reasons. Their movements did not arise simply on the basis of ideas taken from the

outside.⁶⁸ In the process of struggle each group of women developed its own strategies and its own interpretations of the question of equality. Sheila writes, aspirations for difference and equality express the conflicting realities in which women are situated in society. Thus in some circumstances, equality with men seems desirable, in others it does not meet the needs of poor women.⁶⁹

There are many examples of women entering a public political sphere for humanitarian reform as mothers. Actions based on this gendered relationship have been both apart from and connected with feminism.⁷⁰ Moreover, all women do not demand the same level of equality with men. In many cases, women demand peace sometimes as mothers, sometimes as political 'human beings'. For an ambivalence still exists about whether to value one's difference or challenge male colonisation of universal concepts.⁷¹ The process of liberation remains difficult to understand since mothers can be at once revered and marginalised,⁷² as was evident in the mobilisation of women in nationalist and socialist movements. The various social, economic, political, international and cultural factors which inform women's actions and the nature of their demands, provide the reasons why many women's movements are not revolutionary in the usual sense. Even when women's movements are not revolutionary, the demands women make for their own improvement require such a fundamental change in society that they are completely inconceivable without revolution.⁷³

Sheila correctly emphasises the relationship between the making of feminist theory and women's living experiences, theories evolve in the interaction between these two processes. Accordingly, there cannot be any single theory or any universal model for the women's movement to follow. She writes

Our efforts to abstract upon or practice and history through theories of how to make socialism for example are not good for all time to be handed on like dusty catechisms repeated by rote as correct thought. They have no universal validity. If they serve more than their time well and good. But this does not make them sacred texts. A movement helps you to overcome some of the oppressive distancing of theory and this has been a considerable and continuing creative endeavour of women's liberation.⁷⁴

Elaborating on this point, we can say that women became aware of many aspects of the capitalist system in the process of their struggles. This awareness led to new forms of resistance and new theoretical interpretations, which in fact removed the distinction between public and private.⁷⁵ Sheila also warns us that our theories should

not be written in coded words comprehensible only by the educated elite.⁷⁴ In fact postmodernist language cannot be understood even by educated people most of the time as became clear at the session honouring Sheila at San Francisco in January 1994.

Sheila true to her humanistic approach reminds us of the danger of promoting gender based oppression theory because women's experiences are within the same society where men also inhabit. The existence of a women's movement affects men as well as women. It is not just a matter of the ideas but the relationship to them. We need to create as well as oppose. The implicit understanding of this has been one of the strengths of feminism. Creativity involves transformation by going beyond yourself.⁷⁵ The feminist approach to consciousness perceives its growth as many-faceted and contradictory.

Today it is accepted within the women's movement that we are all equally responsible for generating ideas and ways of resisting a society we oppose and thinking critically about theories of organisation.⁷⁶ It is increasingly possible to relate to experiences of other women because 'The ideal is an openness and trust, a recognition of other women's experience as well as our own. This collective experience has been a vital force in the women's movement's strength. I [Sheila] see no reason why it should be gender bound'.⁷⁷ At the same time Sheila explains that it is not enough to understand complexity in the personal perceptions of human beings because 'such consciousness does not of itself alter the social conditions that produce it'.⁷⁸ The social conditions also need to be understood. For example women in Latin America demonstrated and organised alternatives not because there was a feminist movement but because they could not feed their families. Though these movements did not arise from feminism certain similarities emerge. Women in social protest have partially found a language through feminism, their action and demands raise many questions about existing theoretical paradigms. An active awareness on one issue can lead to the result that other issues take on new perspectives. For example, race and class protests may kindle an awareness of gender.⁷⁹

In conclusion, I emphasise Sheila's insistence that the consciousness of women about themselves does not develop in the same way at every place or for every class. Women perceive themselves differently depending upon the social, political, economic, cultural and historical context. Women's consciousness does not necessarily and automatically translate into feminist consciousness or revolutionary consciousness. Ideas travel and women learn from each other in the process of struggle. Interaction serves to raise further questions.

Theories and ideas which develop in this fashion can be used by feminist and other women's movements to articulate their own experiences and concerns. The existence of women's movements also affects men. Since the women's movement is a very complex process there is no fixed 'sacred' theory or path for it to follow. But the goal is clear to create a humane free and just society, and this goal should be the guiding principle in developing theories for women's movement as well as for society as a whole.

The recent massive growth of multinational companies and their impact on women's conditions,⁸⁰ the migration of women from former colonies and the emergence of movements amongst the 'Third World' women within the 'First' as well as in the 'Third World' have brought into focus a new dimension of the women's question. Mere talking of individual identities and differences (as postmodernists suggest) amongst the 'First' and 'Third World' women will not help the cause of women's emancipation in either world. Instead we should start looking for linkages between different groups of women without undermining their specific histories or the distinctions of nation, race, gender, caste and class. The world can come closer to being a better place to live in if women take initiative to create bridges and refuse to play into the hands of imperialist economic, cultural and political forces.

Notes

[A shorter version of this paper was presented at the 108th Annual Conference of the American Historical Association held at San Francisco January 6-9, 1994 in the session 'Women's Revolution: The Work of Sheila Rowbotham: A Twenty year Assessment'. The longer space devoted to the introduction than is convention stems from the problem that I am an Indian coloured woman assessing Sheila a British white woman and agreeing with her. This situation needed a proper explanation because the fashion of the time is 'differences'.]

1 Sheila Rowbotham *Women's Liberation and New Politics* Pamphlet No 17 published by May Day Manifesto Group London 1971 pp 5 and 10.

2 Raja Rao 'Foreword' to *Kanthapura* (1938) Oxford University Press Bombay 1947.

3 See R. K. Kochhar, 'English Education in India: Hindu Anamnesis versus Muslim Torpor' *Economic and Political Weekly* November 28, 1992.

4 See Sati Ioshi (ed) *Rethinking English: Essays in Literature, Language, History* Trianka New Delhi 1991. The discussion in this book indicates that a whole range of orientalist images sanctioned by the colonial rulers through official English translations were inserted into the minds of educated Indians. Moreover this trend is still on the rise given the 'preponderant position of English language and literature in the educated Indian's thought and culture. These

tendencies are further promoted by the nexus between the state, publishers and academia. For the question of identity in Africa see David Koloane 'The Identity Question: Focus on Black South Africa' *Expression* in *Third Text* No 23 Summer 1993. For Latin America see Nelly Richard 'Postmodernism and Periphery' *Third Text* No 2 Winter 1987/88.

5 Nelly Richard 'Postmodernism and Periphery' *Third Text* 2 Winter 1987/88. The US (as well as IMF and World Bank) encourages funding to those research projects which are based on ethnic studies i.e. folk and tribal communities and cults. For the role of the state in legitimising such cultural appropriations see Rustom Bharucha 'Sombodhi's Other: Disorientations in the Cultural Politics of Our Times' *Economic and Political Weekly* January 15, 1994.

6 For a critique of postmodernism see the following: Terry Eagleton *Ideology: An Introduction* London Verso 1991; David Harvey *The Conditions of Postmodernity: An Inquiry into the Origins of Cultural Change* Cambridge MA Blackwell 1990; Fredric Jameson *Postmodernism or The Cultural Logic of Late Capitalism* Durham Duke University Press 1991. See also Carlo Mongardini 'The Ideology of Postmodernity' *Theory, Culture and Society* No 7 Vol 9 1992 pp 55-65.

7 Nelly Richard 'Post Modernism and Periphery' *Third Text* 2 Winter 1987/88.

8 Herta Wolf 'Notes on Mistaken Identities' *Third Text* 24 Autumn 1993. On the appropriation and repackaging of Third World culture Rustom Bharucha (op cit) wrote the following:

More problematically, I found that its (interculturalism) practices cannot be separated from what could be described as a neo colonial obsession with materials and techniques from the third world. These resources being primarily on our traditional disciplines, our modernity being of no concern to most interculturalists, have been recorded, transported, appropriated and transformed into the scenarios for other audiences. Kathakali, yoga, breathing exercises, Kundalini and martial arts have provided the base as it were for new science of acting and anthropology of theatre where laws and rules of behaviour relating to the energy and pre-expressivity of actors have formulated at transnational levels (ie cutting across the specificities of particular cultures). We need to ask ourselves whether the bios or being of an actor from a particular culture can be separated from his or her ethos. Can stories be extracted from the multiple and contradictory ways in which they are told to their own peoples? More problematically can the pre-expressivity of theatre be decontextualised and 'restored' into techniques or performances? These questions may be rooted in theatrical context but they have resonances that extend to our confrontation of 'other' cultures at more general levels.

9 Rustom Bharucha, op cit.

- 10 Darshan Perusek, 'Post-Colonial Realities: Post Structural Diversions and Unamused Exchange' *Economic and Political Weekly* January 29 1994
- 11 Abigail Solomon Godeau (curator) *Mistaken Identities* in the catalogue to the exhibition of works by fourteen American artists and two artists living in Britain at the University Art Museum University of California at Santa Barbara November 11 December 20 1992 Cited in Herta Wolf *Notes on Mistaken Identities* *Third Text* 24 Autumn 1993
- 12 Carlo Mongardini 'The Ideology of Postmodernity' *Theory Culture and Society* Vol 9 No 2 1992 pp 55-65
- 13 For an excellent discussion on this subject see Samir Amin *Eurocentrism* Tr by Russell Moore 1989 Monthly Review Press N.Y. Also see Friedrich Tenbruck 'Internal History of Society or Universal History?' Tr by J Bleicher *Theory Culture and Society* Vol 11 1994 pp 75-93
- 14 It may be pointed out here that the assimilation of 'Outside' culture into European art is considered the most significant revolution of its time while the same is bemoaned in Africa or any other non-western country as a sign of disintegration and corrosion of the native by civilisation. Or on the other hand Africa and other countries are to be patied on the head for making a successful transition into modernity because Africans and others were seen as too backward to make even this transition
- 15 See for example Saskia Sassen *The Mobility of Labour and Capital: A Study in International Investment and Labour Flow* Cambridge University Press NY Camb 1988. The migration studies provide ample data to show why people are forced to leave their home countries in different periods in history
- 16 We must acknowledge that every new epoch is modern till it is superseded by another and this is common to all societies. Modernity equally involves the appropriation and assimilation of novel elements. Often these are from outside and develop in the process of interaction with other societies. Modernity should be studied of each society as well as the process of interactions. If we agree with this idea then to valorise one modernity while denying the imperative of transition in an 'Other' is no less than to denigrate and disparage them
- 17 I am not pleading in any way to be accepted as an authentic voice representing Indian women which I am well aware of is so divergent in region, caste, class, rural, urban, etc. I am looking for a bridge without losing sight of the complexity of my situation but I am denied even that possibility in the name of authentic voices. Moreover, once I come to the west my class position changes materially. The 'who am I, what class, what colour?' Who do I represent? For whom do I speak if not for myself? Suddenly I wonder where do I fit in? I am different but I am also part of the same system in which western feminists function. I am also a product of the process which started with the capitalist development, imperialism and colonialism. Is it possible to separate completely that process and effect of those forces from my identity, my actions and perceptions? Can I be ever truly indigenous, what ever that means? These are the problematiques I have in mind when I raise the above point
- 18 See Darshan Perusek op cit
- 19 Ibid p 244
- 20 Ruston Bharucha op cit
- 21 A re-vamping of the older term 'regional diversity' into cultural difference does not entirely take away its subordinate status. One way or another internationalism is the norm of the 20th century. We have to remember that in the postmodern age, advanced cultures (or precisely this kind of unit) the more tribal the better. For it becomes the minutely differentiated aspect of global multiculturalism. Gita Kapur 'The Centre Periphery Model or How Are We Placed?' *Contemporary Cultural Practice in India* *Third Text* 16/17 Autumn/Winter 1991. See also Kwame Anthony Appiah 'Is the Post in Postmodernism the Post in Postcolonial?' *Critical Inquiry* Winter Vol 17 No 3 1991
- 22 On the critique of Peter Brook's *Mahabharata* see Ruston Bharucha and also Geeta Kapur op cit
- 23 Ruston Bharucha op cit
- 24 Sheila Rowbotham *Women in Movement: Feminism and Social Action* Routledge London New York 1992 p 290
- 25 See Sarit Suker 'Women Skin Deep: Feminism and the Postcolonial Condition' *Critical Inquiry* Summer 1992 Vol 18 No 4 Darshan Perusek op cit Arif Dirlik 'The Postcolonial Aura: Third World Criticism in the Age of Global Capitalism' *Capital Inquiry* Winter 1994 Vol 20 No 3
- 26 Sidonie Smith and Julia Watson *De/Colonizing the Subject: The Politics of Gender in Women's Autobiography* University of Minnesota Press 1992 p xvi
- 27 Vinay Bahl 'Women in the Third World: Problems in Proletarianisation and Class Consciousness' *SAGE Race Relations Abstract* (London) Vol 14 No 2 1989. Also see Saskia Sassen *Global City* New York London Tokyo Princeton NJ 1991. This work is important for women's linkages as the author brings out clearly the connection between the migrant women in New York and their crucial role in the maintenance of globalisation process and US economy
- 28 For example see Cynthia Enloe *Bananas, Beaches and Buses: Making Feminist Sense of International Politics* Berkeley 1990. Chilla Bullbeck *One World Women's Movement* Pluto London 1988. Jessie Bernard *The Female World from a Global Perspective* Bloomington 1987. Rosi Braidotti with Christian Franken 'United States of Europe or United Colours of Benetton: Some Feminist Thought on the New Common European Community' *Differences: A Journal of Feminist Cultural Studies* 1990 Vol 2, No 3, pp 109-21. Rosi Braidotti 'The Exile, the Nomad and the Migrant: Reflections on International Feminism' *Women's Studies International Forum* 1992 Vol 15 No 1, pp 7-10. Maria Mies *Patriarchy and Accumulation on a World Scale: Women in the International Division of Labour* Zed Press, London, 1986. Swasti Mittler *Common Fate Common Bond: Women in the Global Economy* Pluto London 1986. Helen Icken Safa 'Women's Social Movements in Latin America' *Gender and Society* 1990 Vol 4 No 3 pp 354-69. Chela Verónica 'The Feminist Movement in Latin America' *Development and Change* 1992 Vol 23 No 3 pp 195-214. Peter Waterman 'Hidden from Her Story: Women, Feminism and New Global Solidarity' *Economic and Political Weekly* October 30 1993
- 29 *South Asian Feminist Declaration* 1991. ITHCAID New Delhi p 12. 'Who we are today is as much a product of common heritage of the legacy of colonialism and the struggle of earlier generations to create just and equal society. In the post-independence period we share common structures of oppression and exploitation imposed by dominant class, caste and patriarchal rule reinforced by almost identical government responses to the legitimate aspiration of people. Also see Enrrage Ubirig 'International Conference 1989: Declaration of Comilla' in *Declaration of Comilla* Ubirig Dhaka pp xii-xi. The Declaration of Comilla on reproductive technology clearly recognises a patriarchal industrial, commercial and racist domination over life as a global problem facing women of all countries, classes and ethnic groups. Although with evidently differential (and divergent) implication and effects, it just as evidently proposes a global response appealing to men as well as to women
- 30 Robin Morgan (ed) *Sisterhood Is Global: The International Women's Movement Anthology* Penguin London 1984. Margareta Chint Papandreu 'Global Feminism for the Year 2000' in Daniela Grosche *Women on War: Essential Voices for the Nuclear Age* Simon and Schuster New York 1988
- 31 See the report of the Sixth International Women and Health Meeting Manila 1990. It mentions a movement away from individual choice in matters of contraception etc. to questions of country-level health needs and to recognition of the necessity for global organisation and action against the powerful national and international population control and health institutions. This movement has been accompanied over time by criticism of Eurocentric discourse within the movement and insistence that a variety of third world experiences and voices be heard. It suggests multiple places, spaces and levels of solidarity work with these essentially interdependent on each other. It is also subversive of the deeply rooted dichotomising of reform within and radicalism beyond in national and international movements suggesting that today each is a condition for the existence of the other. It may also be mentioned here that in Latin America there is now a fairly developed feminist movement who have been able to work through and beyond dichotomies of north/south. This was obvious when one of the conferences specifically attacked North American imperialism as well as their own government thus demonstrating a remarkable pluralism, flexibility and tolerance. Inspired by these developments in Latin America, Nancy Sternbach writes that perhaps now Latin American feminism can enrich and

- inspire our own movements (North America)". Nancy Sternbach et al. 'Feminism in Latin America' From Bogota to San Berardo', *Signs*, Vol 17, No 2, 1992, pp 393-434
- 2 Sheila Rowbotham, Lynne Segal and Hillary Wainwright, Introduction to the US edition by Rosalyn Baxandall, *Beyond the Fragments: Feminism and the Making of Socialism*, Ayson Publications Inc, Boston, 1979 (2nd ed, 1981), p 51.
- 3 By MARHO, Radical Historian Organisation, *Vision of History: Interviews with E.P. Thompson, Sheila Rowbotham and Others*, Pantheon Books, New York, First published, 1976 (2nd ed, 1983), p 60
- 4 Ibid, pp 54, 64, 65
- 5 Ibid, p 62.
- 6 *Mujer a Mujer (MaM)/Women to Women 1990 Funding Proposal 'Global Strategies School'*, San Antonio TX p4. It is a feminist collective of women from Canada, the US, the Caribbean and Mexico based on Mexico City itself. MaM began around 1984 as an international solidarity project for women workers. MaM recognises that solidarity is a multi directional as well as a multifaceted matter. Its activity indicates its belief that labour network go beyond trade union networking and that are also an integral part of the work of new social movements (feminist). In order to keep up with its belief MaM takes up general feminist issues, such as those of reproductive rights, violence against women, lesbianism, the position of coloured and indigenous women. MaM organisation is also theoretically minded and it has pressed for a gender perspective on issues – such as the FTA as well as raised major strategic issues on labour internationalism. Moreover, one does not have to have a specific position in this organisation as it is open to wide-ranging debates on the issues
- 7 The emphasis is on the new kinds of social formations, that does not mean that it was not necessary to do them earlier. But we always need to explain the new configuration of social formations and its effects every time they emerge so that we can develop appropriate new strategies for social change
- 8 Sheila Rowbotham, *Homeworkers Worldwide*, The Merlin Press, London, 1993, p 2.
- 9 Ibid.
- 10 Ibid
- 11 Ibid
- 12 The idea of 'First' and the 'Third World' is used by Sheila in the context of living conditions
- 13 Sheila Rowbotham, *Homeworkers Worldwide*, p 3
- 14 Ibid, p 6.
- 15 Ibid, p 15
- 16 Ibid, p 16.
- 17 Ibid, p 6.
- 18 Ibid, p 77.
- 19 Quoted in Ibid, pp 83-84. Soedjatmoko, 'Development as Learning', experts from the 10th Vikram Sarabhai Memorial Lectures, Ahmedabad, January 1985. *We the Self Employed*, November 1986, Ahmedabad, p 16.
- 20 Sheila Rowbotham and Swasti Mitter (eds), *Dignity and Daily Bread*, Routledge,

London 1994, p 2.

51 Ibid, p 2.

52 Ibid, p 5

53 Ibid

54 Ibid

55 The point is whatever helps in creating bridges should be done rather than get caught in abstract theoretical problems for the sake of theory. There is no sacred theory to follow. To me the important thing is how to make life better for women as well as for all the down trodden. That should only be the guiding principle and not to try to fit in any particular theoretical model, either postmodernist, or neo Hegalian or any other. It is well known that all societies do borrow from one other, ideas, customs, plants, technology, etc, sometimes forcibly, sometimes diplomatically or through trade. I am suggesting that we follow a conscious strategy of borrowing ideas from wherever we can, and develop a strategy so that the direction of change remains in our own hands (and not wait for a brain wave from a theoretician or a politician) in order to get nearer to our goal.

56 Sheila Rowbotham, *Women in Movement: Feminism and Social Action*, Routledge, London, New York, 1992, p 14

57 Ibid, p 15

58 Sheila Rowbotham, *Women Resistance and Revolution: A History of Women and Revolution in the Modern World*, Pantheon Books, New York, 1972, p 12.

59 Sheila Rowbotham, Lynne Segal and Hillary Wainwright, Introduction to the US edition by Rosalyn Baxandall 'Beyond the Fragments, *Feminism and the Making of*

Socialism, pp 33-30.

60 Ibid, pp 106-07.

61 Sheila Rowbotham, *The Past is Before US: Feminism in Action Since 1960s*, Beacon Press, Boston, 1989, p xiii-xiv

62 Sheila Rowbotham, *Women in Movement*, op cit, p 271.

63 Sheila Rowbotham, *Women, Resistance and Revolution: A History of Women and Revolution in the Modern World*, op cit, p 12

64 Ibid, p 206

65 Sheila Rowbotham, *Collected Writings, Dreams and Dilemmas*, Virago, 1987, p 57

66 Sheila Rowbotham, *Women in Movement*, op cit, p 296-97

67 Ibid, p 299.

68 Ibid, p 304.

69 Ibid, p 305

70 Ibid, p 306

71 Ibid, pp 246-47.

72 Sheila Rowbotham, Lynne Segal and Hillary Wainwright, op cit, pp 55-56.

73 Sheila Rowbotham, *Collected Writings, Dreams and Dilemmas*, p 57.

74 Sheila Rowbotham, Lynne Segal and Hillary Wainwright, op cit, pp 54-55.

75 Ibid, pp 56-57.

76 Ibid, p 132

77 Ibid, p 134

78 Sheila Rowbotham, *Women in Movement*, op cit, p 278

79 Ibid, p 295.

80 Ibid, p 301

81 Vinay Bahl, 'Women in the Third World: Problems in Proletarianisation and Class Consciousness', *SAGE Race Relation Abstract*, Vol 14, No 2, 1989

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Judiciary, Social Reform and Debate on 'Religious Prostitution' in Colonial India

Kalpna Kannabiran

'Devadasis' have been a subject of apparently opposed discourses for over a century and a half. On the one hand, various perceptions of them in the colonial period converged in a strong disapproval and condemnation of their moral conduct. On the other hand, both in the colonial period and, more importantly, in post-colonial scholarship, the fact that some of these women were performing artistes of repute provided the ground for a feminist resurrection that separated them from those that did not belong to these privileged traditions and placed them in a newly created space that redefined and respected their freedom, autonomy and creativity.

This study of the devadasi institution was undertaken with a two-fold purpose. First, it was an attempt to understand the relationship and shifts in it among women, religion and the state in pre-colonial and colonial south India. The second purpose was to try and disentangle this complex process, specifically to see how far the projects of colonialism, reform and revival were based on an understanding of the material reality of the practice.

THIS article examines the official debate in the colonial judiciary on the devadasi institution of the Madras presidency and the creation of a new body of knowledge on this institution and the legitimising and dissemination of this knowledge by the different strands of social reform movement.

Devadasis have been for over a century and a half subject of apparently opposed discourses. On the one hand, various perceptions of them in the colonial period converged in a strong disapproval and condemnation of their moral conduct because they were not monogamous and could contract sexual relationships with more than one man within certain other constraints. On the other hand, both in the colonial period and more importantly in post-colonial scholarship, the fact that some of these women were performing artistes of repute provided the ground for a feminist resurrection that separated them from those that did not belong to these privileged traditions (separations that were, I suspect, congruent with caste and class divisions within this diverse 'community' of women), lifted them – literally and figuratively – from their debased immoral contexts and placed them in a newly created space that redefined and respected their freedom, autonomy and creativity [Keisenboom 1987, Marglin 1985].

This study of the devadasi institution was undertaken with a two-fold purpose: first, it was an attempt to understand the relationship, and shifts thereof, between women, religion and the state in pre-colonial and colonial south India. The second purpose was to try and disentangle this complex process, specifically to see how far the projects of colonialism, reform and revival were based on an understanding of the material reality of the practice.

The period (1860-1935) covered in this article is significant for two reasons. Firstly,

the social reform movement, the nationalist movement and the non-brahmin movement were at their peak during this period in the Madras presidency. Secondly, and of significance to the present argument is the fact that although these movements had strongly divergent trends, there were areas of overlap in their agendas which gave rise to very different articulations and interpretations of similar concerns. The devadasi institution was one such area of overlap. Broadly all three movements were concerned with achieving political independence, asserting a national/cultural identity and purging society of all its evils, thus paving the way for a free, equal and modern society. The creation and assertion of this identity, as Kumari Jayawardena points out, was itself directly related to the growth of imperialism [Jayawardena 1989:4].

1

Devadasis and Legal Discourse

In the early 19th century, an important task of the colonial government was that of documenting native religious practice in a manner that would bring it as close to the brahmanic textual tradition – which was itself a product of the official discourse and involved the privileging of western ideals of consistency and in uniformity over variations in indigenous interpretation – and in a manner that would uphold the essential morality of the brahmanic ideal as defined by the colonial state [Niranjana 1990:773-79, Chakravarti 1990:27-87, Mani 1989:88-126]. After 1868, the year of the landmark case, *Collector of Madurai vs. Mootoo Ramalinga*, custom could override the written text of law if its antiquity was proved. Despite this, the concern over 'moral degeneracy' of the Hindus haunted the official legal discourse on any matter relating

to the devadasis – and therefore the debate over whether or not custom could override the written text was opened up again. After the Indian Penal Code was formulated in 1861, there were, generally speaking, two kinds of issues that came up for adjudication under sections 372 and 373 which enabled prosecution of people involved in the disposal or procurement of a minor girl for purposes of prostitution. The first – and one which addressed itself directly to the moral question – related to whether or not a devadasi could be charged of prostitution which, under the Indian Penal Code, was a classified offence. This issue generated a very complex debate among other things, on the true Hindu tradition. Deeply entrenched in this conception was the ideal of Hindu womanhood constructed through Orientalist scholarship on the Indian past that was in turn based on the study and resurrection of a pure brahmanic/sanskritic textual tradition. This ideal was also therefore the foundation, in a sense, on which Orientalist scholarship on Hinduism was based. The ideal projected the vedic/early woman as the embodiment of Hindu culture and also as the ancestor of women in colonial India. As with the debate on sati and social reform, this notion of womanhood privileged a high caste textual tradition that had opened and offered itself to colonial intervention [Chakravarti 1990, Mani 1989]. The vedic/dasi, for instance, as Chakravarti points out, found no place in this colonial scheme [Chakravarti 1990].

This is no doubt because the weight of the history of subjugation and oppression that the vedic/dasi bore on her shoulders crossed the threshold of colonial tolerance. And clearly, the threshold itself is determined by the interests of the colonial state to keep histories of subjugation problematic, histories – out of the reckoning. It was not, however, just the vedic/dasi who were out

of the colonial schema. All those women in colonial India who could not lay claim to the genealogy of the aryan woman – chaste, monogamous, high caste, pure – were also pushed out. There was a definite process of selection, not just of historical antecedents but of contemporary subjects.

A further point of significance is that the processes of exclusion and/or co-optation intersected with class and discursive space in ways in which the impact was different on different women of the same community. Some of the more affluent and publicly visible members of this amorphous group openly adopted marriage reform as a political statement, thus also situating themselves within the context of social reform which advocated marriage reform. The large number of poorer members of the community were charged with prostitution by the colonial judiciary whose object is distinct from the object of reform: was to interpret practice not reform it. Marriage reform therefore did not form a part of the discourse on the devadasi question in the colonial judiciary. In this specific instance, the closer the interpretation was to prostitution the more effectively it served the purpose of the law.

DEVADASI AS PROSTITUTE IN BRITISH PENAL LAW

Charging a devadasi with prostitution should be seen as an attempt by the colonial government to resolve its own contradictions in bringing the entire Indian population within its ambit either through a process of exclusion (through the criminalisation of social practice) or through co-optation (via marriage reform). Predictably, the most unacceptable part of social organisation of this group in the eyes of the British was the legitimate multiple sexual relationships the women entered into. That social practice in the devadasi community was tied to and in a sense defined by an upper caste brahminical norm even in pre-colonial society was irrelevant to the new administrators. The argument therefore that the colonial administrators and the orientalist before them sought to create recognisable bourgeois patriarchal ideals out of a range of pre-capitalist patriarchies acquires a new relevance here. The only way the devadasi could be fixed within the colonial scheme was by shifting her out of the religious sphere (where barbarity – if located within the Hindu family was tolerated even encouraged by the colonial government) [Mani 1989] to the secular sphere where she could be charged with an offence, prostitution, that came within the purview of British penal law. I would argue that the shift effected by the colonial state driving out the devadasis from the purview of religious law into that of secular law

necessarily entailed a shift from proof of the offence to a speculation on the motives of the accused. Proof, thereby, came to be constituted by the painstaking orientalist discourse on Hindu society rather than by the facts of the case. To say that the judicial system and the battery of principles of utilitarian justice were used by the state to construct the truth behind Hindu religious practice, hence justifying colonial intervention, would be to state the obvious.

Not surprisingly, prostitution was a charge that could not be easily proved because colonial and native conceptions of prostitution differed to begin with. Even assuming that prostitution (in the sense of commoditised sex) was widely prevalent in India, the probability that it was not an offence or crime (in other words that it did not constitute deviant behaviour) in pre-colonial India would of itself have negated the British charge. Framing this charge, therefore, was not as simple as the British perhaps anticipated.

Early in the history of British penal law this charge was framed by accusing the women not of prostitution but of the disposal or procurement of a minor for purposes of prostitution. That this charge could be framed at all was because adoption of female children was customary among devadasis and the prevalence of this custom was exploited by the judiciary. The following excerpt from a judgment gives us the general narrative framework of official discourse:

Every man in India must needs be a harlot. She is taken as a child. She is taught lascivious arts, forbidden marriage, but wedded to a dagger [sic] by rites of corrupt significance and then at the moment of aptitude sold to some epicure in licentiousness. Her livelihood thenceforth depends on her zeal and skill in her base profession. Dancing and singing are subsidiary accomplishments, but they are subsidiary only to simple harlotry. As the nairin herself wanes in attractiveness, she must adopt a daughter; if nature has not provided her with one, and as a severance is strongly opposed to the class sentiment, the worn out harlot recoups herself for the past by inflicting a like wrong on a new victim. Thus the evil system is perpetuated from one generation to another and it may be that, as long as a coarse sensualism prevails amongst a wealthy class, the means of inflaming and gratifying their libidinous tastes will not be wanting.¹

It would be interesting to look at the facts of a typical case in which the father of a girl is charged under section 372 of the IPC.²

In this case, 1st prisoner presented an application for the enrolment of his daughter as a dancing girl of the great pagoda at Madurai. He stated her age to be 13, and it has throughout been admitted that she is under 16. She attained puberty a month or two after her enrolment. Her father is the

servant of a dancing girl, the 2nd prisoner who has been teaching the minor dancer for some 5 years. Her father and herself live in the 2nd prisoner's house and after the ceremony returned there. [B]oth 1st and 2nd prisoners were present when the Bottu was tied and other ceremonies of the dedication performed. 3rd prisoner, Battar of the temple was the person who actually tied the Bottu, which is equivalent to the Tali of an ordinary marriage and denotes that the Dasi is wedded to the idol. There is the usual evidence that dancing girls live by prostitution, the fact being admitted it was not necessary to multiply witnesses on this point.³

The reluctance to multiply witnesses was also in large measure because witnesses resisted the inference of prostitution. The only evidence they unequivocally testified to was regarding the actual dedication ceremony. To frame this charge, therefore, the judiciary had to rely on [t]he implicit admissions of the witnesses who resist the inference, no less than the direct evidence of those who assert that inference to be irresistible [that] renders it abundantly clear that girls so sold and so registered are brought up as prostitutes and that one principal purpose of such a transaction is that the shall be so brought up.⁴ This inductive reasoning was deemed valid by the law courts because the Abbe Dubois and many other authorities had placed the matter beyond historical doubt.

Characteristic of this stand was the statement of a moral nature prior to an account of the practice. Needless to say, the account of the practice itself is woven into these moral webs and made to constitute the new truth about the essence of the system that bore little relation to the actual history of the practice or to the complexities inherent in the practice even in the 19th century.

For the colonial government, however, the devadasi practice, which was in strict accordance with personal law, violated the spirit of public law itself.⁵ The resolution of this contradiction was far more crucial than the immediate issues in question. The initial exercise of the courts in privileging the textual tradition over the customary or oral tradition now shifted to the privileging of Penal Law, which was based on universal principles of the science of legislation, over Hindu law, both textual and customary. The attempt to effect this shift became necessary because such prostitution [was] strictly in accordance with Hindu law and customs, and a judge [up to this point] was bound to pass a decree which was in conformity with private law.⁶

The British judges generally felt they could ill-afford to turn a blind eye to the main purpose of the devadasis' profession – prostitution. Although the issue in question related to religious services, 'it is still

impossible to regard their religious services as disconnected from the other inevitable pursuit of their profession as devadasis'. Recognising custom, they felt, was giving sanction to 'an association of women to enjoy a monopoly of the gains of prostitution, a right which on the score of morality alone, no court could countenance' (emphasis added)¹⁰ In their view a practice founded on error and misconception could not constitute customary law by the mere fact of repetition. A blind adherence to usage which was against public interest and in the process of extinction would work to the detriment of social progress. The court therefore reserved the right to overrule a custom which violated natural reason.

In charging the devadasis under sections 372 and 373 of the IPC the colonial government was striking at the foundation of family structures and domestic organisation of the colonised. These sections were used to interpret the customary practice of the adoption of girl children by women of the devadasi community. The accused in each of these cases was a close relative – often a parent – of the minor girl. In calling into question the motives of parents of an entire community, therefore, the colonial state recognised that if the justification for colonial rule was to be provided, it would have to be predicated on the nature not just of natives, but also of native institutions and their functioning – the family being the crux of native institutions for the colonial state.

LEGAL DISCOURSE AND DEVADASI INHERITANCE

Hindu Law – the very texts the colonial judiciary relied on – sanctioned the existence of courtesans and their rights to property. Also the laws of Manu which were given immense credibility by Europeans, sanctioned a moral order that was altogether alien to their experience. The following passage – an excerpt from a judgment – illustrates this point:

Courtesans have no doubt been a recognised institution in India from very early times. It is plain from the rules laid down by the Smritis that unchastity was at the time of their composition a very common and comparatively venial offence. Manu's code indicates the influences under which it was composed by exempting from penalty the virgin who makes advances to a high caste man. The case is contemplated of men who make money by their wives' prostitution. Narada recognises the class of courtesans, and allows intercourse with them as with their slaves who are not kept secluded. He exempts their ornaments from confiscation, as he does the instruments of musicians. [H]arlotry was an occupation of which the Hindu law took cognisance and has been deemed important enough in modern times

to be made the subject of special rules in the Vyavahar Mayuka and Vivada Chintamani¹¹.

Drawing from various textual and customary sources, the judiciary, over a period of five decades built a broad framework within which devadasi inheritance – the second issue addressed by the courts – could be decided.

Devadasis, according to this framework, were Hindus, although their exact position in the caste hierarchy was difficult to determine. Male members of this caste as well as married female members were governed by the ordinary Hindu law of inheritance. It was not imperative, however, that female members of this caste marry. They could remain unmarried, and become professional dasis without risking any degradation or stigma as long as they observed caste customs. Hence, dissolution of the relationship between degraded women and their relations who remained in caste could not be held to apply to members of this caste. But it will be seen at once that [the ordinary Hindu law of inheritance] which is based on a system of legal marriage and consequential relationship, cannot be applied at all or at very least without very considerable modifications to the property of a woman of this caste who except her own children can ordinarily have relations only through females.¹²

If a woman of this community elected to marry, her rights to inheritance would be in conformity with the ordinary Hindu law and subject to the disability of the ordinary Hindu woman to take absolute estate. This would also apply to women who married and lapsed into their traditional calling later. As regards property they held while they were part of the ordinary Hindu family.¹³ Where the case was one of inheritance by dasi descendants of dasis, judgments were governed by the general principle that daughters inherited as sons in this community.

There were, however, important exceptions which could not be decided by analogy. For instance, self-acquired property of one member of the undivided Hindu family was not subject to partition according to textual sources. In the case of Chalakonda Alasani it was decided that she, as head of the family, was entitled to the possession and control of the property that her daughter by adoption claimed to be her own self-acquired property.¹⁴ The ground for this stand was that the business of the daughter started with the use of the mother's resources and property and hence the mother's claim as the eldest member of the Hindu joint family could not be but upheld. Apart from textual sources, European text writers like Strange supported this view when he wrote in his *Manual of Hindu Law* that 'the essence of the exclusive title exists in the acquisition having been

made by the sole agency of the individual, without employing for the purpose what belongs in common to the family'.¹⁵ This was a provision that could be applied to all the devadasis in general because the profession or traditional calling was hereditary and the younger generation was schooled into the profession by the older one.¹⁶

A second departure from the analogous textual tradition was made with reference to the norms of patrilineal inheritance that entitled sons to coparcenary rights in the property of the undivided Hindu family. A coparcenary of dancing girls was constituted only of their rights to survivorship. Daughters did not acquire an interest in ancestral property by birth.¹⁷ This departure was essential in order to bring the question of adoption within the ambit of legitimacy. Further, adoption did not need authentication through a ceremony. A unilateral act of adoption by a woman was legally binding. A daughter thus adopted would inherit her mother's property in preference to the latter's eldest surviving male relation.¹⁸ If this male relation was an illegitimate son, he could still not inherit his mother's property because the sapinda or propinquity principle was applicable only to male offspring governed by the Hindu law of succession. The propinquity principle was, however, applicable when the rights of illegitimate female offspring were at issue, irrespective of whether they were married daughters or dasi daughters.

Defining the marital status of a dasi daughter was problematic. The texts, primarily the *Mitakshara*, made mention of only two classes of daughters – *Kanya* and *Kur'ani*. The law for *Sadharan Stri* might have been applicable to the women if it had been codified. That it was not codified was probably because any woman lapsing into prostitution became a disqualified heir as either a *patni* (concubine) or *aparatni* (vicious woman) and forfeited absolutely all right of inheritance.¹⁹ Clearly, the dancing girl was not a *sadharan strī* either. It was this very ambiguity about the position of the devadasi that colonial discourse on the inheritance rights of devadasis attempts so hard to resolve. These rights had to be clearly defined and textualised in order to bridge the gap created by the absence of textual sources.

The painstaking attempt to resolve the adoption issue and define as precisely as possible the rights and privileges attached to adoption displays for us yet another area of tension within colonial discourse. As we have seen earlier, the same courts of law pressed charges of prostitution on women who adopted female children, attempting thus to assert the primacy of penal law over customary law, while simultaneously making every effort to give legal recognition to the

same practice thereby legitimising it and bringing it within the realm of public law

THE CONTESTATION OF COLONIAL INTERVENTIONS WITHIN JUDICIARY

It must be reiterated here that the resolution of contradictions and the legitimating of colonial interventions did not go unchallenged. The privileging of generalisations over the facts of the case and the creation of distinctions which did not previously exist between different groups of people was seriously contested by Indian judges.

To begin with, the unqualified equation of the devadasi with the prostitute caused considerable tension within the judiciary. Through the contesting of interpretations, 'native' judges forced the colonial government to recognise and address its violation of the very principles of jurisprudence on which it built its entire judicial system and to admit of its biases. The argument they put forth was that since Hindu law generally recognised adoption as a way of ensuring continuity of the lineage 'it should therefore not in the case of dancing girls be confounded with prostitution which is neither its essential condition nor necessary consequence but an incident due to social influences'. They further asserted that the devadasi was entitled to civil rights and hence had the right to adopt a daughter if she chose to, and to offer the girl a choice between her mother's profession and marriage when the time came.⁴

In *Queen Empress v Ramanna* (1889) Ramabai, the daughter of parents who belong to the 'Bhopani or dancing class' was given in adoption to an aunt of her father's. This aunt had four years earlier adopted a girl from another community and used her 'for prostitution in her minority. She was charged by the deputy magistrate and convicted of the offence by the sessions judge. In Ramabai's case, however, it was argued that she could not be convicted because the child belonged to the Bhopani caste even prior to adoption. To support this contention the sessions judge interpreted the sections 372 and 373 of the penal code as being directed against a disposal of a minor which takes her from a position where she is not liable to become a prostitute and places her in a position where she is more liable to become a prostitute. '[T]hese sections [do not] apply to adoptions among the dancing women themselves, who do not alter for the worse the status of the child'.⁴

Justice Muttuswami Iyer felt that this argument violated the 'universal principles of jurisprudence'. He argued that the law could not differentiate between minors on the basis of caste. He further contended that Hindu law in general recognised adoption as a way of ensuring the continuance of the

lineage, dancing girls being no exception to this. There are several dimensions to this argument. At one level Muttuswami Iyer was really contesting the authority of the British in forcing problematic interpretations on Indian society. On yet another trajectory, this was a line of argument that asserted the civil rights of prostitutes,⁵ since the earlier argument if allowed to remain uncontested, would also imply that if a girl was born into a prostitute class, she could not redress her grievance in court.

The entire judiciary, however, was consistent in its perception of this institution as an 'unfortunate and undesirable' reality. The disagreement was on the manner and degree of intervention that the judiciary could engage in. Almost without exception English judges were insistent on pressing charges of immorality and moral depravity while Indian judges more sympathetic to the reality hoped that '[a]s the mind of the community becomes enlightened its legal convictions will change and this will constitute a change in its common law as that law must from time to time be recognised and recorded in the courts'.⁶

Finally, another area of tension was the interpretation of history. By positing an alternative dravidian perspective of history Justice Devadoss, an Indian judge in the Madras high court, and a non-brahmin contested colonial interpretations which were derived from Aryan interpretations.

Though the *śrutis* and *smritis* are applicable only to the Aryans, yet the text writers have extended the law to all the residents of India and the courts have applied the Hindu law to all the races inhabiting this vast country in the absence of proof of any special or local custom. The Dravidians of southern India who are of turanian origin had settled in India long before the Aryans entered it. They had their own laws and customs which are prevalent even today. The Aryans when they settled in this part of India (tried to impose their own laws which) were never completely successful. The laws relating to family relations and succession and inheritance laid down by Manu and the commentators like Yajñavalkya and Vignaneswara were never accepted as binding by all the people. It was the East India Company's courts that held for the first time that the laws contained in the ancient *śrutis* and *smritis* were applicable to all Hindus in southern India in the absence of any custom or customary law governing any class of people. Manu in order to extend the influence of the Aryans compendiously uses the term 'śūdras' to the people of this country who are not Aryans in the same way as the Europeans use the word 'native' to all those who are not of European descent, and postulates that they are all śūdras who have fallen away from the high place once occupied by them in the Aryan polity. This attempt

on the part of the law-giver Manu to extend the influence of the Aryans among the races who inhabited this land was always pushed in the direction of influencing their religion and rules of succession. In course of time the courts have come to regard Manu and the commentators as authoritative exponents of the law applicable to all the inhabitants of this country who do not profess any distinctive faith like Muhammadanism or Christianity. The customary law was considered as an exception to that contained in the *śrutis* and *smritis*.⁷

In general Indian judges qualified their condemnation of the practice by asserting (a) that even prostitutes have civil rights which cannot be infringed by the mere accusation of moral depravity and (b) that although these are undesirable practices, they are linked to and part of the larger history of the region, a history of subjugation of the native dravidian population by invading Aryans and the forcing of alien practices on the native population.

Interestingly and predictably Muttuswami Iyer, a brahmin judge of the Madras High Court used the civil rights framework and although the judgments are extremely well delivered and sensitive, they are still bound by the fact of the political polarisation between brahmins and non-brahmins on this issue. Viewed in this context Muttuswami Iyer's position can also be read as an attempt at shielding the institution from judicial scrutiny. On the other hand Justice Devadoss, an Indian and a non-brahmin, used the dravidian origin framework and set about diligently mapping the terrain on which this debate should be located. While there is undoubtedly an argument on the merits of the case, it is important to reassert at this point the non-existence of neutral positions on this issue.

Although the importance of this dimension to the discourse on devadasi abolition cannot be understated, a more detailed consideration is beyond the scope of the present article. Suffice it to say that the Indian judges themselves were far from a homogeneous group with people of varying castes, communities and political convictions, differences which introduced a further complexity into the issue. At the same time, these contentions were part of a much wider and encompassing critique of colonial interpretations of Hindu society and represented an attempt to retrieve a legitimacy that was now being denied to a culture and a people. While this constant challenging of interpretations took place within colonial institutions and the process of retrieval itself redefined morality and legitimacy in terms of the emerging framework, the manner in which the trend towards monolithic, ahistorical narratives was inverted by Indian judges (though small in number) is a matter of significance. In the

process, the narrow boundaries within which colonial jurisprudence operated were forced to widen in different directions, causing definitions of 'the normal', 'the moral' and the 'marginal' to shift significantly. These are precisely the points where the articulation of the devadasi question in the colonial judicature intersects with the articulation by anti-abolition devadasis of their own position, as we will see later.

In the final analysis, the debate within the judiciary foregrounded most of the concerns of and tensions and contradictions inherent in the discourse on the devadasi institution in the colonial period. Most of these tensions and concerns recur in the debates of the social reform movement in many different ways.

II

Social Reform and the Devadasi Question

Alongside attempts to push for reinterpretation through the colonial judicature, the movement for social reform gained momentum and joined issue with the courts on the devadasi question. While the women's question was embedded at the base of the orientalist discourse and all that followed, it acquired a new dimension at the time of the movement for reform. The moral strength of the community was defined in terms of the sexual morality of its women. As a result of this not only was there a reconstitution and restoration²⁸ of the devadasi, but for the first time the ideal of the 'true Indian womanhood' was being held out to a community of women who were till then, in colonial society, treated as marginal at best. This section examines the intellectual and ideological influences on the movement for devadasi abolition and the character of the movement.

Efforts at reform in Madras presidency began in the 1830s. These efforts however, developed into an organised movement for reform under the leadership of Kandukuri Veeresalingam. In his efforts at reform, Veeresalingam's thrust was primarily towards the rearticulation of the moral question. This rearticulation was directed not only at the issue of sexual relationships and notions of conjugality, but also towards social hygiene – the ideal education, religious practices, corruption in administration, etc.²⁹ Reform movements during this period were focused almost exclusively on women's emancipation. The most important route to emancipation was thought to be education. This occupied the pride of place on the evangelical agenda³⁰ and was soon taken up by Indian reformers, especially Veeresalingam, who started a girls school in Dowaleswaram in 1874. He then started a journal to propagate ideas of reform.³¹

The other issues that reformers of this period took up were infant marriages, 'Kanyasulkam' (bride price), and enforced widowhood. Following this, women's associations ('Stree Samajalu') came up all over the region and boosted Veeresalingam's efforts. Later still, in the early 20th century, 'Ladies Conferences' were organised where women themselves lectured on female education, women in ancient India, the domestic economy, sanitation, etc (*The Hindu*, April 25, 1911). In this climate of reform, the devadasi question was articulated in two clearly identifiable phases, the first originating in the Telugu areas of the presidency and the second in the Tamil areas.

FIRST PHASE OF DEVADASI ABOLITION: MOVEMENT FOR SOCIAL PURITY

'Nautch', as the devadasi system was described by the westerners to begin with, and then by Indian reformers, came to occupy centre-stage in social reform as part of the 'Social Purity' movement. This movement had as its chief objects 'the total abstinence from intoxicating drinks, purity of private life, (and) the abolition of the devadasi system' [Ramakrishna 1983:134].

The protagonist of the movement, Raghupati Venkataratnam Naidu (1862-1939) was born in Machilipatnam and grew up in North India. Throughout his formative years he displayed a keen interest in sufism and a sensitivity to social reform. His views on reform were modelled not just on the views of Bengali philosophers, especially brahmo philosophers (whose writings no doubt exercised a considerable influence on him), but also on western philosophers, especially Carlyle and Emerson. While at Madras in the 1880s he started the movement for social purity [Ramakrishna 1983:136-37].

The timing of the social purity movement is significant. It was around this time that the Purity Crusade in England and America caught momentum and was assuming the dimensions of a mass movement. It is also significant that the 'parent' movement had as its chief objectives the prevention of intemperance in sexual life and with regard to alcohol. Erotic in art and literature was widely condemned. Prostitution hitherto defined as 'sexual intercourse, except for propagation,' was redefined to refer to corruption and moral depravity in life [Pivar 1973:33-34]. While the social purity movement served middle class interests, the values of social purity were internalised among some portions of the working class in the late 19th century. This is a dimension of social reform that is crucial to our understanding of the movement for devadasi abolition. The involvement of the working classes was

part of a conscious effort on the part of the pioneers of social purity, who constituted chastity leagues and organised hundreds ladies of rescue committees. They addressed the need for male chastity in meetings of working class men, who were also recruited in thousands into white cross armies that were dedicated to promoting the single standard of chastity and attacking vice [Walkowitz 1980].

The framework of belief in which these changes came about was located firmly within the mid-19th century notions of absolute social progress. It projected a view of the development of the world's history which compared the social, scientific, and material conditions of the western Christian nations with the Hindu and Muslim societies of India, and pronounced their superior social progress to be the result of belief in Christian truths. The material basis of this view can be found in the stark discrepancies in material successes between India and that part of the west that was presented to India. Take for instance the emergent capacity of western societies to understand and manipulate the material world. The advances of 19th century science were projected as one aspect of Christian religion, as opposed to Hindu astrology and geography that was predicated on divine forces. The political sphere too seemed to present 'objective truths' about the incapacity of Indian society to protect itself against enemies, let alone ensure a stable internal order [O'Hanlon 1985:55-56].

The intellectual and ideological influences on India from the west came from two apparently divergent sets of ideas – one, a missionary statement on Protestant Christianity, and the other a distinct radicalism both in religious and political matters. In practice, however, in the Indian subcontinent they worked together to reinforce one another. Together they helped to produce a breakdown of belief in existing Hindu institutions amongst a highly influential section of western educated Indians.

This was not quite the paradox that it seems at first sight. In attacking superstition and idolatry, the Protestant critique of Hindu society bore a strong structural resemblance to the arguments put forth by European religious radicals against the corruptions of the European Catholic church. O'Hanlon suggests that the similarities between these two trends arose from the strategies that were adopted by the missionaries as the most effective means of undermining Hindu religious beliefs [O'Hanlon 1985:52-53]. That Venkataratnam Naidu adopted most of the ideas of his precursors in the west is obvious not just from the almost identical agendas of both the purity movements but also from his rhetoric. His ideas are constructed in and expressed through

frameworks that bear strong influences of Protestantism [Venkataratnam 1901]

Social purity was for him

chastity in body and chastity in mind stern uncompromising repugnance to whatever is base and vulgar indecent or immodest in study or pleasure speech or song faith or sentiment thought or life stout unrelenting opposition to every habit or custom regulation or institution that defeats or tends to deflect at the high purpose of human life by gilding shame with fashion or condones carnal longing as venial

On the one hand it honours the life that never deviates into guilty pleasure and counts him a hero who always keeps the citadel of his senses. It upholds the law that vindicates morality and espouses the custom that conforms to righteousness. It welcomes the song that softens the savage in man and lives by the faith that adores the All Holy [Venkataratnam 1901 260]

Then there is of course the concern for the purity of the nation (expressed in terms of the Anglican staple that needed to be cleansed). Superstition and blind adherence to custom for Venkataratnam were just outer abasements which once removed would reveal the native grandeur of the nation [Venkataratnam 1901 264]. These premises however could not stand on their own in the context of social reform. They had to find (and did find) support within the native textual traditions. The *Mahabharata* for instance describes the wife as the friend in solitude the father in duty the mother in distress and the refuge in wilderness.¹ This redefinition of conjugality was crucial to the movement for devadasi abolition and enjoyed a dual legitimacy. Believers drew on Hindu texts for authentication while non-believers, primarily activists of the non-brahmin movement in Madras presidency, drew on what they perceived as western notions of conjugality based on love and companionship both apparently opposed but in fact similar in this regard.² The fulfilment of the agenda for purity began with the anti nautch agitation. While secret vice was found to be common the world over, India was the only nation in which immorality was practised as a hereditary and acknowledged profession, living in peace and amity with and amidst other avocations fortified against attacks of time and change and endowed with the privileges of social sanction' [Venkataratnam 1901 272]. Summing up his position on the 'nautch' question, Venkataratnam envisaged two changes which if induced would lead to the healthy moral regeneration of the race. These were the allotment of temple-service for sacred purposes to anyone with a 'proven record of chastity' and secondly, the education and improvement of the male members of the community

who were 'mostly drones or parasites' [Venkataratnam 1901 279]. This way '[a] caste chartered to a vicious life, will cease to be and though some poor sheep may deplorably go astray not a few of the daughters now deliberately prodigal will be restored to the longing bosom of the Divine Mother' [Venkataratnam 1901 279].

The influence of Christian or other western ideas upon social reform is very significant. Most reformers accepted the missionary critique of Hindu institutions without identifying themselves with any specific Christian doctrines to which the critique was tied (O Hanlon 1985 52). Adopting most of the ideas of its precursor in the west social purity in Madras presidency roused the consciousness of people especially students. Between 1881 and 1910 the anti nautch agitation had spread all over the Andhra. Public opinion at the end of the first phase of the abolition movement forced the government to consider the question of nautch reform seriously. On March 3 1911 the Indian government home secretary Butler circulated a letter to the elders of the presidency asking for opinions on the efficacy of sections 372 and 373 IPC in curtailing the devadasi system (*Krishnapatrika* July 7 1911).

In his reply to this letter Narayana Iyer the Madras magistrate said that the devadasi tradition protected the chastity of married women. But poverty had now forced them into common prostitution. He attributed their poverty to two reasons: first, their not being invited for marriages as a result of reform activity and second the famine of 1876. A pre famine and post famine census of prostitutes he felt would demonstrate his point. The measures he suggested to curb this practice are significant because they are representative of the general tone of reform rhetoric: (1) Prostitutes should be isolated, (2) Their numbers should be monitored by frequent censuses, (3) They should be penalised if they solicit men and (4) There must be a ban on adoption (*Krishnapatrika* May 15 1911).

In March 1914, the Pudukottai Darbar circulated a memorandum requesting members of the representative assembly to offer their opinion on the subject of devadasi abolition. Of the 30 members of the representative assembly, replies were received from 17, of whom eight recommended that the practice be stopped five that it be continued under certain conditions three that the existing practice be continued and one felt that the 'sastras' ought to be consulted. After these deliberations, the Darbar concluded that while it was not yet time to stop devadasi service in temples altogether, it was not necessary for this service to be performed by dedicated girls. It expressed agreement with the judges of the Madras High Court

in construing the dedication of a minor girl as an offence under section 373 IPC, and ordered the dewan peishkar to prohibit the ceremony of Pottukkattal [the 'tali' tying dedication ceremony] in the state. It further issued four orders to safeguard the interests of minors, which said that any woman of the Melakkarak caste, single or married but not widowed, could serve as a dasi in temples provided she was accomplished in the performing arts: no girl under 16 would be appointed as dasi to any vacancy arising after the date of the order already dedicated girls being exceptions to this there was to be a scaling down of dasis in terms of numbers, with vacancies being abolished as and when they occurred and finally temples that had no dasis serving in them would continue without them.³

Clearly during this period there was an increasing consciousness of the problematic nature of devadasi service but the fact of its complexity made it difficult especially for establishments to ban the practice altogether. The first phase of devadasi abolition was therefore characterised by protracted debates on what the practice constituted in essence and what ought to be done to remedy the situation without necessarily transforming it. Although there were activists of this time who did not see a difference between the devadasi practice and prostitution there were also a number of people who recognised the difference. Also notably, the protagonists of reform in the earlier phase were men as were the beneficiaries.⁴

Apart from this the colonial government despite public support was not in a position to take any further conclusive steps towards abolishing the devadasi system. To put it in the words of the law member of the council of state the 'Government would be prepared to assist the house in every way to suppress the evil if it is a matter of fact the dedication of a girl does amount to her employment as a prostitute this is an assumption the government as such is not in a position to make' (*Proceedings of the Council of State* September 1927, p 1137). While the colonial judiciary had since 1861 been attempting unsuccessfully no doubt, to criminalise the devadasi practice by confounding it with prostitution and penalising individual women, it now became necessary for the government to take a stand on the legality of the devadasi practice. This was decidedly more problematic than dealing with the issue from one case to the next, given the history of the colonial government's complicity with brahmin orthodoxy, the rise of the nationalist movement which in the presidency had a predominantly brahmin composition, and the fact that devadasi abolition was an important item on the agenda of the non-brahmin movement. It therefore remained an unresolved issue and legal abolition had

to wait till 1947 for the nationalist government

SECOND PHASE OF DEVADASI ABOLITION

At about the time when the colonial government expressed its inability to outlaw the devadasi system, Muthulakshmi Reddi, a medical doctor and legislator, launched a massive campaign for abolition, urging her sisters who belonged to the community out of their 'life of vice' and instead to fulfil their role as 'loyal wives, loving mothers and useful citizens'.³⁴ In the second phase of the movement in the 1920s Muthulakshmi rapidly became the undisputed leader of the movement for abolition. One finds very strong echoes of Venkatarainam in Muthulakshmi Reddi as well. She too believed in the civilising potential of the west and in the moral superiority of the colonial rulers. In urging them to expedite legislation, she frequently referred to their Christian birth and training and to their Christian ideals and sense of dignity. This belief in the moral superiority of the colonial masters coexisted with a belief in a glorious Hindu past in which the devadasis who served in temples were pure and chaste like the vestal virgins of ancient Greece (*MRP*, sf 11). Her aim was to rescue Hindu society from the clutches of blind superstition and obscurantism which she believed could only spell its doom. '[Prostitution] is a question that vitally concerns the dignity and status of every woman in India inasmuch as it is a stigma on the whole womanhood and a blot on Hindu civilisation' (*MRP*, sf 11, 3 533-39).

In the second phase of the movement for reform, Muthulakshmi became the only authoritative voice of the movement.³⁵ Her background and professional training contributed in no small measure to her authority. She had had an advanced education (which included specialised medical training in Britain) and had come into political power. She was on par with the political elite in the presidency and the British bureaucracy – both almost entirely male – and with women who were active in the movement for women's emancipation in the west. This clearly set her apart from the devadasis whose cause she was championing. In writing to a white woman friend, she said that they should 'view matters in the light of [their] conscience and in [their] individual sense of right and wrong because fortunately [they were] in a position to instruct and lead people in the path of virtue' (*MRP*, sf 11, 1 131).

How did Muthulakshmi perceive the situation of women? 'We women ought to realise that the degradation of one woman is the degradation of the whole sex. Women alone can protect women's interests' (*MRP*, speeches and writings, Vol 2, part 3,

pp 1067-75). She writes referring to prostitution 'Of all the laws, rules and regulations which for centuries have helped place women in a position of inferiority none has been so powerful in creating in the minds of men and people a sentiment of scorn and contempt for women as the degrading idea of the double standard of morals' (*MRP* Speeches and Writings, Vol 2 Part 3 p 1067-1075). Quoting a passage from the Labour Women's Magazine in London Muthulakshmi Reddi reminded the government of its duties towards protecting people from four great dangers – disease, ignorance, starvation and disorder. She saw no reason why women in India should even be expected to differ from women in progressive countries. Addressing the Seventh Andhra Provincial Women's Conference at Ellore, she demanded compulsory and primary education for children, sanitory housing for the poor, reform in marriage laws and inheritance rights equal and high moral standards between the sexes and the suppression of immoral traffic in women and children.³⁶

It is important here to recognise the ambivalence in the positions Muthulakshmi assumes. While on the one hand she consciously sets herself apart from the community whose cause she espouses (and in doing this she is in a sense reiterating a distinction that already exists and is based on class and political power), on the other hand the sheer range of issues she raises, some of them radically and explicitly feminist, sets her apart from the class she identifies with and the people and institutions she shares political power with. In seeking to abolish the devadasi system Muthulakshmi Reddi was explicitly following in the footsteps of Josephine Butler, whose campaign against prostitution in England was by her own admission her chief source of inspiration [Butler 1976]. This reform was for Muthulakshmi Reddi only the first step in a much larger endeavour. 'Once the Bill is made into an Act and the sanction of the temple to such a practice is taken away this caste will naturally and spontaneously disappear from our midst. Then we will have to deal with wider question of the international problem of prostitution and protection of young women and children from the indecent attacks of men, which I feel will be an easier task'.³⁷

However, all women were not considered capable of protecting their own interests. In Muthulakshmi's view, for instance, those devadasis who opposed her bill, demanded the right to determine their own future and were unwilling to be transformed by her into 'loyal wives, loving mothers and useful citizens,' were only a 'set of prostitutes who have been set up by their keepers'.³⁸ She urged the government 'not to pay heed to such protests from a most objectionable class

of people in society'.³⁹ This superior self perception and the separation of self from the objects of reform was again not something that was peculiar to Muthulakshmi alone. Rather it seems characteristic of middle and upper class women in the late 19th and early 20th centuries who took up the cause of women's emancipation in the west and India. In the west for instance feminists insisted on their right to defend prostitutes by invoking two kinds of authority relationships – mothers and sisters. The invocation of the mother-daughter relationship, while at one level subversive of the father's control over his daughter in a patriarchal system, was in this context also one that was hierarchical and custodial. Further although they were no doubt capable of articulating a radical critique of prostitution, middle class feminists in the west as well as in India were ambivalent about prostitutes and the right of women from lower classes to control their own sexuality. Walkowitz says that feminists tended to share the same feelings of anxiety over youthful female sexuality as other members of the middle class – for them as for more repressive moralists, the desire to protect young girls thinly masked coercive impulses to control their voluntary sexual responses and to impose a second code on them in keeping with the middle class view of female adolescent dependency' [Walkowitz 1980: 149].

Where Muthulakshmi was concerned it was not the devadasis alone who were incapable of articulating their interests. In a letter to an associate while her bill was being discussed in the legislative council, she says 'I find that none of these women [Muthulakshmi] are up to date and capable of piloting any Bill. It would have been better if a gentleman had been given the opportunity of introducing the Bill and getting it through'.⁴⁰ For Muthulakshmi the devadasi institution epitomised the 'loss of masculinity and cultural regression of the Hindus' [Chakravarti 1990: 5]. The devadasi system, in her view, was a slur on the Hindu nation. The integrity of the Hindu nation had to be safeguarded against onslaughts from the Christian evangelical efforts to counter the system through proselytisation. Crucial to her defence was the need to account for a practice which was not only so widely prevalent in the contemporary society but also found mention in the religious texts. This involved an exploration into textual origins. These explorations revealed to them that devadasis were originally a band of pure virgin ascetics attached to temples. They were believed to have lived a holy life, wearing only the simplest clothes and subsisting on the food given to them by the temples.⁴¹

Generally support for the cause of abolition was mobilised in three ways.

depending on who was being addressed. Since the primary attempt was to wean the women and men away from their community, they constituted the primary target for the abolitionists – a target the abolitionists could afford to be extremely ruthless with. The self-esteem of the men and women was undermined and an abhorrence was created in them of their moral laxity and material dependence. The accusation of immorality was directed against devadasi women. The dasi herself is a recognised prostitute. The result is that a depraved woman who has wrecked many a family and who is a curse to humanity is considered to be entitled to an office in the temple of God and is allowed to tempt God's bhaktas away from the path of morality by her dancing and singing, even at the time they are praying to overcome temptation. "The men of the community on the other hand were exhorted to realise how they have lost their individuality by their abject and servile dependence on their women. They were told that their manhood lay in their self-respect and self-reliance and on their capacity to assume their rightful place as the economic unit of the family in place of the woman (emphasis added)." 45

Yet another group being addressed was the Hindu orthodoxy. At the time when the non-brahmin movement was gaining ground in Madras presidency, the colonial government took over the control and administration of temples which were hitherto controlled by zamindars or the landed aristocracy. Whether or not it was intended, this move by the colonial government helped retain brahmin control over Hindu religious institutions. The importance of brahmin support as a result could not be dismissed even in the face of the rapidly spreading non-brahmin movement. In order to woo brahmin support, Hindu scriptures were invoked to show that servants of God were expected to be chaste and pure and that the Hindu religion did not sanction sexual promiscuity.

By the time the movement for abolition reached its peak, colonialism and the developments associated with it had brought about many changes. Of interest here is the substantial alteration that had taken place in the structure and the ideology of the family. A strictly utilitarian sexuality was increasingly becoming the norm in British India. Young boys were exhorted to practice continence as it would lead to the moral regeneration of the race. Our educated young men and women must take the vow of Brahmacharya and take light and knowledge to every poor and ignorant home in the [village]. 46

Further, the debate on abolition was located in British India and the promulgation and execution of laws was the preserve of the

British Propagandists for abolition therefore often felt compelled to express themselves in and to translate reality into language that would be comprehended by the British. The Hindu religion, here represented by the dedication of girls to gods, was alien to the British experience. The first step towards narrowing the gap between the Indian experience and the British one was to use the words 'devadasi' and 'prostitute' interchangeably. This also translated reality into categories that were consistent with the rapidly changing perceptions of Indians themselves. Contemporary polygamous relationships among the devadasis, according to this argument, were aberrations which did not reflect the glory and sacredness of the Hindu nation. This had marginalised or excluded those women who did not come within the very narrowly redefined boundaries of the monogamous family: an adult female had to be either a wife or a prostitute.

RAMAMIRTAMMAL AND NON-BRAHMIN ARTICULATION OF ABOLITION

In the Tamil areas of the presidency most of the abolitionists were in the non-brahmin movement. While they supported Muthulakshmi's demand for abolition, there were very significant departures in the frameworks within which they articulated their demand. Ramamirtammal, a 'reformed devadasi', writer and active abolitionist, was one of the key architects of this lobby. Very briefly, Ramamirtammal held brahminism and the aryan religion responsible for the evil of dedication. She provides an extremely illustrative critique of brahminism. If Brahma is really a great god, he should arrange marriages between people of the same age. How can he marry a six-year-old girl to a sixty-year-old man? Even if this is possible, why then is it not possible for a sixty-year-old woman to marry a six-year-old boy? Can our women not see that all this is done by brahmins to ensure their livelihood? All these people – dasis, prostitutes, priests and brahmins – need a god who will provide them with a means of livelihood. [Ramamirtammal 1936: 46]. The question she poses 'God is the protector of the world, will he watch silently while his wives prostitute themselves?' is a powerful indictment of not just the nationalist defence of the essential Hinduism but also of the pro-Hindu biases of prominent abolitionists. [Ramamirtammal 1936: 58].

Ramamirtammal used the devadasi practice as a pivotal point in her critique of brahminical Hinduism. In this view, religion and god (both terms by implication aryan and brahmin) created caste differences, untouchability, enforced widowhood and prostitution that was practised under the guise of euphemism. The devadasi, she

said, were mere instruments of brahmin treachery. Brahmins were seen as conspiring to ensure the continuance of their oppressive hegemony by perpetuating disgraceful customs like these. 47

The devadasi institution for the group Ramamirtammal represented, was predicated on Hindu religion and the traditional Hindu family. According to this interpretation, the tensions within the family between the women and their mothers and sisters-in-law and the mandatory distance and reserve between husband and wife in a traditional marriage forced the husband into easier and more relaxed relationships with dasis. The solution to the dasi question would be reached, she felt, if the structure of marriage was loosened to accommodate a greater ease in conjugal relationships. The new ideal of marriage was based on the redefinition of 'Ideal Womanhood'. Brahminical ideals of the unquestioning, self-effacing, obedient wife were clearly inadequate and even detrimental to the interests of women. [Ramamirtammal 1936].

THE MOVEMENT AGAINST DEVADASI ABOLITION

There were many devadasis who opposed abolition. They formed groups to oppose the proposed bill tabled by Muthulakshmi Reddi in the legislative assembly. For example, in 1927 the anti-abolition Devadasi Sangam of Periyakanchipuram had 28 members, that of Chinnakanchivaram had 50, that of Tirukkalkunram had 100, and the one in Chinglepet had 25 members. [Press Clippings, MRP, sf 12].

The devadasis of the Seyyur Kandaswamy temple, Vanmeeghanadha temple and Needamanikkaswami temple in Chinglepet district formed an association in 1927 of which Saradammal and Doraisammimal were unanimously elected president and secretary, respectively. The resolutions passed at the first meeting of this association condemned the proposed bill tabled by Muthulakshmi Reddi, and defended the devadasi practice as part of a noble ancient religion and appealed to the government not to wipe it out through the enforcement of law. The meeting also condemned speeches and writings that equated the lives of honourable people with prostitution. [Press Clippings, MRP, sf 12]. Yet another meeting of devadasis against abolition was held at the house of Maragattammal in Chinnakanchivaram. Krishnaveniammal presided over this meeting which was attended by approximately 50 men and women. Krishnaveniammal and Kannammal were unanimously elected president and secretary, respectively, and 30 people were registered as members of the association. The unanimously passed resolutions of this meeting vehemently

condemned Muthulakshmi's bill and appealed to the humanitarian government that the practice of 'Pottukkattal' bears no connection with prostitution. The resolutions of this meeting were then released in the newspapers (Press Clippings, November 13, 1927, *MRP* sf 12).

Twenty eight devadasis of Periyakanchivaram formed a Sangam and sent the following appeal to the law member of the Madras legislative council: 'We condemn Dr Muthulakshmi Reddi's Bill. There is no connection between our ancient and noble practice of Pottukkattal and the disgraceful profession of prostitution. We appeal to the government not to enforce any law that destroys our rights. These were women who served in different temples and devasthanams in Periyakanchivaram (Press Clippings *MRP* sf 12).

Ramamaniammal presided over a meeting of devadasis of the Vedagirisvaraswami koil Devasthanam in Tirukkalkunram which was attended by over a hundred people. Ramamaniammal, Manickathammal, Tirupurammal, Valliammal and Balammal among others spoke about the need of Sangams that would work towards the progress of and unity among devadasis, specifically with reference to Muthulakshmi Reddi's bill in the Madras legislative assembly. The bill and its implications were discussed at length at this meeting. Thereafter, a sangam was formed with 80 people being registered as members. A resolution condemning Muthulakshmi's bill was passed at this meeting (Press Clipping *MRP* sf 12). The Madras Presidency Devadasi Association was a prominent anti-abolition group. Doraikannammal, the secretary, was elected with the specific responsibility of organising her caste sisters through the Devadasi Association with the purpose of defeating the Devadasi Dedication Bill (*The Hindu* July 14, 1928).

Doraikannammal, Bangalore Nagarathammal and others met the law minister C. P. Ramaswami, in November 1927 in an attempt to impress upon him the fact that contrary to Muthulakshmi's assertions, there was no connection between the performance of religious services in the temple and prostitution. If the object of the Bill was in fact to stop prostitution, Muthulakshmi ought to find other ways of doing it, they said. In response to their representation, C. P. Ramaswami assured them that the matter would be thought over carefully and assured them that there will be measures to compensate for the loss of property rights in the event of abolition (Press Clippings, *MRP*, sf 12).

At yet another meeting in Georgetown on November 27, 1927, in which both Nagarathammal and Doraikannammal participated, the question of equating the devadasi practice to prostitution was

debated at length. This meeting was attended by over a 150 devadasis and 25 prominent men of different castes. This meeting passed resolutions condemning the concerted attempts among some sections to discredit a group of women who lived their lives according to a widely respected religious tradition. It also condemned the demand to ban pottukkattal as a remedy for prostitution (*Swadeshamitran* November 30, 1927).

Doraikannu, in yet another pamphlet expressed her unhappiness at the attempt by Muthulakshmi Reddi and her followers to target one group and open it up for public scrutiny. She felt that instead of looking at social evils and thinking of effective ways of stemming prostitution, a blind judicial system was being put into the service of men of the Isai Vellalar community who had a vested interest in dispossessing and discrediting the devadasis (*MRP* sf 12).

Bangalore Nagarathammal, also a prominent anti-abolitionist, was a very respected literary figure and artist in her time. She was actively involved in publishing the work of Muddupalani, a reputed courtesan and poet in the Tanjavur Court between 1739 and 1763.⁴⁸ In response to Muthulakshmi's plea for illegalising pottukkattal, Nagarathammal felt that while prostitution was indeed a serious problem that had to be addressed and while it was true that some devadasis did take to prostitution, removing the pottukkattal ceremony would not affect prostitution in any way. She felt that the link that was being made between the two was far too simplistic. Further, if the argument of the abolitionists was that pottukkattal was a disguise for prostitution, then removing it would only mean opening the field to the unhindered and undisguised practice of prostitution not to its disappearance. Finally, Nagarathammal was of the opinion that the devadasi institution was being evaluated by the abolitionists from the standpoint of western religion and social practice. It was necessary instead to locate it within its own parameters and then articulate demands for reform (*Swadeshamitran* November 30, 1927).

The Madras Rudrakannikai Sangam was an active anti-abolition body, issued statement saying 'the people who propose the Bill offer the lame excuse that Isai Vellalar themselves support it. But Isai Vellalar are men born of Rudrakannikais. It is strange that they are supporting the Bill. We will soon see that selfishness prompts them to support the Bill. The women of this class have the sole right to property and the right to funeral honours. It is a fact that in this world men have always had a selfish motive. The men of this class wanted to have the right to property and therefore they bite the

hand that feeds them.'⁴⁹ And from the same group: 'A bill to abolish prostitution ought to exert control over and punish the men responsible.'⁵⁰

Another anti-abolitionist says: 'Some members of the Madras Legislative Council, especially Muthulakshmi Reddi and other Congress leaders, have been using propaganda work under the misapprehension that the morality of Hindu society would be improved thereby. Not only social conditions can be founded on a policy of injustice. Without morality, a policy of charity is impossible.'

It is interesting that the abolitionists were also propagating racial time and class. The difference in articulation below that the anti-abolitionists did not discuss, or sexual conduct is the key issue. For them, the question of identity and the articulation of rights tied to that identity were critical. However, it was precisely this racial articulation that in a sense discredited the anti-abolition position and made it impossible for the anti-abolitionists to sustain it. In position inevitably an important part of the devadasi defence was their attempt to portray themselves in a role that was both sanctioned by religious custom and acceptable to the changing ideology. The sanctity of marriage became central since, as soon as a woman who is born into this caste takes *trirupottu*, then she acquires the name *tevaraval*. Just as a married woman belongs to her husband, so also the *kannikan* belongs to Isai Vellalar and her *trirupottu* symbolises this.

At one level we could theorise that the devadasi defence of their profession is a reverse discourse, which, as in the case of homosexuality in the west, the devadasi way of life began to speak for itself, to demand that its legitimacy be recognised and acknowledged often in the same vocabulary using the same categories by which it was being increasingly denounced and denigrated (Gonsauli 1980: 101). But this is only a part of the explanation. At another level, the articulations that got co-opted into the brahmin framework were those of women who were articulating their position outside it. The polarisation of politics and the particular configurations of political alliances that seemed possible at that time, equated modernity and political radicalism (especially that of the non-brahmin movement) with the abolitionist position and reduced anti-abolitionist articulations to a backward traditionalism that hindered progress. This dichotomisation of positions on the part of the reformers invisibilised a discourse that could not be contained in simple dichotomies. The positions that the anti-abolitionists like Nagarathammal and Doraikannammal for instance took, were certainly not brahmin positions, nor can they by any stretch be called a set of prostitutes set up by their keepers, to quote

Muthulakshmi "Their own radicalism and sensitivity to issues is comparable to the radicalism of the non brahmin movement but they were located outside it and in opposition to it. It was the impossibility of fixing the anti abolitionists firmly within any of the existing political ideological frameworks that wiped out their resistance."

III

Conclusion

The agendas of reform the non brahmin movement the colonial judiciary and first wave feminism intersected to produce a hegemonic ideal of monogamous conjugality that would replace and recast the extended sexuality of the pre colonial family in South India. The pro abolitionists defined the system largely in terms of the evangelical bourgeois feminist and emerging nationalist frameworks of a new moral order - an order whose patriarchal constraints were very different from and alien to the patriarchal constraints that up to that point defined the choices available to female temple servants - and then attempted to find the system they were describing and its participants.

The anti abolitionist devadasis on the other hand strongly resisted the interpretation of puttukkatal as prostitution. Those who were opposed to reform and asserted their right to continue living their lives in the old way were also actively redefining their own positions and attempting to fashion and assert a space for themselves within the emergent moral order - a space guarded against appropriation (by the state reformers and men of their own community alike) a space that if retrieved would also be legitimate within the new order.

The devadasis who were willing to be co-opted into the revivalist scheme and those who were willing to organise themselves for reform get transformed from passive subjects mobilised by charismatic leaders into people who recognised changes in their life situation and acted to shape their future and retrieve themselves. In this scheme while the pioneers of reform saw themselves as initiating change for most of the participants it served as a platform that provided visibility official recognition and 'legitimacy' to changes that were inevitable within the emerging system.

Viewed from this angle we begin to see the victims and their marginalisation in new light. At one level they cease to appear as a homogeneous group. At another level however, the anti abolitionists' position intersected with that of the pro abolitionists in that both accepted the emerging ideal of monogamous conjugality and were attempting through different trajectories, to situate themselves within that ideal.

Notes

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- 1 I am grateful to the referee of *South Indian Studies* for drawing my attention to this judgment.
- 2 Nautch girls and devadasis are used interchangeably in the first section of this article since the discourse of the colonial judiciary which the section deals with does not maintain the distinctions. Precedents are cited across these categories thus ironing out the differences between them. While I maintain the distinctions and recognise their significance it is necessary at this point for me to examine the cases as a body.
- 3 Mathura Naikin v Esu Naikin *Indian Law Reports* 4 (1880) Bombay pp 570-71 (hereafter *ILR* 4 (1880) Bombay pp 570-71).
- 4 Section 377 of the Indian Penal Code is as follows: "Whoever sells, lets to hire or otherwise disposes of any minor under the age of 16 years with intent that such minor shall be employed or used for the purpose of prostitution or for any unlawful and immoral purpose, or knowing it to be likely that such minor will be employed or used for any such purpose, shall be punished with imprisonment of either description for a term which may extend to ten years, and shall also be liable to fine."
- 5 Reg V Arunachalam *ILR* 1 (1876-8) Madras p 165.
- 6 The direct evidence was without exception given by the agency that charged the accused - invariably the state. Ex parte Padmavati *Madras High Court Reports* 5 (1870) p 416 (hereafter *MHR* 5 (1870) p 416).
- 7 Ex parte Padmavati *MHR* 5 (1870) p 416. The Abbe Dubois in his work on Hindu manners and customs says "the official duties of devadasis consist in dancing and singing within the temple twice a day - morning and evening - and also at public ceremonies. The first they execute with sufficient grace, although their attitudes are lascivious and their gestures indecorous. As regards their singing it is almost always confined to obscene

verses describing some licentious episode in the history of their gods." For these services the devadasis were paid a fixed salary which was supplemented by 'selling their favours in as profitable manner as possible'. See Dubois (1989).

- 8 Ex parte Padmavati *MHR* 5 (1870) pp 416-17.
- 9 Chalakonda Alasani v Chalakonda Ratnachalam *MHR* 2 (1864) p 7.
- 10 Chinna Ummayi v Tegarai Chetti *ILR* 1 (1876-8) Madras p 170.
- 11 Mathura Naikin v Esu Naikin *ILR* 4 (1880) Bombay pp 550-51.
- 12 Subbaratna Mudali v Balakrishnaswami Naidu *Madras Law Journal* 33 (1917) p 208 (hereafter *MLJ* 33 (1917) p 208).
- 13 Ibid pp 208-09.
- 14 Chalakonda Alasani v Chalakonda Ratnachalam *MHR* 2 (1864) p 57.
- 15 Ibid p 57.
- 16 Ibid p 57.
- 17 Gangamma v Kuppamal *MLJ* (1938) pp 923-33.
- 18 Narayana v Gangu *ILR* 13 (1890) Madras pp 133-34.
- 19 Yendamuri Vetranna v Yendamuri Satyan *MLJ* 1 (1947) pp 301-03.
- 20 Jagadannal v Saraswathi Ammal *ILR* (1950) Madras pp 755-64.
- 21 Tarav Krishna *ILR* 31 (1907) Bombay p 510.
- 22 Venku v Mahalinga *ILR* 11 (1888) Madras p 396.
- 23 Queen Empress v Ramanna *ILR* 12 (1889) Madras p 276.
- 24 Ibid p 274.
- 25 Ibid p 276.
- 26 Op cit p 563.
- 27 Viswanatha Mudali v Doraiswamy Mudali *MLJ* 49 (1925) p 681.
- 28 For an elaboration of the concept of restorative behaviour see Richard Schickel (1985).
- 29 See Ramakrishna (1983) for an extremely informative account of reform trends in Andhra in the late 19th and early 20th centuries.
- 30 The first attempt to set up a girls' school in Madras was made in 1821 by the Church Missionary Society. Later between 1830 and 1837 the L M S, the Wesleyan Mission, the American Mission and the Christian Missionary Society started several boarding and day schools for girls. For further details see Ramakrishna (1983: 91-93).
- 31 Veeresalingam through this journal as well as *Sattitabodham* inaugurated an epoch in women's journals in Andhra. See Ramakrishna (1983: 94).
- 32 Manu too demands of him that would be a father - to be wholly satisfied with her he has taken unto wife and guarantees good fortune to the house where the husband is content with the wife and the wife with the husband. [Venkataratnam 1901: 253-254].
- 33 What is extremely significant is that western liberal ideas of love and marriage found advocates not just among the 'respectable' upper class elite but also in a group struggling to survive. Take the views

of Ramamirtammal, an active pro-abolition devadasi and author of a novel on the evils of the system *Dasigal Mosavalai*, for instance. The author was a reformed devadasi who was active in the movement for abolition. The work is strongly autobiographical and narrative of the trends in the movement. See Mu Ramamirtammal (1936/44) and S Anandhi (1991).

34 Copy of the Proceedings of the Darbar Dis 3058/C of 15 dated December 9 1915 *MRP* sf 11 part III

35 Take for instance the Bill for the Protection of Minors. This bill was passed in 1914 and authorised magistrates to give custody of minor girls who bear adoption for prostitution to suitable males belonging to the same caste. The custodian would according to this bill be given an allowance decided on by the magistrate towards maintenance of the minor girl (*Krishnapatrika* January 17 1914).

36 Letter dated September 8 1927 *Muthulakshmi Reddi Papers* subject file 11 part 2 pp 349-51 (hereafter *MRP* sf 11 2 pp 349-51). At the time that Muthulakshmi entered the scene the Kovai Senguntar Mahajana Sangam was among the most active bodies in the Tamil areas. It was established in 1913 and registered in 1924. The activities of this organisation involved propaganda work in remote villages to reclaim devadasis and their daughters. The Society for the Protection of Minors was formed in Cochin in 1917. In the Andhra areas of the presidency the Andhradesa Kalavanthula Sangham was the most active pro-abolition body.

37 This is clear from the extremely subservient attitude that other abolitionists assumed in relation to her. The secretary of the Andhra Kalavanthula Association at Repalle for example tells her: 'The whole community has every faith in you that you would earn the worldwide fame of taking away the evils of the community by popularising the marriage system and by taking away every other status with and practices and customs of social life like the other sects of Hindus' [Letter *MRP* sf 11 2 p 380].

38 Muthulakshmi Reddi: Presidential Address delivered at the seventh Andhra Provincial Women's Conference Ellore November 1933 p 11.

39 Extract from untitled speech (?) *MRP* sf 11 2 349-351. In November 1927 Muthulakshmi Reddi proposed a bill in the Madras legislative council to amend section 44(a) of the Madras Hindu Religious Endowments Act of 1927. She proposed the bill for the enfranchisement of inams: she said in support of the women's associations in this presidency who feel this practice of dedicating young girls or young women to temples for immoral purposes as a slur on Indian womanhood and a great wrong and injustice done to the innocent youth of this country and in response to the incessant demands of the enlightened sections of those aggrieved communities themselves whose rightly developed

moral sense naturally revolts at such a notorious custom prevalent among the unenlightened of their community and who with their persuasive method and educative propaganda work are unable to suppress this vice without further legislation and above all in deference to my own personal conviction that in the cause of humanity and justice we can no longer delay this piece of beneficial legislation a reform by which we can rescue thousands of young innocent children from a life of immorality and vice from life long invalidism suffering disease and death resulting from infection with venereal disease' *Proceedings of the Madras Legislative Council* for November 1927 pp 415-16.

The amendment was introduced and many lands held by devadasis were enfranchised and converted into ryotwari pattas which conferred independent titles to land. It might be useful at this point to dwell for a while on the western feminist position on prostitution that Butler represented. The crusade against male vice in both America and England began with an opposition to state regulation of prostitution. Like earlier female reform efforts the feminist attack on state regulation reinforced women's self-conscious participation in a distinct female subculture. The feminist campaign also drew hundreds of women into the political arena for the first time by encouraging them to challenge male centers of power. They rejected the prevailing view of fallen women as pollutants of men and depicted them instead as victims of male pollution. From the point of the middle class feminists this entailed a strong identification with the life of prostitutes. Says Walkowitz: 'Prostitution also served as a paradigm for the female condition: it established the archetypal relationship between men and women repeated in a more subtle manner within genteel society' [Walkowitz 1980: 147].

40 Letter to A K Iyengar Rao dated September 21 1938 *MRP* sf 11 1 p 38.

41 *Ibid*.

42 *Ibid*.

43 Note dated March 17 1940 regarding Kudikars in Dewaswoms *MRP* sf 11 part III.

44 S Anjanavulu: Presidential Address to the Andhradesa Kalavanthula Social Conference 1924 *MRP* sf 12.

45 *Ibid*.

46 Muthulakshmi Reddi: Presidential Address p 12.

47 Muthulakshmi herself was a staunch supporter of their cause although anti-brahminism for her did not entail a rejection of Hinduism. Press Clippings *MRP* sf 12.

48 For a detailed account of the controversy surrounding this publication, see Introduction *Women Writing in India 600 B.C. to the Present* Volume 1 pp 1-12.

49 Newspaper article by the Madras Rudrakannika Sangam: reference undecipherable *MRP* sf 12.

50 Newspaper article by the Madras Rudrakannika Sangam: reference undecipherable *MRP* sf 12.

51 B Varalakshminamma: open letter to Muthulakshmi Reddi and Sri C P Ramaswami Iyer *MRP* sf 11 2.

52 *Ibid*.

53 *Op cit* p 38.

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Excerpts from the Statement of the Chairman, Shri Sharad S. Marathe, at the 29th Annual General Meeting held on 29th September, 1995 at Bombay.

“ The decision to privatise SICOM was a recognition of the changing financial and economic scenario in the country; and to enable SICOM to operate effectively in a highly competitive environment. ”

The Changing Role of SICOM :

Since inception, your Company was registered as 'The State Industrial & Investment Corporation of Maharashtra Limited'. At the Extraordinary General Meeting held on 22nd December, 1994, a Resolution was unanimously adopted to change the name to SICOM Limited, and with the necessary approvals from the Company Law Board, the shortened name was adopted with effect from 29th December, 1994.

In the last few years, as a result of concerted efforts on several fronts, we have been able to significantly enlarge our scope of operations, strengthen our financial position and increase our profitability. We now provide a wide

range of financial products, including syndication of loans, managing new issues including listing on OTCEI, underwriting, leasing, etc. In 1994-95, we added two more financial services, namely, bill discounting and corporate loans for periods ranging from one to three years.

State Government's Supportive Attitude :

It is in the context of this qualitative change in the corporate identity of SICOM, that one has to see the State Government's decision to disinvest 51% of its shareholding in your Company. The primary consideration leading to the decision to privatise SICOM was a recognition of the changing financial and economic scenario in the country, and to enable SICOM to operate effectively in a highly

competitive environment and without having to be dependent on funding from the exchequer

I would like to mention here a unique feature of the State Government disinvestment. The entire proceeds from the disinvestment of its shares has been deployed by the Government in your Company as an interest free readjustment loan for a period of five to seven years. This reflects not only the State Government's keen interest in your Company's growth and profitability but also its confidence that its equity in your Company will appreciate sufficiently to compensate for the interest foregone.

SICOM's Highly Satisfactory Performance :

The performance of SICOM for the year ending 31st March, 1995, despite the downward trends in the financial sector, has been highly satisfactory. The total amount of loans sanctioned for various products including equity, leasing assistance, corporate loans and term loans has more than doubled during the year to reach a total of Rs. 535 crore. Disbursements were also correspondingly higher Rs. 412 crore which was an increase of 123% as compared with the previous year. The Company continued to improve its performance in respect of recoveries of outstanding dues of principal and interest. As compared to 1993-94, recoveries of Rs. 259 crore were 35% higher. The net profit for the year was Rs. 27 crore, an increase by 15% over that of Rs. 18.61 crore for the previous year. The EPS rose from Rs. 3.07 to Rs. 4.45. By the end of March 1995, SICOM's asset base had increased to Rs. 735 crore as against Rs. 522 crore a year earlier. This represented a growth of 40% over the cumulative funds deployed up to March, 1994 compared to a growth of 14% in the previous year. **I am happy to inform you that on 25th July, 1995, your Company achieved a landmark when its asset base crossed Rs. 1000 crore.**

Importance of Infrastructure :

The changing industrial culture brought about by the influx of foreign technology as also foreign companies making India their base, has made us realise the importance of creating an infrastructure compatible with the growth trends taking place here. No longer is an entrepreneur satisfied with monetary incentives coupled with passable infrastructure. Instead, his preference is for something at par with what is available in developed and other rapidly developing countries. Towards this end, it is forming a company along with Infrastructure Leasing and Financial Services (ILFS), Housing Development & Finance

Corporation (HDFC) and the Maharashtra Industrial Development Corporation (MIDC) which would undertake to develop infrastructure based projects as also formulate reports on such projects, later to be marketed to companies desirous of setting up such projects. Your company has formed a Joint Venture Company with Mahindra & Mahindra and CIDCO to operate water transport services in and around Mumbai.

SICOM to Promote Further Industrial Growth :

There have been major changes in SICOM's corporate identity in recent years. But your Company's objectives remain the same namely to help ensure the primacy of Maharashtra as the leading industrial State in the Indian Union.

After the elections to the State's Legislative Assembly in March 1995, a new Government assumed office in Maharashtra. I am happy to note that the new Government accords highest priority to maintaining Maharashtra's position as the most favoured destination for investments in the industrial sector and every effort is being made to make the State even more investor friendly. In the matter of attracting Foreign Direct Investments also, it continues to be in the lead. As the State's premier industrial promotional agency, your Company will have a great opportunity to serve Maharashtra's economy by attracting more investments.

Expression of Gratitude :

Before I conclude, I would like to place on record the Board's gratitude to the State Government for its continued support. On behalf of the Board, I would like to thank the IDBI, Small Industrial Development Bank of India, Industrial Reconstruction Bank of India and all the Commercial Banks for their assistance in our promotional efforts. Thanks are also due to all the sister organisations like MIDC, MSFB, MSSIDC, MSFC, MFLTRON etc. I would be failing in my duty if I did not express our special gratitude to all the alliance partners but for whose support the process of privatisation would not have been realised so expeditiously. I also place on record the Board's appreciation of the diligent efforts put in by all who work for SICOM.

SHARAD S. MARATHE
CHAIRMAN

• BOARD OF DIRECTORS

Note : This does not purport to be a report of the proceedings of the Annual General Meeting.



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Images of the Body and Sexuality in Women's Narratives on Oppression in the Home

Meenakshi Thapan

Based on in depth interviews with middle and upper class women in New Delhi this paper examines the relationship between women's experiences of physical violence and psychological oppression in the home and their perceptions of their bodies and sexuality. The female body is viewed as no more than a body-for-others—culturally constructed through media images and through women's internalisation of the gaze of the other. Thus what these women often experience as oppression is related to the denigration of a body image and sexual identity. In conclusion the author poses some questions regarding the possibilities of an autonomous femininity that would in fact enable these women to be free of the oppressive gaze

I Introduction

IN my work on femininity and culture it became increasingly evident in the course of interviews with middle and upper class women in New Delhi that what I was seeking to understand viz the cultural underpinnings of femininity was impossible without an understanding of women's own perceptions of their femininity.¹ Femininity is created through both the cultural and the personal. Women's experience of everyday life is closely linked to their notions of their bodies and their sexuality seen in relation to an ideal femininity. Their experience of psychological oppression in intimate relationships is therefore often related to their notions of the perfect female body and their own sexuality. In a sense then these women are as much oppressed by the values of a patriarchal society as they are by their partners in intimate relationships.

This paper is an attempt to identify and decipher images of the body and sexuality in urban Indian women's narratives on the nature of physical and psychological oppression. The paper examines different kinds of violence women experience in the home and links some of this experience to women's notions of their bodies and sexuality. At no point in the paper is the argument made that women are responsible for the physical battering and psychological torture they experience in the family.

The female body in this paper is viewed as the lived body or the communicative body through which the woman seeks to both define her life spaces and express herself in different situations and contexts in everyday life all of which shape her identity as a feminine being. The body is clearly a medium of culture in the sense in which we take care of it and maintain it eat dress and adorn ourselves communicate with others and so on. However the body as Susan Bordo points out is also more directly a 'practical locus of social control' so that we are in a sense not what we want to be but we are made through culture. Foucault calls the docile body regulated by the norms

of cultural life. It is precisely in the pursuit of an ideal femininity ever-changing and elusive that female bodies become docile bodies' [Bordo 1993 165 66]. Thus femininity disempowers us even as it seduces us and like Sandra Lee Bartky (1990 2) I seek to understand how the values of a system that oppresses us are able to take up residence in our minds. This brings us to the question of power as Foucault puts it we need an analysis of power from below.² For this Bordo (1993 167) suggests we need to understand the mechanisms that shape and proliferate—rather than repress—desire generate and focus our energies construct our conceptions of normalcy and deviance. This will help us to understand how women collude with forces which often sustain their own oppression.

Women's experiences of oppression or violence in the home are closely linked to their perceptions of their bodies and notions of femininity. In this context the female body appears no more than as a body-for-others socially constructed and therefore under the constant gaze of the other. The internalisation of representations of the female body by women appears to be fundamental to the formation of feminine identity. But this does not happen in a straightforward manner. It is only by mapping the way in which the body circumscribes subjectivity³ that we can begin to understand how gender is constitutive of identity [McNay 1991 131]. In the women's narratives we discover that the body is continuously perceived as both defining and limiting a woman's identity by both the perpetrators of the violence as well as by women themselves. It is in this sense that, in intimate relationships, the other's definitions of the body are often experienced as painful and oppressive as they are not congruent with women's own perceptions of their bodies and identities.

The visual and print media in any culture influences women's perceptions through the imaging of the perfect or desirable female body. Images of women who look youthful, have flawless skin beautiful faces and bodies are presented to the urban Indian woman

With the advent of television and the printed word in an increasingly modern urban India the rules for femininity have come to be culturally transmitted more and more through standardised visual images [Bordo 1993 169]. Thus we learn the rules directly through bodily discourse through images that tell us what clothes body shape facial expression movements and behaviour are required (ibid). Some of these images are presented to us through advertisements through fashion through beauty contests and their icons the fashion models through women's magazines and so on. Cable television in urban India has brought home the obsession with the perfect female body in the west through commercials talk shows soaps etc many of which address the perfectability of the feminine form in one way or another.⁴ The concern with what is considered excessive weight and with the shapely female body which emerges in the women's narratives is to a large extent a reflection of what Kim Chernin (1981) has called the tyranny of slenderness in the west.

This paper also seeks to examine the different forms of psychological oppression women experience both in intimate relationships as well as in relations with the extended family in the home. Psychological oppression or what women themselves refer to as mental torture or emotional violence has not been sufficiently documented because of what is considered lack of evidence. That is, women often do not talk about this aspect of their lives and nor is there any proof of their experience. Precisely for this reason that I sought to examine notions of the body and sexuality drawn from women's experiences of psychological oppression sometimes accompanied by physical violence.

Women's experiences based on everyday life help us to understand the nature of the oppression and violence women encounter. It is absolutely necessary to begin, as Smith (1994 156) points out "with what we know directly in our lives" i.e. with experience. However, it becomes important to remember that although experience does not 'ground

knowledge in any conventional sense, women's experiences and what women say, make important contributions to the creation of knowledge' [Harding 1992 185, 186] While this paper therefore does not offer any major conclusions on the causes of physical and psychological violence on women in the home, it does certainly seek to provide a mapping of the field, as it were. What is the nature of the violence? What forms does it take? How is it related to women's perceptions of their bodies and sexualities? What do women's narratives on oppression, as they experience it, reveal to us?

The analysis is based on material from interview conducted with middle class and upper middle class women in Delhi belonging to different regional and professional backgrounds, varying marital status and with a variety of ideological positions on the family, marriage, and life in general. An attempt was made to identify women from more or less the same kind of social background viz the educated, professional urban woman for purposes of maintaining a certain homogeneity in the collected material. It might thus appear that there is a commonality in the women's narratives that relates both to their experience as well as to their articulation of it. The narratives of women from lower income groups would perhaps contain somewhat different experiences and their articulation would differ from women belonging to the middle classes. One common thread running through all the narratives presented in this paper is that the women were all victims of so-called love marriages rather than the more common-place 'arranged' marriages that are so widely practised in India. Women's experience of violence and psychological oppression in everyday life and especially in the home are not random or isolated experiences. If we connect women's experiences clearly then, what emerges is a flood of common experiences' [Stanko 1985 18] and it is this similarity that shows us the extent and the nature of the humiliation and suffering women experience regardless of their education or status in society.

II Forms of Violence

In my work, I define violence as a form of action or abuse intended to inflict physical or psychological harm on another person. Following Hoff (1990 91) I would further add that the 'meaning of physical acts of aggression cannot be separated from the acts themselves'. It is therefore essential to understand the 'processes and context-specific meanings of violent social interaction including the relationship between verbal and physical aggression'. In this context that women's accounts of psychological oppression become important.

The aim of both physical and psychological violence is the same: the disempowerment of persons which ensures domination over them. As Litke puts it "the genius of violence is that it disempowers in such fundamental ways that its effects cascade out in many directions and for a long time to come" (1992 176). The despair and anguish that many women experience in violent marital relationships is one manifestation of their disempowerment; they can neither terminate the relationship nor change the situation. They simply have to live with it; in fact their survival depends on this. Some women develop suicidal tendencies as well and also feelings of wanting to kill their husbands in order to remove the source of their emotional agony. Even though women may be disempowered, they often perceive themselves as emerging more confident and emotionally stronger from their experience of violence in the home notwithstanding the stress and strain they may have experienced during the crisis. This is certainly true of the women who were interviewed by me. One reason is perhaps their socio-economic background and the fact that they are professionals and economically independent women. It is more likely that women are brutalised and psychologically shattered after their experience if they are economically dependent on their husbands and are not equipped to manage their own lives.

For purposes of analysis, I have categorised the responses of women to violence in the home *vis à vis* their husbands and the extended family into a series of oppositions. The first category of violence in the home is that of verbal abuse as opposed to verbal silence. Verbal abuse takes many forms depending on the context, situation and style of the marriage itself and is often accompanied by physical violence. Withdrawal of sexual activity when the woman may want it as opposed to the imposition of sexual activity on a woman who may not desire it is experienced as another form of violence. The third form is exhibited in the husband's lack of commitment to the home and the family as opposed to an excessive commitment to the family. The latter is evident only in the situation of the 'joint family' where the husband and wife are residing with the husband's parents or/and brothers and their families and the husband is excessively committed to his natal family.

IN NUCLEAR HOME

Violence in the nuclear home is often not visible to an outsider. A woman may be physically battered but continues to go to work hiding her scars, maintaining the facade of her marriage, and carry on her life as though nothing was out of place. A woman may be psychologically oppressed but this

is not always perceived by another person. Stanko has argued that women 'learn to define their worlds and thus their experience as less important than men's'. They tend to internalise and silence many of their experiences of sexual and/or physical intimidation and violation (1985 17). It is only when women may need intervention either through the family or friends or through counsellors that some of these hidden or invisible experiences of violence within the home are revealed. What emerges are narratives by educated, high status women of physical and psychological oppression by their equally well established and successful husbands. What also emerges are notions of the body that are largely defined by the women's partners and undoubtedly affected women's self-esteem and identity as well as their own perceptions of their bodies.

Case I

Leena, a Punjabi kayastha, the daughter of a businessman, is 33 years old and teacher in a university. She has been educated in universities abroad and in India. She married someone of her choice six years ago. They are from different regional communities and have different social, educational and professional backgrounds. Her husband has always pampered her in terms of giving her a lot of attention and always supporting her physical appearance. Even if she had a 'really bad haircut or wore terrible clothes', he made it a point to appreciate her appearance. Leena thinks they had 'very good communication' and they spoke in a 'private language' always so no one could really understand what they were saying to each other. Much of this private language was baby talk, as Leena puts it, with one partner becoming parent to the other. Sometimes this frightened her as they could not communicate in any other language. He expressed his affection physically as well: cuddling her often and hugging her even in front of friends. All this fell apart about 10 months ago when he met another woman. Leena now says, 'Maybe now he's grown up of course at my expense'.

The regional backgrounds of the partners and the caste class and community to which they belong inevitably affects the nature of their interaction despite the similar educational and professional backgrounds. One outcome of Leena's deteriorating relationship with her husband is the negative nature of his comments about her family and about herself. He has started criticising me physically and comments which are derogatory about my family. That is, the stereotype of being loud, rotund, money-minded, excessive in every sense. They're non-creative, speak loudly to their wives, they're from a particular social class and background. In this case the comments about Leena's family (essentially her

brothers and their wives) are really directed at a Punjabi business community from her educated westernised Bengali husband

Comments about Leena's body are rather specific. 'How I'm not that attractive. I'm short. I have a bigger head [not in proportion to the rest of her body]. I'm fat, and so on. In a relationship it bothers me that someone who had pampered me so much should switch over so suddenly'. Leena sees these derogatory comments about her body and her family as signs of a marriage gone awry or, in her words, a crumbling marriage. Her husband's interest in another woman is one reason she thinks he tries continuously to denigrate her in his own and in her eyes.

Bartky (1990: 23) has argued that both 'fragmentation and mystification' are present in forms of psychological oppression (1990: 23). Bartky defines fragmentation as the 'splitting of the whole person into parts of a person which in stereotyping may take the form of a war between a true and a false self' or in sexual objectification the form of an often coerced and degrading identification of 'a person with her body' (ibid). What Leena in fact experiences as 'mental torture' or emotional violence is the attempt to sexually objectify as well as stereotype her. Degrading comments on her body express an intent to split the whole person into body and mind by focusing on the externally visible physical body. The woman's identity is therefore perceived in terms of the body and women then begin to see themselves in the same way.

Leena defines her body largely in terms of the shape it is and in terms of her own sexuality. The desire for a perfect body is concealed behind her emphasis on her personality. 'The body for others' is presented as her personality but underneath lies the body for myself. When I see my body in the mirror I should like it. It should be pleasant for me. I don't like to see sagging breasts or have extra flesh on thighs or hips. So I should maintain my body and eat less. Most men don't talk about my body that they find my breasts desirable and ravishing etc. They talk about me as a person. My husband used to talk about my body, before we were married, in letters but not any more. Maybe they don't find it sexy. In my case, it's all hidden but it's all there. I don't dress up to highlight my contours, emphasise my shape, etc. I emphasise more on my personality.

Leena works hard at maintaining her definition of the perfect body by visiting the beauty parlour for facials ('I don't like to see a tired face. I like to see a glowing face in the mirror'), by waxing her legs and arms, by bleaching the hair on her face, by hennaing her hair and by dieting whenever she thinks it is necessary. A duality in feminine consciousness is produced to the

extent that Leena has internalised the gaze of the other and has become at once the seer and the seen.

As distinct from the different forms verbal abuse may take, there is also the issue of verbal silence which is oppressive for the women who may want to discuss issues and sort out matters. Leena says, "We don't speak about issues that bother us. We never have a fight. We don't throw things at each other. Initially I did but the response was total silence. Total indifference. So I tried to control my anger, to be like him - silent, and not get into confrontations, etc. Then I got out of it. Even now, as he says, he 'does not fight'. No issue is discussed in a raised voice; it has to be discussed 'in a non-hysterical manner'. It's a male point of view. Spontaneity has been taken out of my personality. I've started intellectualising, theorising etc. in the last three years of our marriage."

Leena adopts a coping strategy that will most likely be acceptable to her husband. So she learns to be silent when he is, or analyses and theorises about their relationship when he wishes to do so. She has learnt to cope with the silences in her marriage although she cannot cope in quite the same way with the verbal abuse. She is also emotionally distressed by her husband's lack of interest in her pregnancy or in their expected child. There is no commitment to my pregnancy. I'm not very sure that this guy is going to be around when I have the baby. He doesn't accept the procreation even though we were both not using contraceptives. He should have accepted the baby but he didn't want to take responsibility. So my right to procreate was being questioned. If he was so hassled he should have just used a condom. But he taunted me.

You've had it your way. You wanted a child and you have it. But he had a choice to prevent it. Secondly, once the child is there, there is no commitment to the child and especially to the relationship. I don't know if the child will have a father or not. This is also a mental torture. He keeps telling me he will leave after the baby is born. He can't walk out on a pregnant woman. Middle class values are supporting this relationship as a facade. It can break any time."

There appears to be a relationship between the way women perceive their mothers' experiences of 'violence' in the home and their own experience of it. Leena perceives a similarity in the way her mother was treated by her father and the manner in which her husband treats her especially in the context of their sexual relationship. She clearly experiences a dissatisfaction with her sexual relationship with her husband and this becomes another source of distress adding to her experience of oppression within the marriage. My father was an alcoholic and withdrew sexually from my mother. So a

similar experience in my marriage becomes a mental torture. It's ironic that I've felt sexually dissatisfied with my husband due to his preoccupation with work. But I couldn't articulate this then because I thought I was perverse. But now because of the problems we're having, I can articulate it. I've had sex [with husband] even when I was tired, etc. but he didn't, it was only at his convenience. That's when I started getting attracted to other men very early in my marriage.

Leena's husband is also prone to excessive drinking and she resents the lack of commitment to the home. In her case, it is the repetition of her experience of an unhappy marriage that is the cause of her 'mental torture'. Mental torture is also not coming home on time, not eating meals on time, a lack of commitment to being home on time. I felt mentally tortured as a child as we never had meals together, my father never came home on time."

Case II

Chhaya, from a family of Bengali Brahmins domiciled in Delhi, is 42 years old, divorced and works as an architect. She was married for five years to someone 10 years older than her who manages industrial relations in the private sector. She lives with her parents in Delhi in what she calls a 'shared existence'. Her parents are well educated; her father has been a journalist and her mother taught for many years at a university college.

Chhaya's father-in-law was an engineer and her brother-in-law a doctor who worked abroad for several years before returning to India. Chhaya's real in-laws were in fact this older brother and his wife with whom they lived for a few years after they were married. Chhaya knew her husband for many years before she married him. At that time she did not know him very intimately. "I never went to bed with him. In our generation people still didn't sleep around." They had no children. She experienced both physical and verbal abuse in the last 18 months of her marriage. "He used to hit me - slapping, would hold my hair and hang my head against the bed, against the wall. The violence was sporadic after the first time. There was a long gap as he thought I'd tell people. But my not telling anyone gave him more confidence to hit me."

In Chhaya's case, her husband had no commitment to her, the marriage or the home. This aspect of his behaviour cannot be comprehended by Chhaya as he pursued her relentlessly before they were married. The partner's suspicion of the woman's infidelity is a recurrent theme in the women's narratives and often the cause of much of physical violence in intimate relationships. A woman's sexuality is seen as being under control only in her marital state. The partner,

however, begins to feel he has no control over the woman's sexuality and therefore feels threatened by her feminine identity and the possibility of an independent sexuality. Chhaya articulates the reasons for the violence: "One reason was my constantly questioning him, 'Why aren't you at home?' He was going to prostitutes and once he was rounded up by the police. In the first six months of our marriage, my brother-in-law and his wife weren't there. But he retained a room on the top floor to get used to my marital status. He used to say, 'He used to spend most of his time in the room where he had a lot of pornographic magazines. At night sometimes he used to wait for me to fall asleep and then go out. When he came back, I used to want sex but he would push me off the bed. Then he was suspecting me of having affairs all the time with his friends. This used to irritate me. Then I stopped talking and this used to anger him more and actually started the violence. I used to try to retaliate but he would give me a stronger beating. He kept saying that I was mad. I was willing to go to a psychiatrist with him but he was not willing. He was also an alcoholic and in that frame of mind he didn't know when and where he was hitting me'."

Her husband's denial of Chhaya's sexuality by refusing to have sex with her when she wants it is one way he expresses his domination over her in addition of course to his physical domination over her body by battering her constantly. In a Foucauldian sense then, power in sexuality asserts itself in absences, as he puts it, through "rejection, exclusion, refusal, blockage, concealment and mask" (Foucault 1990: 83). Suspicion of Chhaya's infidelity and battering her for it is another mode through which her husband seeks complete control over a body which he owns but which he thinks he might lose at some point of time.

Chhaya did not talk about the trauma she was undergoing or her disastrous marriage because of her sense of commitment to her own family and to her marriage. In no way did her silence imply tacit acceptance of the violence she was experiencing. Stanko (1985: 19) suggests that in fact "silence is a way for the powerless to cope with very real situations. Silence is a declaration. Factors such as concern for others, situational helplessness, fear and terror, and perhaps even immobilising depression encourage silence." Chhaya says, "I kept waiting for my cousins' various marriages to be over as I thought my revelation of my own disastrous marriage would spoil their marriages. Also I wanted to be sure I had given him every chance as I had a fiery temper. And I also kept thinking that it would improve. My family also noticed that he was running me down all the time. But they didn't say anything. I thought maybe now I'll tell them that my marriage is bad but because I'm their

only child I thought their world would fall apart. So I kept quiet."

Chhaya tried to end the marriage when she realised that it could no longer continue. But this was not acceptable to her husband who had to end it on his own terms. "The last time when he hit me physically he was drunk. I refused to prepare food for him and some ruff raff he had picked up to drink with. Then he left and I realised this marriage cannot continue. Later I told him this. Then he hit me so hard my head hit the bed rest. I was black and blue. Then I went to office and hid to say I had an accident. That day I decided to leave him. It was getting worse and worse. Next time I would have been dead. Finally a cousin of mine got married where my husband misbehaved. He was drinking all the time. He stopped talking to me and then when we were alone told me that I had made eyes at some young boy in the wedding. Then he said that I went to bed with him and suspected my mother and grandmother of endorsing this. This became the truth for him. Then, one day he finally left, picked up a few things and left the house. Then I broke down, crying and then thinking that finally the marriage is breaking down."

All the time she was undergoing physical violence, Chhaya also experienced verbal abuse. She was continuously told that her body was not nice, that she was too fat, that she didn't know anything, and so on. Continuous bodily stereotyping, used to demigrate her and to make her feel ashamed or resentful of her body. "I'm quite conscious about the shape [of her body]. I have weight around the stomach and the hips. I didn't learn swimming because I had to get into a swimsuit. And now at this age I feel like swimming because it helps to keep the body in shape. So I wear loose clothes. I don't want to disregard my femininity but I don't want to be sexy. I want to be appreciated for my mind."

Chhaya's notions of beauty are clearly related to her perception of herself as an aging body and to the fact that she is alone in the world. Her femininity is, therefore, in a sense defined by her perception of herself as a decaying body. "I think women should bother about beauty especially when they are growing old. I would really like to have a pedicure and manicure but don't have the time. I am very fussy about my hair and don't let anyone touch it. One shouldn't put make-up but one should definitely keep one's body and health in good, clean shape. Why should a woman lose her femininity if she is working? My mother had a lovely complexion until a certain age. Suddenly she broke into wrinkles. Supposing she had toned up her muscles, had face massages, and so on, she may not have wrinkled so fast. My job is both walking around sites and also very sedentary. So to keep my body

in shape I do exercises every day and have a massage once a week. I have facials to keep my muscles toned up and in good shape. I know I'm going to be all alone in 20 years. So as far as possible I should be able to take care of myself and have all my limbs functioning."

Mystification in psychological oppression is defined by Barak as the systematic obscuring of both the reality and agencies of psychological oppression so that its intended effect, the depreciated self, is lived out as destiny, guilt or neurosis (1990: 23). Women do not however always emerge as victims of oppression but as survivors in a system that views the institution of marriage as the ultimate refuge of a woman. Undoubtedly women experience problems related to both physical and mental health during the crisis but they devise coping strategies and emerge somehow stronger and better equipped to deal with their situation and lives. Therefore the stereotyping and sexual objectification that both Leena and Chhaya have experienced make them victims of psychological oppression but both women are not in any sense disempowered by their experience. For example, Chhaya's experience of physical and psychological violence she says, has made me much more independent than before. I don't accept any kind of interference in my life in everything.

Although it was a horrible experience, I think it's done me a lot of good. Life is not a bed of roses. So one has to put all one's mind to deal with such a situation. It has made me a much stronger person. One has to work to get out of difficult situations oneself. So for any area of my life I have become an expert at coping with disasters! [laughs]

The relationship between sex and violence is acknowledged in most analyses of domestic violence. Marital rape is one form of such violence. In the Indian context Omvedt (1990: 6) argues that "the everyday reality is that doubts about women's faithfulness and efforts to control women's sexuality are major factors in all forms of violence." "We may consider Rekha's articulation of the violence she experienced in her marriage, as she put it in terms of a denial of her sexuality."

Case III

Rekha, a Punjabi, is 38 years old, has a Master's degree, and is a school teacher. She lives in a separate apartment in her parents' house in Delhi. Her parents are well-educated and successful people with a superior social standing and status. When she was 22, Rekha married a man who now works in a publishing house. She knew her husband fairly well before she married him (they had a sexual relationship for a couple of years), and is now separated from him. They were married for many years and have one child.



Heartly Greetings on the occasion of the First Diwali in Shivshahi



Shri Manohar Joshi
Chief Minister



Removing darkness
from every mind
And leading us
on the path of light
with a host of Peoples
Welfare Schemes
Diwali is here.



Shri Gopinath Munde
Dy. Chief Minister

Rekindling hopes in
the hearts of the People
and showering flowers
with enthusiasm
Diwali is here.

Rejoicing with ecstasy,
the Shiv Sena - BJP
Alliance reiterates its resolve
To fulfil promises
On the auspicious occasion
of Diwali



Directorate General of Information and Public Relations,
Govt of Maharashtra



Rekha comes across as an independent, successful, and remarkably content woman considering her dissatisfactory marriage.

Her sexual relationship with her husband was 'almost non-existent' and Rekha sees this as being 'prompted' by him. "This is a form of violence because I wanted it [This kind of behaviour] is characteristic of a particular generation of men who have changed or altered their moralities, their world-views. This is, on the one hand, the kind of woman they want to relate to, [i.e., one who is] articulate, independent, aggressive. On the other hand they rescued out of their wits. So, a woman's expression of her sexual rights or her expression of her sexual desire becomes one area of contestation. Its something they can't cope with. It is in part a fear of failure, of an inability to satisfy that [desire]. Being denied any sexual relationship is violence and I experienced this. [The fact that sex] was very occasional and other tensions made it less satisfying. All through our marriage he did have other sexual encounters so I was certainly being denied a satisfying sexual life. It was a gigantic problem in our relationship."

Rekha does not however see this aspect of the violence she experienced in her relationship as being significant in itself. She endured it because, as she says, "we shared a great deal apart from our child. He understood me and I understood him." The breaking point in her marriage came with the appearance of the other woman. His involvement with the other woman for the last year of our marriage broke it up. He inflicted violence on me. I was very hurt by it. It wasn't a moral position I took as he already had other brief sexual encounters. The hurt was heightened because I perceived it as violence. We had a very friendly and interactive relationship in spite of the problems. So the idea that he could continue to do something which was so distressing to me, that was the act of violence, the aggression. He was articulating his preference for the marriage but actually continuing the other relationship so I couldn't carry on any longer. His other relationship was only against me not for itself. It didn't last very long. So it was really an act of violence against me. I always saw it as that."

Rekha's analysis of her problem reflects her own perception of the situation. All three women whose narratives we have heard so far disclose a denial of sexuality in their marital relationships. The question is whether the three men did this consciously to negate the women's self-image or because they felt threatened by the kind of women they had chosen to marry, or simply because they had "fallen out of love" and therefore sought sexual satisfaction elsewhere. It would seem that women's sexuality is one realm in which men felt they could exhibit their power, over

women by denying them what was central to their relationship. In all the three cases the men succeeded in exhibiting this power which was not, however, acceptable to the women for different reasons.

At another level, Rekha articulates her perceptions of her body largely in relation to her sexuality. Her ideal femininity is in fact an ideal sexuality governed however by her body shape. "My sexuality is related to my body. When it is the shape I like then I am relaxed. Being a single woman there is more overt sexual attraction and men are able to express it. So in my attraction to them one element of sexuality is there: a sexual charge, which I feel able to respond to depending on the shape my body is."

In Rekha's case, her husband did not like her weight and as a protest, she says she remained fit all through her marriage. However, she was not immune to his reactions: she realised that her identity was tied up to this image of being slim. She felt that although I was protesting all the time I was also succumbing to it. I wasn't relaxed about it and it affected my sexuality. My husband didn't of course realise what he was doing. As a particularly progressive woman I might say, I am not vulnerable to media images of the body but of course one is. A woman's body is pleasing for herself to have a beautiful body."

Rekha sees herself as being overweight. For the last eight months before I met her she has cut down on food and does room exercises in order to shed weight. She also consciously dresses in a manner that plays down her weight. Rekha has undoubtedly internalised both her husband's perception of her body as well as what she refers to as media images of the female body. This in turn, has affected her sexuality where an ideal sexuality is defined in terms of perfect body weight. The body-for-others has overtaken the body-for-myself but the two are not perceived separately. That is, the body for myself is seen as the signifier for an ideal femininity when in fact it has been subsumed within an overwhelmingly didactic body for others.

However Rekha has not been traumatised by her experience. On the contrary, she has found a certain independence and joy in living alone. "I find living by myself very liberating. I got married at 22. Before that I lived with my parents and was shaping my life with others. So therefore shaping my life for myself has been very nice. I got into many sexual encounters to prove to myself that I was sexually attractive. It [the marriage] didn't erode my sexuality, myself or identity. Had the opposite effect. I could now assert myself in my other relationships. I'm much more uncompromisingly assertive now."

While women may see themselves as survivors and not victims of their

circumstances, clearly at some level, they are aware of the psychological and physical consequences of their experiences. Rekha perceives these in the form of the 'cynicism' that has developed in her. She says, "The big cost in my break up was the view that relationships cannot last. A relationship is much more likely to last if you live separately and see a lot of each other. Its not therefore just that violence could be done to me but that I could equally oppress someone else. So it is the nature of relationships that this could happen."

Similarly Teena is cynical about her relationship and about the element of 'love' and care that had earlier characterised. She has also often imagined pushing her husband 'off a cliff' to be rid of him. Chhaya thinks that its a good thing her marriage ended or she would have either killed her husband or been killed by him.

Sometimes however women who have terminated a relationship perceive in themselves an unfulfilled femininity, as it were. For example Chhaya clearly sees the consequences of her experience of violence and termination of her marriage in terms of a lack of what she calls 'male companionship' and of experiencing her body. Chhaya articulates her needs. "I wish there could be somebody to appreciate my body. In this area I feel I've missed out totally. I've got good relationships, work is good, but only in the area of sex and body its a total blank. I want to fill it up. I must have an experience of my body to know its good. I don't feel the lack of marriage but I do feel the lack of male companionship. I wouldn't mind having an affair."

While these women do cope at one level, i.e. in terms of their ability to manage their lives and careers, they do experience the cynicism and bitterness that is a part of a deteriorating or terminated marital relationship. They may also not be able to reconcile their single existence with their own needs. For example in Chhaya's case, the need for sex and male companionship. While Rekha's uninhibited and liberated lifestyle gave her the freedom to indulge in several sexual encounters, Chhaya was clearly restricted by her own inhibitions and lifestyle which includes long hours at work. To the extent that Chhaya's needs remain unsatisfied, she experiences stress induced by unfulfilled sexual desire.

Sexuality clearly is central to these women's definitions of femininity and they appear to depend to a large extent, on their partners for this aspect of their self-definitions. Lack of sexual interest or desire on the part of the partner is experienced as oppressive and there is no doubt they strive, in different ways. It is only when sexual fulfilment with their partners is denied that they seek fulfilment elsewhere. It would seem that in the nuclear home, women

experience a heightened sexuality as compared to the joint family in which their sexuality appears to be viewed differently due to the oppressive relationship with the in-laws. More on this later.

III

Oppression in Joint Family

In the joint family, women experience psychological oppression and physical violence from either the in-laws or the husband or from both depending on each situation. The most important point is that despite the social and educational background of the husband's family or their progressive outlook, the woman's identity is expected to merge completely with that of her husband and his family. No differences are to be tolerated. In certain situations, the woman is seen as a slave: to cook, to wash, to clean the house, and also to earn a living and sometimes to sleep with.

Case IV

Saloni, a Punjabi khatun, is from an educated background. Her father is a journalist and her mother has been a teacher and a writer. Saloni is married into a family in which she considers her father-in-law more educated and from a more cultured family than her mother-in-law who comes from a milieu which is more patriarchal. Saloni suggests that such cultures have a distinct notion of how women are to behave and conduct themselves after marriage. She herself is a bright 39-year-old university teacher who has been married for the last eight years. She had known her husband for many years before they were married—he is from community and regional background different from her own. She lived in a joint family for many years and experienced oppression, as she put it, from her mother-in-law. She does not however absolve her husband of any responsibility. The emotional agony she experienced in relating to her mother-in-law is evident in the anguish and despair in her narrative. "The sense of despair I have felt at the way in which she [the mother-in-law] conducted her relationship with me. This has also implicated my husband because I stayed with her despite my oppression because of him."

Saloni articulates the manner in which she was treated by her mother-in-law in the home: "[I experienced] the feeling of being completely unwanted and unacceptable in the way in which I dressed, my manner, the fact that I was from the wrong kind of family, Punjabi, middle class, ordinary folk, and therefore the wrong kind of woman. This is not what she wanted for her son. She had no control over me in the sense that I was already there. She had no control over my time as for a large part of the day I wasn't there. I worked. But actually she had a great

amount of control over me because of the way she continually expressed her displeasure over the way I ate, dressed, used, no make-up. She was constantly chipping away at me. If you know what I mean. There was also emotional blackmail as she used her widowhood as a stick over her own son and me.

Saloni perceives this oppression in terms of what was being done to her as an individual and she decided she could not accept it. "In the first three years of my marriage, I was unsure of myself and they just went along fine. The happiness, the euphoria of marriage was there. Later, the clash is more evident when you become part of the family. I was made increasingly aware of my difference in a way in which I was not earlier. In the next two years, I came to realise that this is the way I am. I can't erase myself into nothingness or be anybody else. So I decided to be much less apologetic about my differences."

The situation was eventually resolved by the mother-in-law moving out and going away to another city. However, they continue to meet and spend a fair amount of time together as a family. In the situation of the joint family when the wife experiences violence from the in-laws, the husband is equally involved although he may not be responsible for the oppression. His commitment to his natal family often overrides his commitment to his wife or he experiences a situation where he is emotionally torn between his wife and his natal family. Saloni's husband, she says, "was deeply affected by this tension. He felt hugely guilty on both counts. It affected him physically; he lost weight and suffered insomnia."

Saloni tends to respond to her husband's comments about her body, which are often made in what she herself calls a joking manner, by worrying whether he is comparing her to the women in his family. She considers these women more elegant, what she calls the "pearls and chignon set" and the complete opposite of her. If her husband makes a joking reference to her toes, Saloni wonders if he is comparing her feet to his grandmother's feet which are "very beautiful." Clearly, what is at stake is the threat to Saloni's femininity by an ideal femininity as it were signified by an elegance which she does not possess. She therefore experiences an inferiorised body in her comparison with what she considers a perfect body which is also the body of the oppressive other.

The oppressive relationship with her mother-in-law has left a taint, as it were, on the marital relationship which is no longer ecstatic as it may have been in the early years of the marriage. "The situation is resolved in that it's not there everyday but it's not in the forgotten past either. It's there in the

relationship [between husband and wife]. Having experienced head-on confrontations, it does alter things. The initial euphoria is not there. We are less caring towards each other, less tenderness and so on. Even now, when my mother-in-law comes to stay or we go there, I'm uncomfortable and apprehensive. The subterranean text is always there. This whole scenario, so prolonged, has not made my marriage stronger. To grow together, you also need to grow apart, so that's what we're undergoing now. If my mother-in-law had been a little more graceful, it would have changed things between us."

The distance between the partners as a result of the tension in their lives in the joint family, is also reflected in their sexual relationship. For Saloni, it [sex] is not a predominant thing for me now either for myself or in my marital state. It doesn't bother me if we're in a sexually inactive state. It's not such a heightened experience as it was initially but a more tender and gentler experience. It was altered when I found my mother-in-law's presence all pervasive and restraining and restrictive. But now it's not there."

The pressures of joint family existence are such that women tend to feel totally disinterested in sex. Their sexuality is not as strongly defined or central to their feminine being as it is for women in the nuclear family. This comes out even more clearly in the next case.

Case V

Sometimes the husband is influenced by his family and their complaints about his wife and vents his anger on his wife. His anger and the violence against his wife is a result of the frustration he experiences in a situation where he is unable to really manage or handle his own natal family. This is exactly what happened with Sharmila, an upper caste Bengali (kayastha) who is 45 years old, works for the government and has been married for 15 years to an executive in the private sector. They met through a Bengali theatre group in which they are both very active and she says that she married him "really just to keep the group active." It was falling apart with other people's departures. They lived together with the husband's family and have only very recently moved to a separate, independent home. Sharmila did not hesitate to tell me that the fact that her husband's family belonged to a lower caste (a scheduled caste) was probably responsible for their unreasonable and often violent behaviour. In-laws always tried to play husband against me. Just to make me suffer, in-laws used to encourage him to drink, stay out late, etc. I was forced to cook for 13 to 14 people every evening, with separate menus for everyone. Whether I had food or not, no one was bothered

I stopped eating egg and fish so that my husband could eat more. But no one was bothered that I was not eating. That was mental torture. In-laws used to complain about me to husband and he used to believe them and start shouting or hitting me. My mother-in-law used to be very happy when he was shouting at me. And later on, I started complaining but he didn't believe me as I had earlier not complained. I asked in laws to tell one incident in which I actually misbehaved but this could never be stated. My sister-in-law [husband's older brother's wife] abused me and said "You have nowhere to go. We'll kick you out" and no one said anything. My mother-in-law was happy that she said it. This hurt me a lot. Then I told my husband, I'm leaving.

For Sharmila physical violence from her husband took the form of 'slapping, pulling hair, shoving me out of the room, shutting the door in my face, etc.' and was accompanied by verbal abuse supportive of the complaints by the in-laws. His abuse both physical and verbal, is also based on his 'suspicious' about his wife's imaginary relationships with other men. Sharmila finds his suspicions of her infidelity 'very insulting'. 'He doubts everybody, colleagues, my sister's husband, that I have relationships with them. This I find very insulting. All the time, he is checking on my movements. When we were living with in-laws, then his mother used to give him all the information. When he gets angry, he hits out. I had to make him believe that whatever you think is not true or correct.'

Her partner's definitions of her femininity as an immoral or promiscuous sexuality undoubtedly affect Sharmila's notions of beauty and self-adornment as well as her ability to interact with friends. 'I used to be fond of dressing and my friends used to love that. Now I don't feel like doing anything or going in front of friends. I feel it does not suit me anymore. Husband is suspicious if I dress up too much or if I am underdressed. I want to keep an apparent balance but I don't want to dress up now, for example, 'bindi'. I've stopped wearing as he always suspects if my bindi has got smudged or fell off.'

Sharmila's domestic chores in the extended family household, her continuous feeling of exhaustion, and lack of sympathetic understanding from her partner has resulted in her very nonchalant attitude towards sex. 'Initially, I used to feel very nice. I was told not to get pregnant by in-laws as their children [i.e. her sisters-in-law's children] were small and they would have had to look after mine as I work in an office. So whenever he came near me I used to feel tense and worried that I should not get pregnant. Now, it is not technical. I am making chapattis, it is like that. Most of the time, he is sleeping. Just

do it last and go to sleep. People say it is good for peace of mind, etc. so I do it. But he is out of station a lot and I don't miss that part either.'

In sum then, violence against women is not only restricted to attacks on her body but as Ghadially (1988: 949) puts it, 'more importantly it is a negation of her integrity and personhood'. In fact, as Bartky (1990: 29) points out, psychological oppression is dehumanising and depersonalising; it attacks the person in her personhood. The women's narratives show us how then feminine being is defined largely in terms of their body shapes, their sexuality and their inability to conduct themselves within the dictates of a normative femininity.

Women too collude with their oppressors by accepting prevailing definitions of femininity and the female body which they translate into their own ideals of femininity so that its oppressive nature remains hidden even to them. There are two aspects to this problem of women allowing patriarchal notions of the feminine form to function from within themselves. The narcissist woman, as Simone de Beauvoir (1961: 300) points out, sees her body not as an 'instrument of transcendence' but as an object meant for another. She internalises the gaze of the other and begins to view her body in the manner in which it is sought to be made desirable and perfect for the other. In other words, she becomes the other in relation to her body.

Moreover, women are helped in the maintaining and beautifying their bodies and therefore in the perpetuation of their oppression by an extremely competent system of cultural norms and practices that seem to exist for this purpose. This is what Bartky (1990) calls the 'fashion-beauty complex' (1990) with its array of cosmetics, clothes and other paraphernalia which through aggressive advertising through the visual and print media, address the modern urban woman. The narcissist tendency in any woman is only enhanced by this system in which women are both unwittingly and willingly trapped. The question then arises as to whether there is an autonomous, independent femininity which is not geared to the gaze of the other but is an expression of a woman's innermost self? Or do women's attempts to adorn, shape and perfect their bodies reflect a masquerade, a form of resistance to prevailing patriarchal definitions of the female body? Clothing and self-adornment if it is possible, as Baert (1994: 372) suggests, are therefore "positioned not in a closed circuit of self-reflection" but as a 'calibrated social act with many possible implications'. It is in this sense that 'masquerade' is seen as a 'strategic mobilisation and negotiation of gender self-representation in a mise-en-scene of a performativity of gender' (ibid). In

conclusion, then, it is essential that we explore the possibilities of an autonomous perception, that is not rooted in the other, so that femininity is not only its product but also its source.

Notes

[An earlier version of this paper was presented at a Workshop on 'Femininity, the Female Body and Sexuality' in Contemporary Society, organised by the Nehru Memorial Museum and Library, New Delhi from November 1-3, 1994. Revised and different version of the paper have also been subsequently presented at Hofstra University, New York, the South Asia Workshop, University of Chicago, and at the Annual Conference of the Society for the Interdisciplinary Study of Social Imagery, University of Southern Colorado. I am grateful for the encouragement and criticism I received everywhere, all of which helped in the reworking of this paper which is part of a larger study of 'Femininity and Culture' and therefore remains work in progress. I am especially thankful to Carol Breckenridge, Pradeep Jagannathan and Karm Naik for their excellent comments and suggestions. The usual disclaimer applies. I am also very grateful to the woman who agreed to be interviewed for the project and revealed their lives, feelings and emotions to me.¹

1. The present paper is part of a larger project on the cultural construction and creation of femininity in some urban Indian women in New Delhi. I view the female body as a text of femininity which is culturally coded, socially constructed and inscribed on the body. In India, the dominant religious discourse and cultural practice has a fairly closed set of images and norms for 'ideal' and 'large' domesticated femininity. The links for the presentation of bodily self in everyday life are clearly defined and we are socialised into conformity from very early on in life (see, for example, Dubé 1988). I intend only to discuss any of that here as my own work is more directly concerned with the construction of femininity through certain visual bodily images in contemporary India.

2. More contemporary work on the female body includes that of Bartky (1990), Davis (1991), Bordo (1993), Grosz (1994), among others.

3. In this paper, I am not examining Foucault's views on power in any depth and refer to them only to the extent that they inform my perspective on why women experience oppression in relation to their bodies. See Foucault (1975, 1977, 1980, 1982 and 1990) for his discussion of power. See also Cousins and Hussain (1984), Dreyfus and Rabinow (1982), Diamond and Quinby (1988), Sawicki (1991), McNay (1991, 1994), among others, for analyses of Foucault's conception of power.

4. The impact of the media on women's body consciousness in contemporary Indian society is examined by me in a separate paper on the subject.

5. A quick word on why I am studying middle and upper class women in Delhi. I am doing so for two reasons. First, women in this class are a neglected research category in women's studies in India in the sense that it is often assumed that as they are economically privileged, their experience of violence and

conflict in everyday life is less significant than that of women from lower classes. Secondly, these women represent precisely the category of urban Indian women, who, because of their status and position in society, are exposed to an array of visual images of femininity which they have internalised and which informs their femininity. For other, very different, kinds of studies of upper class women in Indian society, see Roy (1975) and Singh (1990), among others

- 6 Kakar examines the case of lower class women, among other categories, in his study on Indian sexuality (see Kakar 1990:65-84).
- 7 In an excellent paper on the body in consumer culture, Featherstone discusses the performing self and the attention paid to the shaping and perfecting of the personality as a mode of self-presentation. See Featherstone (1991)
- 8 Omvedt raises the important theoretical question of whether violence "necessarily" has a "sexual character, and is sexuality inherently (biologically) linked to force and dominance - or can we locate social and historical factors that determine the nature of such a linkage today?" (1990:6) Rekha, the respondent in my research, who experienced psychological oppression when her husband withdrew sexually from her, sought to answer some of these questions in her interview relating her experience to the sexuality and socialisation of Indian men today

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Fertility and Frailty

Demographic Change and Health and Status of Indian Women

Kirsty McNay

While it has become common to infer the social status of women from their demographic characteristics, it is not easy to read demographic progress in terms of declines in mortality and fertility to make unambiguous judgments about trends in women's social standing. This paper attempts to distinguish the comparative contributions of fertility decline and relative status improvement to trends in maternal mortality in India and presents evidence showing that advancement in women's demographic attainment may not necessarily involve improvement in their health and status.

IT is now common practice to infer the social status of women from their demographic characteristics. Yet it is not so easy to read through demographic progress, in terms of declines in mortality and fertility, to make unambiguous judgments about trends in women's social standing. This paper investigates some of the issues involved in the context of maternal mortality, an important but as yet relatively neglected component of female mortality. Declines in maternal mortality may occur in the absence of any change in women's relative social standing or health status simply as the mechanical counterpart of fertility decline. This paper attempts to distinguish the comparative contributions of fertility decline and relative status improvement to trends in maternal mortality in India. Evidence is presented which supports the hypothesis that advancement in women's demographic attainment may not necessarily involve improvement in their health and status.

It is well established that throughout the 20th century, the Indian sex ratio has been both masculine and characterised by a process of increasing masculinisation. This has been argued to demonstrate female mortality disadvantage which is claimed to operate via influences associated with poor female social status.

Successive censuses have revealed an overall decline in mortality accompanied by an increase in the population male: female ratio. This may suggest that as the absolute mortality position of both sexes has improved, the relative longevity of women has worsened. Census estimates show a sex ratio (the population ratio of males to females) of 1 047 in 1921, 1 058 in 1941, 1 075 in 1971, 1 070 in 1981 and 1 077 in 1991 [Dyson 1987]. The decline of the ratio between 1971 and 1981 is important since although partly attributed to the deficient 1971 Census coverage which disproportionately underenumerated women, so biasing the 1971 sex ratio upwards, many demographers also take it to convey some moderation of the long term trend of increasing masculinisation. Similarly, demographers point to particularly deficient 1991 Census coverage in certain states as

partially responsible for inflating the 1991 sex ratio [Dyson 1992].

In addition to a significant regionalisation of mortality differentials¹ the age-specificity of differential mortality is also distinct. In 1975, Dandekar (1975) using census-based estimates for all-India, indicated the maintenance of a biologically determined female mortality advantage during the neonatal period throughout 1901-61. However, within the age groups 1-4, 5-14, and 35-49 years, he detected a notable deterioration in female relative longevity together with the continuation of greatest mortality vulnerability within the 15-34 years group. These observations signify the prominence of female mortality disadvantage among children and women of reproductive age. In contrast, Mani Bhat (1989) speaks of a decline in excess early age mortality from the end of the 19th century. This he partly attributes to the greater extent of female benefit relative to that of male benefit within this age group derived from the diminished incidence of famine. The diminished incidence of female infanticide is also important. To account for the simultaneous increasing trend of population masculinity, Mani Bhat points to historically modest improvements in female adult mortality.

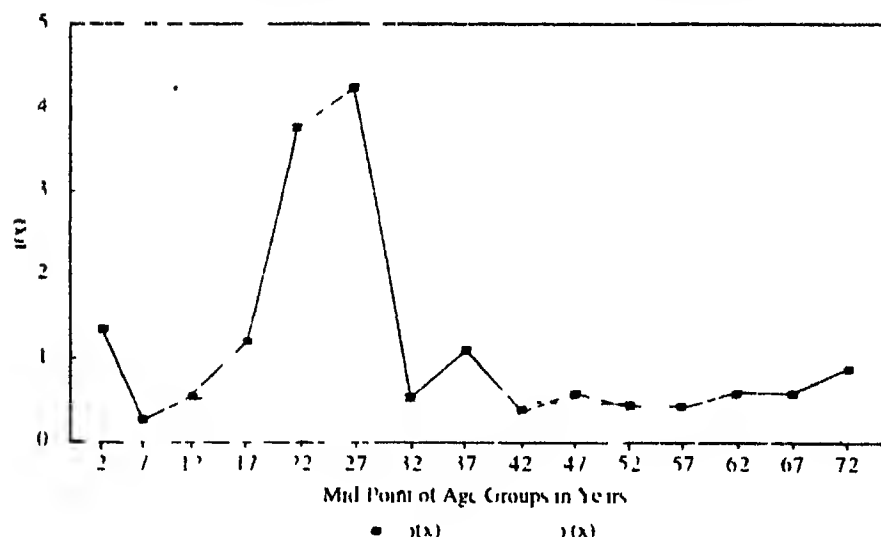
More recently Dyson's (1987) work shows that levels of early age female mortality still exceed those of males at the national level. However his 1981 Census-based derivations of sex-specific estimates of $q[2]$, the probability of dying before the age of two, indicate a markedly faster rate of post-1960 mortality improvement for females than for males. Dyson also points to the slow convergence of sex-specific early age mortality indicated from India's Sample Registration System (SRS) data. Both census and SRS data suggest that the differential in e_0 , life expectancy at birth, is now small and its direction largely dependent upon the assessment of the magnitude of excess female early age mortality. With regard to mortality at later ages, SRS data reveals a lateral S pattern to male: female age-specific death rates at both the national level and in nearly every state. The female death rate exceeds the male death rate at all age groups below 35-39 years, but the reverse is true for older

age groups. The upwards shifting of the age-specific curve of male to female death rate from the 1970s onwards can be taken to indicate greater mortality gains for females than for males and a progressive lowering of the age at which excess male mortality begins. Dyson's indices of life expectancy from age five demonstrate that from the 1970s onwards, females now outlive males beyond the age of five, whereas in the 1960s this was probably not the case. This is despite the continuation of pronounced yet diminishing female mortality disadvantage during the reproductive years. Thereafter, female mortality gains relative to those of males seem to be decisive. These are attributed principally to the earlier deterioration of male mortality relative to female mortality rather than to any rapid progression in female mortality.

MORTALITY DISADVANTAGE AND WOMEN'S SOCIAL STATUS

Many scholars have asserted that important determinants of female mortality vulnerability may be found in intra-household sex-biased allocations of basic resources, such as food and health care which discriminate against females. Such discriminatory influences the extent of exposure to illness and the outcome of illness once it has occurred. Debate has taken place as to the relative significance of nutritional bias and differential use of health care to sex differences in mortality. Recently it seems that authors have highlighted the impact of the latter. Basu (1992) in her study of contrasting cultural groups in a resettlement slum in Delhi declares that differential access to curative health care may be one of the most important determinants of sex differences in mortality.

These determinants of female mortality disadvantage have been argued to reflect gender differences in social status. In this way, female mortality experience and female social status are linked. Importantly, women's mortality disadvantage has largely been taken to be indicative of their poor relative social status and has therefore been viewed as its proxy. Debate has occurred as to the relative importance of economic versus cultural factors in explaining female



status. Geographical differences in status have been used to explain India's regional demography and the age-specific patterns discussed above. Some writers perceive demographic patterns as primarily the consequence of economic determinants of female social status, particularly the extent of female participation in the economy. Bardan (1982) and Miller (1981) look to differences in female labour demand in crop cultivation as the motivating factor in status determination. Dyson and Moore (1983) consider the primacy of culture rather than economic structure in determining female social status and they develop the concept of female autonomy. This is taken to define influence in decision making and control over personal and household concerns and resources. They consider autonomy as operating primarily through kinship structure, marriage patterns, residential arrangements and property inheritance and focus on a north/south distinction within India in these variables. Most recently Visaria (1993) rather than concentrating on the conventional measures of women's status such as economic participation and educational attainment has attempted to measure regional variations in female autonomy by questioning women with regard to the extent of their freedom to undertake specific tasks and their frequency of contact with natal kin. Situations resulting in female mortality vulnerability which may be associated with a lack of autonomy identified with any of these concepts could be termed status-determined mortality risk factors.

It seems plausible to argue that the link between female mortality experience and social status may be extended to the dynamic situation in which India's demographic progress in the form of narrowing excess female mortality may be taken to reflect improvement in women's relative social

status. If this is the case, mortality trends can be seen to represent status trends as declines in status-determined mortality risk factors are primarily responsible for improvements in female mortality. Also women's morbidity patterns are likely to mirror mortality patterns as women's health improves as a result of declines in relative as well as absolute levels of sex-selective discriminatory behaviour. Fertility decline may also be seen as indirect evidence of women's status improvement so that once the demographic transition is underway a virtuous circle is implied with respect to changes in women's status and fertility and mortality declines. Status improvement may be associated with diminishing fertility and mortality which then themselves feed into further status improvement. This may well impart some degree of complacency with regard to interventions aimed specifically at improving the social standing of women.

as it suggests automatic improvement merely as an outcome of demographic progress.

Despite the association between women's status and their mortality vulnerability, Dyson has asserted that the recent trend away from excess female mortality may principally be a consequence of demographic transition rather than an advancement in the relative social position of women *per se*. Rather than looking to status-determined mortality risk factors, he focuses upon demographically determined risk factors. Dyson argues that a decline in the latter may have been associated with women's mortality improvement independently of trends in female status. In the face of fertility decline, excess female mortality may be diminished even if relative levels of sex-selective discriminatory behaviour remain unchanged as poor female status persists. As a decline in the number of children per couple enables an increase in the absolute levels of attention per child, such discriminatory practices are less likely to be translated into mortality, instead contributing to increases in the incidence and duration of morbidity. This implies that in more recent times relative female status may be more accurately proxied by women's conditions of health than by their mortality performance.¹ Females' relative morbidity trends may therefore break away from their mortality trends as the health status of women remains frail in the face of their mortality decline, and individuals who may not have survived in an earlier cohort live longer as ill health replaces early death.¹

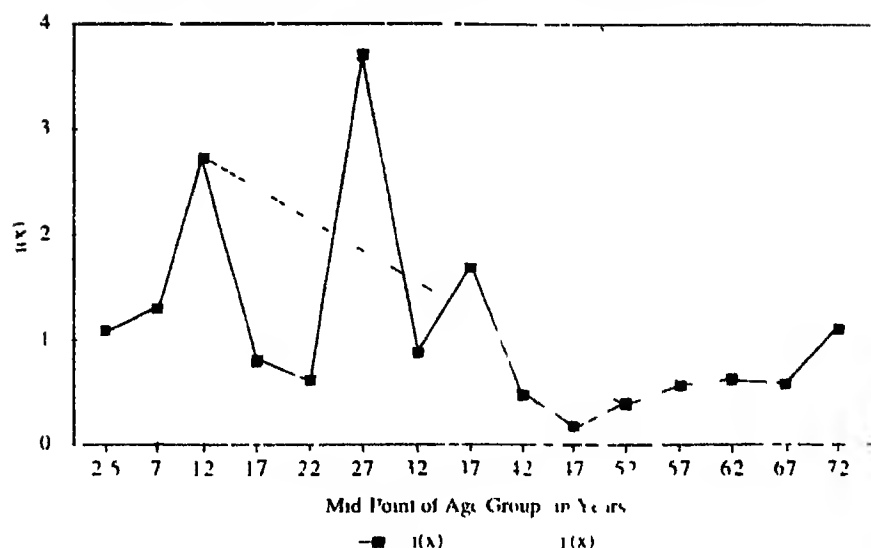
MATERNAL MORTALITY IN INDIA

These competing hypotheses have been investigated in this study with particular reference to urban maternal mortality. Both urban mortality and maternal mortality seem to have been relatively neglected in the literature to date. However, it has been claimed that maternal mortality would

TABLE 1

	Urban Gujarat							
	Method 1				Method 2			
	Unmodified		Modified		1st Rule		2nd Rule	
	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio
	Rate	Ratio	Rate	Ratio	Rate	Ratio	Rate	Ratio
X coefficient	0.017	0.334	0.027	0.468	0.026	0.483	0.028	0.588
Std. Error	0.011	0.456	0.008	0.437	0.009	0.495	0.009	0.466
T statistic	1.545	0.732	-3.375	1.071	2.889	0.976	3.111	1.267
All India								
	Method 1				Method 2			
	Unmodified		Modified		1st Rule		2nd Rule	
	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio	Maternal Mortality Rate	Maternal Mortality Ratio
	Rate	Ratio	Rate	Ratio	Rate	Ratio	Rate	Ratio
	Rate	Ratio	Rate	Ratio	Rate	Ratio	Rate	Ratio
X coefficient	0.011	0.010	-	-	-0.013	0.039	-0.012	0.049
Std. Error	0.005	0.045	-	-	0.005	0.072	0.005	0.069
T statistic	2.200	0.222	-	-	2.600	0.542	2.400	0.710

GRAPH 2 ESTIMATION OF MATERNAL MORTALITY METHOD 1 URBAN GUJARAT 1976



appear to be a primary contributor to the atypical pattern of higher female than male mortality among those aged 15-44 reported in many parts of south Asia [Koenig et al 1988]. More recently it has been asserted that a decline in maternal mortality appears to be the prime reason for the steep fall in mortality observed among women of reproductive ages [Iridaya Rajan et al 1992]. Nevertheless, India's 1990-91 maternal mortality level has been given as 460 maternal deaths per 1,00,000 live births. This compares with a level of 630 deaths per 1,00,000 live births in Africa and 26 deaths per 1,00,000 live births in developed countries [WHO 1994]. Clearly then, maternal mortality is a significant risk facing Indian women and a key element in their demographic experience.

According to the 9th Revision of the International Classification of Diseases a maternal death is defined as 'the death of a woman while pregnant or within 42 days of termination of pregnancy irrespective of the duration and the site of the pregnancy from any cause related to or aggravated by the pregnancy or its management but not from accidental or incidental causes' [Abouzahr and Royston 1991]. The possibility of suffering a maternal death is a function of two distinct components. These can be related to the different mortality risk factors described above. First is the probability of being pregnant or having delivered within the last 42 days. This probability will largely be associated with demographically-determined mortality risk factors established by the level of fertility. The maternal mortality rate, the number of maternal deaths per 1,000 women of reproductive age, will capture this component. Second is the probability of dying of pregnancy-related causes once pregnant or recently delivered. The maternal mortality ratio, the number of maternal

deaths per 1,000 live births, will capture this component as it is a measure of mortality risk per birth. The key point here is that the magnitude of this risk per birth may be largely associated with status-determined risk factors, especially women's pre-existing health conditions and their access to adequate medical care. However, it is important to note that risk per birth also has a demographically-determined component as a high fertility regime is likely to exhibit high risk births among very young women and older multiparous women. Studies have indicated a J-shaped relationship between maternal mortality associated with various clinical factors and both maternal age and maternal parity.

Fertility decline will operate to reduce maternal mortality via a reduction in the average number of children born to each woman (i.e. by reducing the incidence of exposure to demographically-determined risk factors). Fertility decline may also operate to reduce maternal mortality via a reduction in the maternal mortality ratio by reducing risk per birth as childbearing is concentrated into lower risk age and parity groups' (i.e. by reducing the demographically-determined component of risk per birth). The latter however may even increase as fertility declines as the proportion of high risk primiparous pregnancies to total pregnancies rises [Loudon 1992].

Support for Dyson's hypothesis may be found in the conjunction of a significant decline in the maternal mortality rate with an insignificant decline in the maternal mortality ratio. This would imply that a decline in the average number of children born to each woman had been more important in reducing maternal mortality than a decline in risk per birth. Risk per birth would remain high as status-determined risk factors remain unaffected. These may

continue to elevate both direct and indirect maternal mortalities. Specifically, anaemic women may face significant mortality risk from haemorrhage. Also, pre-existing health complaints such as anaemia may be exacerbated by pregnancy and delivery, so that a pregnant woman who died from such a condition may not have died had she not been pregnant. These observations suggest that, in addition to generalised malnutrition, adverse food allocation practices within the Indian household may become critical in resulting in high levels of risk per birth. Similarly, women's lack of autonomy in seeking early access to health care is likely to apply to maternal care and is therefore liable to further augment maternal mortality.

Conversely, the conventional wisdom would find support from evidence showing a significant decline in the maternal mortality ratio. This would imply that a decline in risk per birth brought about by declines in status-determined risk factors associated with improvements in women's relative status had been important in reducing maternal mortality. This effect is assumed to be additional to and independent of any improvement in the demographically-determined component of risk per birth brought about by fertility decline.⁶ A comparison of the trend significance of these two distinct measures of maternal mortality therefore discriminates between the two competing hypotheses of mortality decline.

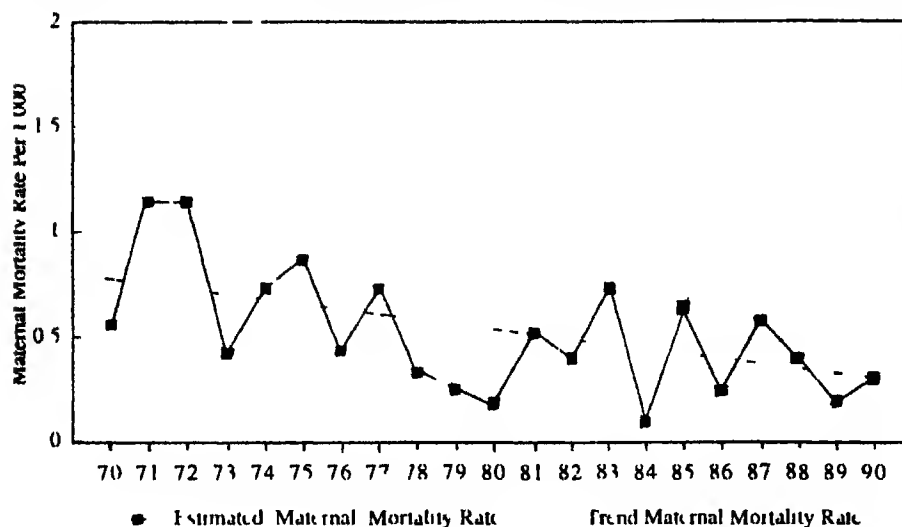
MATERNAL MORTALITY IN URBAN GUJARAT

Maternal mortality trends have been estimated for urban Gujarat for the period 1970-90.⁷ The need to estimate levels of maternal mortality arises from the gap in India's registration data concerning maternal deaths. Although data on live births and maternal deaths was collected for the years 1970-1971 and 1972 as part of the registrar general's survey on cause of death in rural areas, for years since 1974 publication of this data has been abandoned. Since then, studies have attempted to measure maternal mortality by undertaking field investigations and by using hospital data.⁸ Such studies have indicated varying levels of maternal mortality for India.

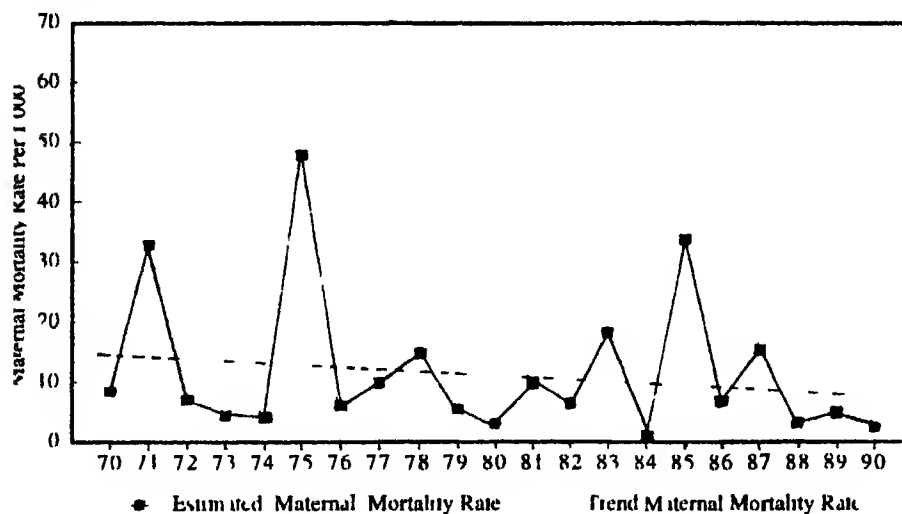
The methods used here for estimating maternal mortality trends for urban Gujarat are those developed by Blum and Fargues (1990). These are indirect methods of estimation which employ sex-age-specific mortality rates to project female mortality in the non-childbearing ages and then compare these estimated rates with the actual rates. The methods do not therefore require data on cause of death. SRS data, considered to be very nearly complete with respect to the coverage of vital events, has been used.

The first method (method 1) utilises differences in observed and expected ratios

GRAPH 3 ESTIMATED AND TREND MATERNAL MORTALITY RATE: METHOD 1 URBAN GUJARAT 1970-90



GRAPH 4 ESTIMATED AND TREND MATERNAL MORTALITY RATE: METHOD 1 URBAN GUJARAT 1970-90



female: male age specific mortality. These ratios are denoted by $i(x)$ and $i(x)$ where x is the mid point of the age group respectively. The method proposed supposes that he change in the observed ratio over the life span will typically follow a particular pattern so that when graphed, an anticipated shape is obtained. For India, this pattern seems broadly consistent with the differences in female: male age specific mortality outlined above. A ratio greater than unity is expected at young age groups and at childbearing ages, where female mortality disadvantage is experienced. Elsewhere, in consequence of excess male mortality, the ratio is expected to be less than unity. Graphically, therefore, a shape similar to that exhibited by Graph 1 is expected, where a peak is seen within the childbearing ages. Making the important assumption that maternal causes predominate among causes of death specific to women aged between 15 and 50, the deviation of the observed age specific female: male

mortality ratio $i(x)$ from the expected ratio $i(x)$ can be taken as a measure of maternal mortality. $i(x)$ is estimated by linear interpolation between the values of $i(x)$ observed just before (10-14 years) and just after (50-54 years) the childbearing period. This assumes that in the absence of maternal deaths, the ratio of female to male mortality changes linearly. To estimate total maternal mortality, each age specific value has been weighted against the proportion of women in that age group and summed.

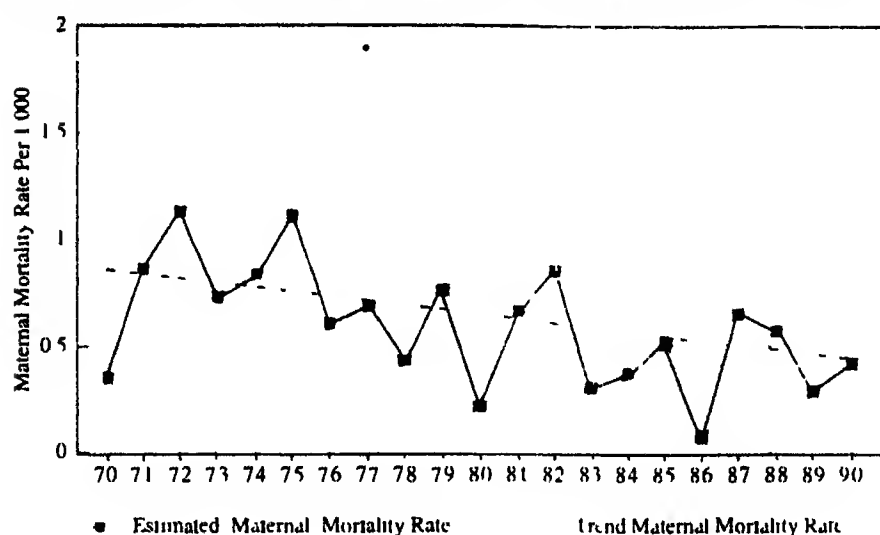
For most years, the data yields relationships of the expected shape. However, for certain years, a peak in the observed ratio occurs at the 10-14 years age group, rather than in the later childbearing years. An example is shown in Graph 2. This has implications for the magnitude of the maternal mortality estimates for these years and therefore affects the estimated trends in both measures of maternal mortality. Such patterns bias downwards the estimates because $i(x)$ is greater than $i(x)$

in many age groups following the high value of $i(x)$ at the 10-14 years age group at which the linear interpolation is started. For these age groups, the mortality estimates therefore have to be assumed to be zero. In these cases, the method was repeated with the linear interpolation beginning at the age group 59 years. Estimation of maternal mortality was started from the value of the deviation between $i(x)$ and $i(x)$ at age mid point 17 as before, because the deviation before this age group cannot be classified as maternal mortality. This modification shifts downwards the gradient of the linear interpolation so that more of any excess female mortality indicated during the childbearing ages is captured as maternal mortality.

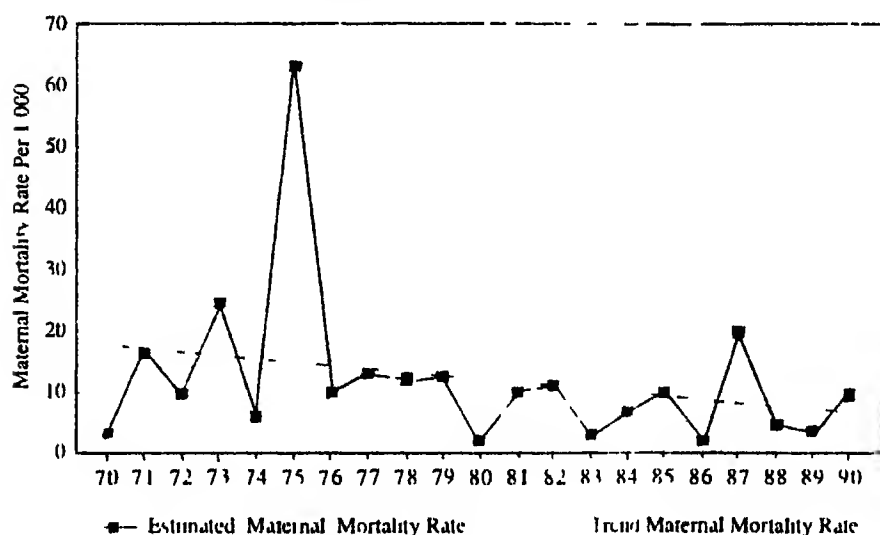
Both the trend in the maternal mortality rate and the maternal mortality ratio with and without the modification are negative. Those values obtained with the modification have been plotted as Graphs 3 and 4. Regression analysis indicates that in the modified case, the trend in the maternal mortality rate is statistically significant (t statistic = 3.375), whereas the trend in the maternal mortality ratio is statistically insignificant (t statistic = -1.071). For the unmodified case, the mortality ratio trend remains insignificant (t statistic = -0.732) and the mortality rate trend is also insignificant (t statistic = -1.545). It seems, therefore, that the alternative use of age mid point seven in this method does transform a statistically insignificant trend into a significant one in the case of the maternal mortality rate. The results therefore demonstrate some degree of sensitivity to the modification. Examination of the statistical values obtained from the second method of estimation will shed some light upon the comparability of the trend significance of the mortality rate obtained using the modification.

The second method of estimation uses logarithms of the age specific female mortality rate. In this method, it is assumed that in the absence of maternal mortality, this mortality schedule follows a Gompertz distribution. In the case of women in high mortality regimes, a discontinuity can be observed at the end of the childbearing period, i.e., at the age group 50-54 years. This discontinuity can be contrasted with a greater regularity of the age specific male mortality schedule, which follows the Gompertz distribution from a younger age group, and from which deviations are more regular. It is therefore assumed that in the absence of maternal mortality, there would be no deviation at the age group 50-54 years in the female mortality schedule. Estimates of female mortality rates in the absence of maternal mortality are therefore provided by backward extrapolation of the logarithms of the female mortality rates observed at the age group just beyond the childbearing period, i.e., the 50-54 years age group, and above back to the age group just before the

GRAPH 5 ESTIMATED AND TREND MATERNAL MORTALITY RATE METHOD 3 URBAN GUJARAT 1970-90



GRAPH 6 ESTIMATED AND TREND MATERNAL MORTALITY RATE METHOD 3 URBAN GUJARAT 1970-90



childbearing period, i.e., the 10-14 years age group. Two different extrapolation rules have been used. Total maternal mortality has been estimated as before.¹

For the first extrapolation rule, regression analysis indicates that the trend in the maternal mortality rate is statistically significant (t -statistic = -2.889) and the trend in the maternal mortality ratio is statistically insignificant (t -statistic = -0.976). Similarly, the trend in the maternal mortality rate obtained from the second extrapolation rule yields a statistically significant t -statistic (= -3.111) while the t -statistic for the trend in the maternal mortality ratio is insignificant (= -1.262). Comparison with the statistical values obtained from method 1 suggests that the use of the modification in that method yields results that are consistent with those obtained from the logarithm methods. Its use may therefore be argued to improve the accuracy of the maternal mortality estimates derived from method 1.

Both methods suggest that the conjunction of a significant decline in the maternal mortality rate with an insignificant decline in the maternal mortality ratio has taken place for urban Gujarat. This allows some tentative propositions to be forwarded concerning the relative viability of the two competing hypotheses of female mortality decline to the Indian experience. The difference in trend significance of the two measures of maternal mortality implies that a decline in the average number of children born to each woman may have been more important in reducing maternal mortality than a decline in risk per birth. This observation seems more consistent with Dyson's hypothesis than with the alternative hypothesis of mortality decline. It is compatible with Dyson's argument that more favourable mortality performance may occur independently of any advancement in the relative status of women. This takes place as status (as well as demographically)

determined risk factors contributing to maternal mortality vulnerability fail to improve as fertility declines.²

CONCLUSION

The Dyson hypothesis of mortality decline is not the more optimistic of the two and the support for it found here reinforces the suspicion that the health status of Indian women may well have remained frail in the face of their mortality decline. Despite lower household members, persistently poor female status dictates that girls and women continue to be less well fed and receive less timely medical attention than boys and men so that smaller family size alone mitigates against the grim association between longevity and poor status. For girls and women therefore, frailty may well replace early death. This assumes that the increase in the absolute share of resources allocated to girls and women within a smaller family is sufficient to exceed a threshold level at which the same level of relative discrimination within a larger family is translated into female mortality vulnerability. More females therefore remain alive in the declining fertility regime but they are more likely to suffer from health frailty.

For expectant mothers that frailty means that the risks of pregnancy and childbirth remain high even if confronted less frequently. These observations suggest that in addition to fertility decline, safe motherhood in India requires a strengthening of the health and well-being of Indian women long before they are exposed to maternity. Pregnancy and delivery themselves will thereby become safer events so that risk per birth, in addition to the frequency of exposure to that risk, is lessened. It may be that this can be achieved only through a more fundamental change in women's social position so that the discriminatory practices currently serving to keep maternity hazardous disappear at last.

Notes

1. Relative female scarcity shows much internal variation. High and increasing male:female ratios are concentrated in the north and west, particularly in Uttar Pradesh, Gujarat and Madhya Pradesh. A pattern of masculinisation below the national mean predominates in the south, notably Kerala, Tamil Nadu and Andhra Pradesh.
2. The notion of mortality-enhancing risk factors is taken from Alter and Riley's work on mortality decline in historical and contemporary developed countries [see Alter and Riley 1989].
3. Jeffery and Jeffery (1983) however note the increasing importance of family sex composition in determining the extent of intra-household discrimination as desired family size declines within the context of continued on-preference. They claim that the number of surplus daughters facing discrimination will increase as desired family size falls even though, as Dyson supposes, this discrimination may be less likely to translate into mortality.

4 Importantly, Dyson does not regard the fertility decline itself to be a consequence of improvements in female social status. This view is in contrast to feminist perspectives which have traditionally called upon an improvement in the social status of women as being a necessary precondition of fertility decline. More recently, emphasis upon the role of abortion following foetal sex testing to India's fertility decline has strengthened the Dyson perspective and implies that fertility decline may to some extent in fact represent the continued prevalence of son preference in India.

5 Fertility decline is likely to contribute to these changing patterns of childbearing in two ways. First, it operates via increases in the age at marriage sufficient to increase the age at first birth so reducing the length of exposure to childbearing risk and the incidence of high risk births among very young women. Second, it is associated with increased contraceptive use among married women whose desired family size has been achieved, so reducing the incidence of high risk multiparous births and perhaps unwanted pregnancies among older women.

6 It may be the case that a decline in this demographic component of risk per birth could alone be sufficient to result in a significant decline in the maternal mortality ratio. If this is the case, a significant decline in the maternal mortality rate may also be expected as fertility is incorporated in this measure of maternal mortality.

7 This state has been chosen as although Gujarat's demographic characteristics fit more closely with India's northern demographic regime than with its southern regime, many of its characteristics are less 'northern' than other states such as Uttar Pradesh. Many, such as the sex ratio and some fertility indicators, as well as certain indexes relating to women's status, demonstrate a middle ranking compared with all other states and conform quite closely to all-India estimates [Dyson and Moore 1983]. Gujarat may therefore be viewed as a broadly representative state as far as much of its demography is concerned. The rest of my data collection took place in Ahmedabad, the largest urban area in Gujarat.

8 An example, of a recent field investigation is that of Bhatta's (1993) in which a high level of maternal mortality was found. The study estimated maternal mortality of 830 per 1,00,000 live births in rural Andhra Pradesh and 545 in urban areas.

9 The details of all estimation methods are given in Blum and Fargues (1990). It can be seen that

$$i(x) = Mf(x)/Mm(x) \text{ so, } Mf(x) = i(x) \cdot Mm(x) \text{ and}$$

$$i'(x) = Mf'(x)/Mm(x) \text{ so, } Mf'(x) = i'(x) \cdot Mm(x)$$

Therefore, if the age-specific maternal mortality rate per 1,000 is given by $R1(x)$,

$$R1(x) = Mf(x) - Mf'(x) \\ = Mf(x) - i'(x) \cdot Mm(x) \text{ and,}$$

if the age-specific maternal mortality ratio per 1,000 is given by $R2(x)$,

$$R2(x) = R1(x)/f(x), \text{ 1,000 where,} \\ f(x) = \text{fertility rate at age } x$$

10 Again, details of the extrapolation rules are contained in Blum and Fargues (1990). The first rule is a linear combination of two

adjustments, $Uf1(x)$ and $Uf2(x)$ is obtained by linear extrapolation of the logarithms of the mortality rates from age group mid-point 52 to mid-point 12 following the gradient of the mortality rate scheduled between the age group mid-points 52 and 72. Similarly, $Uf2(x)$ is obtained by linear interpolation between the logarithms of the mortality rates observed at age mid-points 12 and 52. The estimation of the mortality scheduled in the absence of maternal mortality is then derived as

$$Uf3(x) = \frac{(x-12)}{40} Uf1(x) + \frac{(52-x)}{40} Uf2(x)$$

where,

$40 =$ distance between age mid-points 12 and 52 in X axis units (years). Therefore, if the age-specific maternal mortality rate per 1,000 is given by $S1(x)$, then,

$$S1(x) = M1(x) \cdot Uf3(x)$$

If the age-specific maternal mortality ratio per 1,000 is given by $S2(x)$, then,

$$S2(x) = S1(x)/F(x) \times 1,000$$

The second extrapolation rule involves the fitting of a quadratic function, $\log Uf4(x) = yx^2 + dx + v$ such that the following constraints are met

$$\log Uf4(52) = y52^2 + d52 + v = \log Mf(52)$$

$$\log Uf4'(52) = 2y52 + d = a$$

$$\log Uf4(12) = 144y + 12d + v = \log Mf(12)$$

where,

$a =$ gradient of linear interpolation of the logarithms of the mortality rates between age group mid-points 52 and 72. Then,

$$y = \frac{\log Mf(52) - \log Mf(12) - 40a}{(52^2 - 144 - 40 \cdot 104)}$$

$$d = a - 104y$$

$$v = \log Mf(12) - 12d - 144y$$

If the age specific maternal mortality rate per 1,000 is given by $T1(x)$, then,

$$T1(x) = M1(x) \cdot Uf4(x)$$

and if the age-specific maternal mortality ratio per 1,000 is given by $T2(x)$, then,

$$T2(x) = T1(x)/F(x) \times 1,000.$$

Sources of bias error in the estimation of maternal mortality by these methods should be noted. Specifically, an abnormally high mortality for women from non-maternal causes at childbearing ages may lead to an overestimation of maternal mortality. For the case of India, deaths from external causes such as accidents and suicide may be a possible source of such a bias [See Blum and Fargues 1990, Mari Bhat et al 1994].

11 The whole procedure has been repeated for all-India SRS data (rural and urban areas combined). The results produce a broader picture than those from a single urban region. Table 1 indicates that trends of similar statistical significance were obtained from all methods for the all-India data. Method 1 produced a significant trend in the maternal mortality rate without the use of the modification. The method was therefore not repeated for this data using the modification importantly, for all methods a statistically significant decline in the mortality rate can be observed to coincide with an insignificant trend in the mortality ratio. For the all-India data it is interesting to note that this insignificant trend is upward. The all-India results do however, second the Gujarati analysis and make more forceful the inferences drawn.

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Women and Land Rights in Cambodia

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After the abandonment of the 'krom samaki' system of collective farming in 1959 both women and men of the People's Republic of Kampuchea secured equal titles to land under the liberalisation process adopted by the government. However, with contradictory and unclear legislation and with no checks and balances, the number of land disputes increased dramatically. This article attempts to understand the effect of this phenomenon on women's social position and on gender relations in Cambodia.

CAMBODIA, beset with agrarian problems, is in a unique demographic situation. Women constitute more than 60 per cent of the population and 30 per cent of the households are headed by women. Historically, women have had full rights to land, and divorce or legal absence of men from the household did not affect such rights. In the 1989 land distribution, both women and men secured equal titles to land. In recent years, however, the largest number of claims received by the United Nations Transitional Authority in Cambodia (UNTAC) Human Rights Section concerned land disputes. This paper is an effort to understand women's entitlement to land, the legal and customary user rights concerning inheritance, registration and disposal of land and the consequent effect on women's social position and on gender relations in Cambodia. Since more than 80 per cent of the population is in the rural areas, this report is mainly concerned with the rural land situation and would not focus on urban land.

I

Question of Land and Resources

Historically in Cambodia, land theoretically belonged to the sovereign state. In practice, the land belonged to the tiller. It has been said of Cambodia that, compared with other Asian countries, there was no 'land problem' [Thion 1993: 41]. The population pressure was not severe and land remained easily available. Competition for land was not very intense. People were free to cultivate as much land as they liked. The communal system itself was loose and did not have a strong internal cohesion as in Vietnam. There was no communal land and no land registration. Local acceptance of land was the proof of possession in Cambodia. It was quite flexible; a cultivator could shift to another place to start cultivating new land, and gain the ownership for the new land [Thion 1993]. Peasants paid tax on harvest, rather than on land.

The concept of individual land ownership was introduced in Cambodia during the period of French colonisation. In 1953, Cambodia gained its independence, but the

concept of individual land ownership continued. Since, however, population density was not high, custom still played an important role, and occupation meant ownership. On the other hand, in areas of rich rice land and the land on the outskirts of towns, from 1953 there was a trend of land accumulation by wealthy urban dwellers [Thion 1993: 42]. It was not landlords in countryside, but urban businessmen and officials who accumulated land and lent money at high interest. Attempts were made to maintain low market values for land and prevent land accumulation, such as limiting the Chinese ethnic group's right to procure land. Despite such efforts, land accumulation created a new category of people, the landless rural poor. In 1962, 16 per cent of agricultural families did not own land [Thion 1993: 42].

In the late 1960s, the situation of the rural population worsened, with more and more farmers becoming indebted and eventually landless. The government's collection of the rice harvest at a very low price in January 1967 further impoverished the rural poor. Many peasants who possessed a small patch of land lacked other means of production. Most of them had to borrow money from moneylenders. Peasants then fell into the debt trap and they worked endlessly in the interest of the moneylenders. Under such circumstances, co-operatives and agricultural credits were organised with the encouragement of prince Sihanouk. However, they often proved to be ineffective because of manipulation by officials and local elites.

Officials and army officers issued to themselves title deeds of land which had been cleared by the tedious effort of local dwellers. They, at their will, denied the customary right of possession by occupation. Under such exploitation, the peasants fled into remote forest and joined rebellious groups during the 1960s and 1970s. This kind of impoverished condition was one of the reasons for the peasant uprising in southern Battambang in 1967, of which the Khmer Rouge took advantage. The peasant movement aimed to set up an equitable land holding system, cancel unjust debts and help peasants solve the agrarian problem.

Ironically, it was the war itself which led to a moratorium on the payment of large rural debts [Thion 1993: 44].

On March 18, 1970, Cambodia's royal government was ousted by a military *coup d'état*, but the system of private land ownership was untouched. The royal family's estates were confiscated, but this only led to corruption among representatives of the new ruling circles under the regime of Lon Nol, which was considered to be plagued with corruption permeating all layers of state authority and administration and beset by private greed.

During the period March 1969 to August 1973, American bombing affected large parts of Cambodia. Areas of southern Cambodia were devastated in this military operation, and many Cambodian civilians were compelled to flee their home areas. The ensuing civil war from 1970 to 1975 further internally displaced millions of Cambodians. It became more and more difficult to survive in rural areas and the number of urban poor grew rapidly. When the Khmer Rouge took over the country in 1975, Cambodians were first uprooted from urban to rural areas, and then from one rural area to another. Everything became common property except for the clothes that people wore.

In 1979, the Vietnamese invaded Cambodia and new authorities were installed by them. They continued the line of collective property rights and divided the people into collective work groups called *krom samaki* (or solidarity groups). The level of collectivisation of these groups varied. The first level was fully collectivised. Labour was collectively performed and produce was divided equally among the members. In the second level, there was collective ownership of major means of production. Land, however, was divided into plots allocated on a family basis corresponding to the number of family members. At the third level, all means of production were privately owned. This was very similar to production with the household as a unit, only that the land officially belonged to the state.

With the state, the People's Republic of Kampuchea, supported by Vietnamese armed military intervention, it is hard to think of

a just settlement of the land. Vietnamese nationals in Cambodia had special privileges and a superior status [Grieve 1993]. Anyone resisting them or even suspected of having different sentiments was discriminated against. The establishment of strategic villages by the Vietnamese and the People's Republic of Kampuchea forced the people to abandon a number of former villages and hamlets and led to 2 00 000 internally displaced persons (IDP) in the course of the war. Many were drawn to the army, escaped to the border areas or became internally displaced persons. Internally displaced persons lost their homes and lands and had to live with relatives and friends after the wars.

PRIVATISATION PROCESS AND EMERGING ISSUES

In 1989, the People's Republic of Kampuchea changing its name to State of Cambodia, adopted a liberalisation process and the krom samaki system was officially abandoned. It was stated in the intended constitution: Cambodia citizens have full right to own and use land and have the right to inherit land planted by the state for the purpose of living on it and exploiting it (Article 15) and: The State prohibits the appropriation of fallow land through paying taxes for the purpose of selling or renting it out to other people. No one can use agricultural land and forested areas at will for other purposes without permission from relevant authorities [Article 16 of Grieve 1993: 37]. As the krom samakis were forsaken, the families were supposedly to be provided with the same land they had been farming under the krom samakis on the basis of land possession. The process and extent of land distributed differed from place to place.

However, with contradictory and unclear legislation and with no checks and balances, the number of land disputes increased dramatically. In the absence of an independent judiciary to whom people could turn to seek protection of their rights, there was little that people could do [Grieve 1993]. During the transitional period that is, after the signing of the peace agreement to the first general election, officials of the state of Cambodia took advantage of the confusion and sold almost all properties, including land, villas and factories. Foreign investors took part in land speculation and earning quick money. On the other hand, there is no effective legislation regulating agricultural land and common property lands and no regulations governing who can legitimately buy or sell land.

Three Cambodian political factions, the Khmer Rouge, the Khmer People's National Liberation Front (KPRLF) and the National United Front for an Independent, Neutral,

Peaceful and Co-operative Cambodia (FUNCINPEC - its French acronym) emphasised that land distribution according to the state of Cambodia's legislation is unjust and favoured those who joined or co-operated with the Vietnamese occupational troops. By the 1992, people at large viewed the land issue as the worst example of extreme private greed and political bias on the part of the central authority [Grieve 1993].

II Field Work in Kdey Chass

In order to understand the threats and opportunities that women and men face in terms of land rights in this fast changing scene in Cambodia, it is important to have, in in-depth study on the issue especially focusing on common practices prevailing in the area and people's perception of land. Thus, one village was selected for a field work. This village, Kdey Chass village, Backheng Commune, Muk Kampoul district, Kandal province, is one hour by car east of Phnom Penh, across the Tongle Sap river. Kdey Chass village is located along the bank of the Mekong river. The average land holding is 40 *baire* (100 *baire* = 1 ha) per family [Bancz 1992]. It is basically a rice growing area. People also get some income from growing vegetables and fishing in the Mekong river. The soil is rich and suitable for farming but water supply and drainage are problems. People mainly plant rice in the dry season since during the rainy season the whole area is flooded and unfit for cultivation.

The reason for selecting this village was because one NGO (C-IDE) has been working in this village for more than two years. Going through the NGO, it was relatively easy to win the trust of the people, which is essential for the survey. At the same time, a bridge is expected to be completed that will make transportation between this commune and Phnom Penh much easier. This implies that there is a high possibility that this commune will also be affected by the soaring land prices and land speculation that is already occurring in and around Phnom Penh.

The survey was conducted in December 1993 with the collaboration of the NGO working in the village. Since this was a rice transplanting season for this village, formal group discussion was difficult to organise. Therefore, mainly individual or informal small group interviews and discussions were held. Information was collected through the following methods: (1) Interview with district chief and the officers of the district land registration office in Muk Kampoul district on government's land policy and land registration system; (2) Interview with village headman on basic profile of the village and land redistribution process in the village; (3) With the assistance of one organiser of the

NGO, 13 village women were interviewed, some individually and some in group form.

The interviews were semi-structured and the discussion centred on such points as land registration, inheritance of land, land ownership in case of marriage, land and property disposal in conflicts between husband and wife, reasons for selling land, decision making for selling land and how they handled the paperwork, their perceptions of selling land, their perspectives on factors that enable some people to become rich, and general information on their living condition and work done by men and women.

LAND REDISTRIBUTION IN KDEY CHASS

In Kdey Chass during the Sihanouk regime, land was privately owned and there was no common land. It was reported to us that forest area in the proximity of the village was also privatised. However, when land was sold, it had to have the approval of all members of the family, including parents and children. During the period 1975-79, land was totally communal.

When the Pol Pot regime ended, people occupied residential land as they wished. They selected the place they liked and occupied as much as they could. People who came earlier occupied better land. The owners of the land before 1975 did not have any rights over their lands. This was legally stated in April 1989 in the law granting of ownership rights over houses to the people of the state of Cambodia [Grieve 1993].

During 1979-89, land was communal in the village. There were 24 krom samakis in this village. One krom samaki consisted of 10-15 households. There existed all three levels of communality in this village. About 3-4 kroms among the 24 were doing total communal production (first level). In this system, people cultivated land communally and got the product according to the number of days that they worked. A pair of draft animals got a share of output equal to that of one person. Children and old people got 30 per cent of an adult share, regardless of their contribution to farming. Students helped in the fields during holidays, and got their share according to the number of days they worked. Women and men got equal share.

One of the main reasons for introducing the krom samaki system was because there was not enough male labour to carry on agriculture. Many men died during war as soldiers, especially during the Pol Pot time because men were more vulnerable to starvation than women. Considering the high ratio of female-headed households, collectivisation was thought to be the way to keep agricultural production going, and it was supposed to help widows who lacked agricultural labour. But widows interviewed in the village said that they are happier to cultivate their own land without the krom

samaki. Under a krom samaki system, some people worked hard and some people did not work, but both of them got the same share. They found this unfair and frustrating. Moreover, without the krom samaki they are now free to sell vegetables and other crops in the market by themselves. Since this village is near Phnom Penh, they can earn some subsistence money from this small business. Ledgerwood (1992) reported similar views, and she interpreted it to mean that since full collectivisation lasted only two or three years in many places, people were slow to remember any benefits from such a short period and quick to state their pleasure at having ownership of land and personal freedom.

The other 20 kroms did not practice communal farming, but divided the land to members (second and third levels). They were not supposed to have any land rights at that time; they, however, helped each other in transplanting and other agricultural work. At present, there is little mutual help and hiring of labour is common. The difference in communal farming systems of the kroms depended on the leadership of the kroms.

This communal system lasted for five years. In 1985, the government did a survey of the situation of communal system and decided to privatise the land. The land of each krom samaki was divided by the number of people in that group. Even a small child was counted as one person. People drew lots to decide which land to take. There was, however, enough room for manipulations by the krom leader.

The procedure of land redistribution in Kdey Chass was as follows: (1) March 1989: Declaration of private landholding was done by heads of krom samakis. (2) 1989- (first phase): Somkankap pla-plaus dei th. Application of land per unit signed by the land owner, head of krom and head of village. (3) 1991-1992 (second phase): District Land Registration Office staff go to the site, measure the area, verify the size of land in the application and write out ownership (somkual sit) card. For residential land, the card is signed by the provincial committee; for farming land, it is signed by the district office, though the same type of card is issued for both.

There have been 30,721 applications of land, which cover 90 per cent of the expected land holdings in the Muk Kampoul district. Among that, 28 per cent have been given ownership. Some 90 per cent of the registered land is owned by both women and men (husband and wife) and 10 per cent is owned by only women (widows).

It takes one month to measure and issue land ownership certificates for 10 plots of land. Ownership (kamasi) is given for residential land, that is, even if the owner moves out of the place, he/she can still retain

ownership. However, ownership is not given for farming land. Only possession (phokea) is given. That is, if the land is not used for one year, the authorities can take away the land. There seems to be some confusion between the ownership of residential land and possession of farming land, because all the farmers we interviewed said that their farming lands were registered and they have ownership. Everyone we interviewed thought that they have ownership of farming land too.

The district land registration office charges a registration fee to cover the operation cost. Initially it was 300 riels (US\$1 = 2,500 riels as of December 1993) but now it has been increased to 700 riels per registration for one plot of land. The amount defers from case to case. A woman interviewed paid 7,000 riels for her land. Some people have already gone through the procedure of registering their land but have not come to the office to take their land registration cards. One of the reasons for not taking the cards is unwillingness to pay the registration fee.

The registration officials said that people are not interested in registering the land since they do not see the importance of it. One of the women interviewed who understood the importance of registering land told us that even though she had to pay the registration fee, she wanted to make sure that the land belonged to her. Once she registered the land, she thought the land would be owned by her and it would be easier to sell it without trouble. Obviously, she is not clear that there is no ownership of farming land. But she believed there was no problem and in fact she had already sold part of her land. This was confirmed by the head of village, who also said that there is no problem in selling and buying land even without any ownership of land.

LANDLESS AND DISADVANTAGED GROUPS

There are some landless families in this village. Landless people include those who have migrated in after 1989 (after the declaration of land holding) and those who got married and separated from their parents after 1989 and did not get land from their parents. People who have smaller land holding than others include some female-headed households who did not get the share of land of their husbands and demobilised soldiers, who were not in the village in 1989.

There are again two types of landless people. One is of those who do not have land but have other skills and opportunities to earn enough money. These people chose not to be farmers. The other type is of people who do not have skill and capital to go for other occupation and wish to do farming, but do not have land. These people are the poorest people. Landlessness for the former

is not a problem, but for the latter it is serious.

Some landless families could only cultivate a small patch of residential land for vegetables. When the research was conducted, the price of lettuce was only 300 riels per kilo. They had to borrow seeds from the merchants at 100 per cent interest. One of our respondents told us that her mother does not like her, so she did not give her any land. Her residential land was given by the authorities since common to her husband's volunteer work in clearing the forest. The land is now registered under both their names. She has to work as a hired labourer in transplanting in which she earns 3,000 riels plus lunch per day. Since she does not have farming land, she works on other people's lands every day.

A number of young men between the age of 18 and 40 had been drafted by all the warring parties for unlimited military service many for more than a decade. Those who were young when they enrolled and left for the military from their parents' homes have since been demobilised. Since they were not in the village when land was distributed, they could not get their share of the land. It is difficult for them to live decent lives without any property and land. It is most likely that the families of these demobilised soldiers would have to take up petty trade in order to sustain themselves.

Female-headed households are often considered to be the most disadvantaged group. It was verified in our observation and discussion that female-headed households lack labour and often have land of smaller size. It is pointed out in some studies (Robertson 1992). Where the woman is sole breadwinner, if she occupies all the whole family would be in extreme distress. However, being a widow itself does not necessarily mean that they are in economic difficulty. Some widows, especially those with grown-up children, are better-off compared with others. Even then, when people say that she herself or mother person is a widow, there is a certain connotation of being weak and helpless. Other people also see them as vulnerable and weak.

Economically speaking, some married women, especially those with disabled or gambling husbands, suffer more than widows. They would have to support their husbands and often lose control over their own earnings. Widows, on the other hand, are able to have full control over their production and household as well. Even with that, people seem to pity widows more than these married women. There is also might be the weak image that widows have. People sometimes pitifully describe a woman as an orphaned widow, a woman who has lost one or both parents and is widowed, regardless of age. Widows and orphans are seen in the same light as people without support,

There seems to be not much discrimination against older widows especially if they are rich. However, it is difficult for women who have recently been divorced/separated/deserted. They are blamed for not being able to keep their husbands 'on the right track'. This social perception leads to pressure on married women to endure their husbands' mistreatment and unfaithfulness, fearing divorce. From our observation, the social restrictions on married women are not very strict but inside the household the power relations seem to be quite against women.

LAND TRANSACTIONS

According to the district land registration office, since residential land is property people can buy and sell their property with the permission of the district office but for farming land the conversion of farming land into residential land and sale of farming land both need permission from the provincial office. The status of transactions in farming land that is not registered as owned property is unclear. The village headman said that farming land, even if not yet registered, can still be sold with signatures from the local authority.

All land transactions are supposed to be notified to the authorities, but the village headman knew of only two such cases. However, he does not think this is a problem because he estimates that most such transactions have been done between relatives. However, from our limited interviews, it seems that the people buying land are from Phnom Penh and bear no relationships to the owners.

There is one widow who has sold 900 square metres of land a year ago. People from Phnom Penh came to buy it. When the land was sold, those involved in the land transaction had to pay commission to the local authority. Whether the buyer or the seller pays the commission has to be negotiated. In her case, the buyer paid. The paperwork for selling land was done by her aunt's husband, since she herself could not read and write well. Even the signature was his. The land registration office said that in order to sell land, all the people under whose name the land is registered have to sign, but personal signature does not seem to have much importance. There was a case where a man gave up his land to make up for gambling losses without the wife's knowledge, while the land was registered under both their names.

Some people have sold land in order to build a new house or to buy machines and boats. Some sold land because of poverty and illness of family members. A woman who sold land said that they could not afford to keep the land because the rice yield was bad for three years, and then

income from fishing was not enough. One of our widow interviewees has invested money from selling land on weaving. Now she has two weaving looms. Her younger sister who lives with her was the one who came up with the idea. She learned how to weave from another person in the village. The sisters weave silk skirts and send them to Phnom Penh for sale. They can weave one skirt in two days, one kaban (3.5m) in four days. One kaban can be sold for US\$ 23. The village headman said that as far as he knows, there is nobody who has moved out of the village because she/he sold land.

Generally, people seem to be indifferent about others' selling land. One group of women told us that they have never thought of selling land. 'If I sell land, where shall I live?' But one respondent said that she envies those who can sell land because that means they have enough land to sell some of it. Some said that those who sell land are people who have land along the road. Nobody wants to buy land which is far from the road.

LAND DEVELOPMENT AND MAINTENANCE OF COMMON PROPERTY RESOURCES

Since 1985 clearing land has been prohibited in this district. But during the communal system (1979-89), people were allowed to develop forest land ('dei prei') and keep it as their own. Later in 1989 they were also given land ownership for it. This land was not included in the calculation of their share of communal land. The land distributed to the krom members was only land that had been cultivated for a long time, and did not include newly developed land. One woman sold her family land from the krom samaki but still has enough land for her six children, which she and her husband developed from waste land in the past few years. It is likely that households with man power and animals had more possibilities to clear larger areas of land and female-headed household lagged behind in this regard.

According to the district land registration office, common lands include government reserve for fishing ('dei neisat'), government reserve for forestry ('dei rokar') and pond. However, the notion of common land does not seem to be familiar to the people here. People think that there is no common land in the village. Nevertheless, a rough observation in the field shows that there is vast area of land under flooding and bushes. It is most likely that people might not be considering this common land as their community property, since it does not seem to give any benefit.

People might not be aware of their rights to use the common land or not interested in it. In a new paper, it was reported that

the right to exploit a large fish pond in the village was sold to a businessman by the head of village, thus, villagers lost their access to fish in the pond. However, when we were inquiring about common land, we did not hear anyone talking or complaining about the fish pond. However, we have also learned that conflicts on the use of common resources among rural people are increasing especially for fishing and cutting woods for sale. The report from Outreach, a Cambodian non-governmental human rights organisation, has shown us that there were cases of violent conflict. There was a case in which four men of four poor families were killed on the spot while they were fishing. Why they were killed and who killed them is still obscure. The villagers who knew the truth dared not speak because they were afraid of revenge by those with power.

There is forest land and waste land that people call 'dei prei'. The village head said that they cannot develop this land because some is always flooded while the rest does not have enough water. The ownership of this land is not clear. There is a reservoir that was constructed a long time ago but it is not functioning anymore. It is very shallow and cannot hold enough water to irrigate much land. The village head said that if the reservoir is renovated, they can plant crops in the waste land. Earlier, there was an attempt to improve the dike so that there will be water for the waste land. However, it was difficult to get labour from the villagers. Instead, people contributed money which was enough to hire a tractor. But the tractor broke down and eventually the dike could not be repaired.

It is specified in Political Instructions Concerning the Administration and Use of Land of June 3, 1989 that at a village level, two hectares, or at least one hectare, should be kept vacant to provide for growing/new families, poor people and for contingency arrangement. But it seems that is not the case in this village in Kandal province.

LAND DISPUTES

Some land disputes occur when people apply for land registration. Some people try to record more than they have and when the officers come to check, they borrow others' land for some time. This leads to confusion and disputes. There are cases of land conflict between the second spouse and children of the first spouse, for example, when the land is registered under only husband's name, and the first wife is dead. When he married his second wife, there was a land conflict between the second wife and children of the first wife.

One woman that we interviewed has a land boundary conflict with her neighbour.

Neighbours on both sides are planting on her land. The family on one side has planted banana trees one metre inside her land. She says that even if she complained, they did not listen, because she is poorer. She could not win the village committee's support since she could not afford to invite them for meals and drinks. She wanted to plant a fence around the border but the neighbours were against it saying that it would lead to shade on their lands. She does not have enough money to construct a fence around her land. She is now thinking of taking the case to the district office.

Land conflicts theoretically should be taken to court. The district land registration office does not have any legal power to settle disputes. Normally, however, they are resolved at village chief's level. The land registration office said that land disputes in this area are not yet had compared with Kampong Speu province, however, they had received a number of cases.

DYNAMICS OF IMPORTANCE OF LAND

According to several of our interviewees, rich people are those who have more men, more cattle, more machines, more pumps and more land. If they have more labour power, they can clear/cultivate more land so they become rich. Having more labour power and draft animals is more important than having more land, since if they hire a pair of cattle and person to plough for one day, they have to pay back by transplanting for them for three days. This will delay ploughing and transplanting on their own land. Cattle are useful for other income generating activities too. For example, for cutting wood, cattle are needed for transport.

It seems that land is not considered as important as draft animals here. Because of the small plots of land and because most of the villagers can cultivate rice only once a year, the harvest often fails to feed the whole family. Only a few cultivate the land twice. One respondent said that it is easier to take vegetables to sell in the market in Phnom Penh rather than doing farming by themselves, so she thinks it better to give up the land and go in for small business. She owns farming land, but is not farming. Since there are only women in the household, she says that it is difficult to farm. She rented out the land to a person whose land is near hers. Her land is more than 7,840 sq m and she receives 4,000 - 10,000 riels per year, which she thinks is not much.

Mortgaging land is not yet much practised here. In case of loans, moneylenders do not demand a mortgage if the amount is 20,000 - 30,000 riels, which is often the amount borrowers need. However, the district land registration officer said that there are many

conflicts arising from land mortgage. The village headman said that earlier people with more animals were richer than those with more land, but now it is changing. People who have more land especially along the road are much richer than those with more animals, since they would be able to sell the land at a high price.

III Intertwining of Land and Gender Issues

In the household, woman is the manager and money keeper. Wife and husband discuss about expenditures. But if they disagree, the husband usually has the final say. It is not a female-headed household, normally, the husband takes the decision on selling/buying land. In this village, some men help in household work, such as cooking, carrying water and child caring. Women also do jobs that are usually considered men's jobs, such as cutting wood for sale. When asked when is the slack season, women seemed not to have any slack season in terms of working intensity.

Basically, the child that looks after old parent inherits the land. Some said that parents prefer to give more land to daughters because they are the ones who will take care of them when they get old. One respondent said that generally who inherits the parents' land depends on the parents' feelings towards their children.

The land regulation states that each village should have 1-2 hectares of land reserve for demographic change and newly formed families. This, however, was rarely practised. The village headman said that there is no land reserve left for new families. Though land was distributed in terms of the number of family members, only husband and wife signed the land title deeds. When children grow up and set up their own families, parents have the right to decide to give or not to give a portion of land. Since parents' land is already small in size, it is difficult to divide it among many children. Thus, many newly formed families are often landless.

In case of spouse's death, the land will belong to the widow(er). Even if she/he gets remarried, the new wife/husband is not entitled to land. However, this cannot resolve the conflict between the new wife/husband and the first wife/husband's children.

Cambodian women have always been enjoying legal land rights. In ancient times, women were entitled to land even when they got divorced. At present, if the land is registered in both husband's and wife's names, legally the land should be divided equally between the couple.

In the village, some respondents said that in case of divorce, land should be

divided between the couple. Some said that it should be with the mother since she is the one to take care of the children. In practice, if the couple has been living by themselves, in case of divorce, usually the husband will go out of the house, leaving the land to the wife and children. Other properties can be divided between the couple. However, if the couple has been living with the parents of the husband, then the wife will have to leave the house with the children, but without land and without any compensation from the husband. Divorced husbands rarely send money to support children. One woman who has recently divorced her husband has come back to her parents' house with four children and without any property. The parents' house already has her sister and her family living together, and it was obviously overcrowded. The condition of divorcees, especially divorced women, needs to be looked into.

IV Conclusion

In the surveyed village, there are many landless and some who have small plots of land. There are possibilities for increasing the total land available by developing the waste lands. However, the ownership and restrictions on the use of these lands were not clarified in this study.

There are some land transactions going on and the effect of selling land does not seem to be negative but on the contrary seems to be positive so far. Money from selling land has been used for investment in other income generating activities. It is not very difficult to do this, since the area is near Phnom Penh and there are relatively more income generating opportunities. However, there is still a need to verify this point, especially for the poor who do not have the skill to start a small business. There is need for more skill training and provision of capital in order to increase the opportunities for non-farm income generation.

One point on which there is confusion is the difference between ownership and possession. Even though farming land is given only on possession, people take it as meaning ownership. It is still not yet clear what will be the implication of this confusion. Is there any possibility of farmers losing land because they are not clear of their rights to their farming land? Is there a difference in understanding between farmers and authorities on registration?

A small patch of land is indeed the base of most poor farmers. In the capitalisation process of natural resource, land is taken as the precious property for survival and emergency. However, not much can be

done with the land if the small land holders depending on farming do not have credit, infrastructure and marketing facilities, access to farm inputs and services and local organisational supports. Cambodian women's experience has strengthened this argument. People see other income generation sources as more lucrative since the productivity of the land is not high especially with the lack of the above support.

From the information given by the district land registration office, it seems that the conversion from farming land to residential land is possible with provincial approval. And in fact if the farming land is not far from the village, people are likely to occupy farming land for house construction. In this case, it is possible that farming land near the village will gradually be turned into quasi residential land and then sold.

Common land is also a concept that has to be clarified further. People say that there is no common land, but who owns the flooded or grassy waste lands? Forest is state land, but how much access and control do the people have? How about water bodies?

As far as women's land rights are concerned, we can see two major problems. One is the procedure and regulation of selling land. Theoretically when land is sold, all people under whose name the land is registered have to sign the ownership card in order to transfer the land title. However, it seems that implementation of this regulation is loose and that it is acceptable to sell/buy land with only one of the owners' signature. This will definitely place women in a more disadvantageous position since men have more decision making power in the household and it is easy for them to sell the land without the consent of their wives. If a woman is not given a share from the sale proceeds of the land, it is likely that she will not have any secure source of living. A stricter regulation of signatures has to be implemented.

Another problem for women is that of land rights in a conflict situation. When a couple is divorced, the district office and some women say that all properties including land should be divided equally between the couple. However, since it is usually women who takes children along with her, it is not fair for her to have only

half the share of the property. If she is living with her parents-in-law, most probably she will leave the house with children without any means of making a living. A woman whose husband left the house seems to be better-off compared with other cases of divorce. She is more independent and confident. But awareness raising, self-assertion, confidence building, creating bond among women and support system are necessary for women in conflict situations to have a stronger say in the sharing of property.

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Technology Priorities for India's Development

Need for Restructuring

S Chandrashekar

Technology upgradation is a vital component of economic reform and is necessary to enhance international competitiveness, yet the pattern of technology funding does not reflect priorities inferred from economic development and growth objectives. An analysis of R and D expenditure in India shows that funding for technology in specific sectors is not in consonance with the size of domestic or global markets. The sectors which should be given priority - agriculture, industry, health and forestry - receive relatively less R and D funding. Thus India needs to restructure its technology priorities as well as make its R and D activities more market-oriented

FOR countries like India, which are making the transition from centrally planned economies to decentralised market driven economies, technological upgradation is a vital component of the change strategy. Stretching out the liberalisation process over time will give Indian firms and industries breathing space to do so. However, depending solely on market forces to improve technological competitiveness may not be adequate.

Governments all over the world play a major role both in the development of new technology and in the consolidation of technological gains in established industries. The primary purpose of such activities is to foster economic development and improve the competitiveness of a country's key industries. The ways and means by which these goals are pursued vary widely from country to country. They range from active intervention and support (South Korea and Japan), to creating a benign business environment for new industries to emerge (the US).¹

Even in the US, the government is becoming increasingly activist. This is seen in the recent spate of large collaborative projects between the government and industry in emerging areas of technology such as the development of new integrated circuits, the information technology super-highway project, energy storage systems and biotechnology. The US government annual contribution in biotechnology alone is in excess of four billion dollars. As government spending in strategic areas like defence, atomic energy and space declines, the US is reorienting its national R and D and technology infrastructure towards industrial needs.²

In Japan and Germany close government industry partnerships exist to identify and support areas of importance. In these countries even though about 70-80 per cent of the money for technology development comes from industry, close co-ordination

and some critical funding has always been forthcoming from the government. South Korean firms have been built up with the assiduous and active support of the government both in terms of funding as well as in creating domestic conditions for competing in the international marketplace.³

In India a great deal of importance has been given to science and technology. The country has made a name in competitive basic research in a range of disciplines and had some notable achievements such as the green revolution in agriculture, the atomic energy and space programmes, and more recently in the missile field. However, the role of indigenous technology in the country's development has not been visible. As India strives to become a global economic power, it must reorient its R and D. Since the government is responsible for most of the technology development in India, one must look at government funding patterns to understand and analyse these priorities.

CURRENT INDIAN TECHNOLOGY PRIORITIES

The Indian government's current distribution of its science and technology budget is shown in Figure 1.⁴ Apart from government, Indian industry spends approximately Rs 1,000 crore on R and D making total Indian annual investment in R and D Rs 6,000 crore (\$ 2 billion). The US in comparison spends \$ 157 billion, Japan \$ 91 billion and South Korea \$ 5.4 billion. Germany, France and the UK spend from 10 to 20 times what India spends (see Table 2). Many companies in the world (IBM, SONY) have annual R and D expenditures that exceed the total R and D expenditure of India as a whole (see Table 3).⁵

India cannot afford to invest the huge sums of money that industries and governments of developed countries

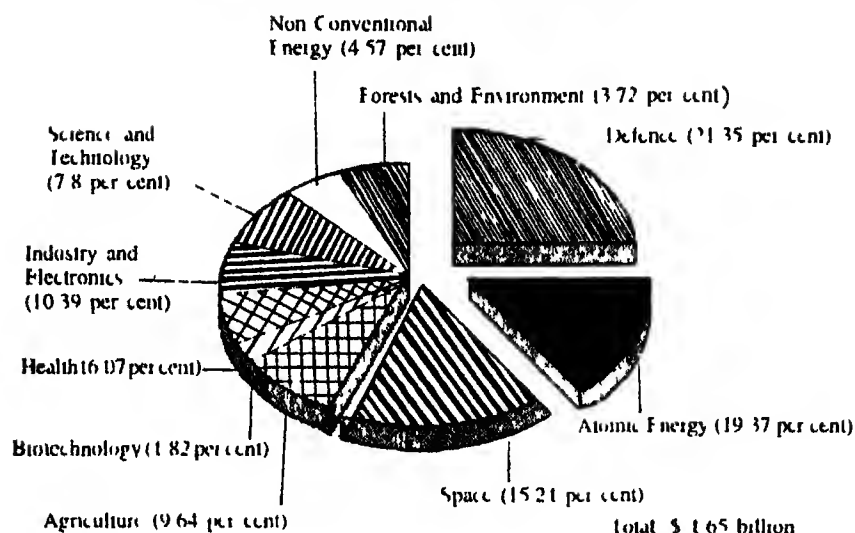
routinely allocate to technology development and R and D. This makes it all the more necessary that India gets the maximum return from every rupee invested in technology and R and D.

As is evident from Figure 1, the strategic areas of defence, atomic energy and space account for more than 55 per cent of the S and T expenditure for 1994-95. When one looks at the trends, both defence and space expenditures have been increasing while there has been a decrease in the allocation for atomic energy from a peak of Rs 1,279 crore in 1991-92. Even so, investments in strategic technology still represents the cornerstone of the national S and T policy, with defence, atomic energy and space ranking first, second and third respectively. Agricultural research, with 9.6 per cent of the funding and an allocation of Rs 477 crore, ranks fourth in national expenditure. Industrial research ranks even lower - only sixth. The expenditure of Rs 360 crore for 1994-95 (7.3 per cent of the government S and T spending) is distributed to 40 laboratories catering to major industries like chemicals, drugs, leather, steel, etc. Electronics gets another 3.1 per cent. The area of medical research and health, with a projected expenditure of Rs 300 crore and 6.1 per cent of the total S and T expenditure, ranks seventh in priority. Biotechnology gets 1.8 per cent and environment, 1.4 per cent.

The relative spending on these sectors has not changed much over time (see Table 3). If India is to get the most from the money it spends on technology, its priorities should reflect current economic and social needs. Is this really the case today?

With the liberalisation and globalisation of the Indian economy, technology should be used to improve productivity in sectors, areas and industries that contribute maximally to economic development and growth. Technology development effort should therefore focus primarily on industries, areas and sectors that are large in terms of the

FIGURE 1 GOVERNMENT'S TECHNOLOGY ALLOCATIONS



domestic market. Productivity gains and value additions in such areas would then provide the base for making Indian products and services globally competitive and increase India's share of world trade. If this is so, the funding of different areas of technology should be in direct proportion to the size of the domestic or global market. Table I compares Indian technology funding with domestic markets, world production and world markets.

Before examining market and technology trends in each of the areas of Table I, an overall assessment of the direction of Indian technology efforts from a development perspective is needed. To provide a framework for this, the data in Table I has been aggregated and recast into Figures 2 and 3. These figures relate the broad picture of technology priorities in various sectors to the major economic parameters, viz, domestic and global markets. It is obvious from Figures 1 and 2, that funding for research in areas like agriculture, industry etc. has not been commensurate with the domestic or international market sizes of these sectors. It appears that overall technology funding does not reflect priorities inferred from development and growth objectives.

The combined domestic output from the strategic sectors of defence, space and atomic energy estimated at \$ 2,500 million is much lower than the domestic output of agriculture (\$ 71,000 million) or industry (\$ 31,000 million). Individual crops like rice and wheat contribute much more to the economy than the strategic sectors. Many sectors and industries like chemicals, textiles, leather, electronics are bigger than defence. The thermal power industry is much bigger and much more important than the atomic power industry. Health, forestry and environment contribute much more to the economy but get much lower R and D funding.

There is therefore a need at the national level to emphasise priorities for agriculture, industry and to a lesser degree for health and forestry. India is one of the world's largest producers of most agricultural products and has the potential to become a major force in world agricultural trade. In spite of the green revolution, Indian agricultural technology is far below world standards, and as we will see later, the technology gap between India and the world's best producers appears to have widened. While progress in agriculture technology has kept pace with meeting domestic need, it has not generated a major surplus for export. In spite of the vast, untapped technological potential in agriculture and the availability of a strong infrastructure, the priority accorded to agriculture in terms of funding is very low. The impact of even marginal improvements in the productivity of agriculture would be substantial. The miracle of Chinese industrial development was preceded by an agricultural revolution with significant gains in agricultural productivity. Infusion of new technology and its translation into productivity gains has considerable economic potential in India. Since both domestic and world demands are likely to grow, the economic gains from productivity increases in agriculture can be substantial. Entry into world agricultural markets is easier than entry into the world space or defence markets.

In the industrial sector too, there are a number of well established areas like textiles, steel, chemicals, cement, thermal power and construction where the domestic industrial base is large and where substantial technology expertise and infrastructure exist. It would appear from Figures 2 and 3 that improving the competitiveness of these industries through technology upgradation may have a greater economic impact than increasing investments in

strategic technologies. In areas like electronic and telecom, the domestic market is likely to be big, and therefore the creation of technologically competent domestic industry is vital for India's progress. For emerging technologies like biotechnology, it would be logical to orient their applications towards areas that are important to India. Its greatest applications would be in agriculture and health and to a lesser extent forestry. The relatively large domestic markets in these areas coupled with the biodiversity that is an inherent strength of India would make biotechnology a key competitive resource for Indian economic development.

There is of course a real link between strategic technologies and national security. This makes it necessary to support some strategic industries. But there is also a link between economic development and India's survival as a nation state. The balance is currently tilted so much in favour of military and strategic strength at the expense of economic development that it could imperil national integrity. The dramatic breakup of the Soviet Union, whose technology priorities were remarkably similar to that of India, reveals the dangers inherent in ignoring this link.

It is necessary to look at each of these areas separately to evaluate in greater detail their relevance in terms of world production, export opportunities, domestic markets and perhaps, above all else, domestic needs.

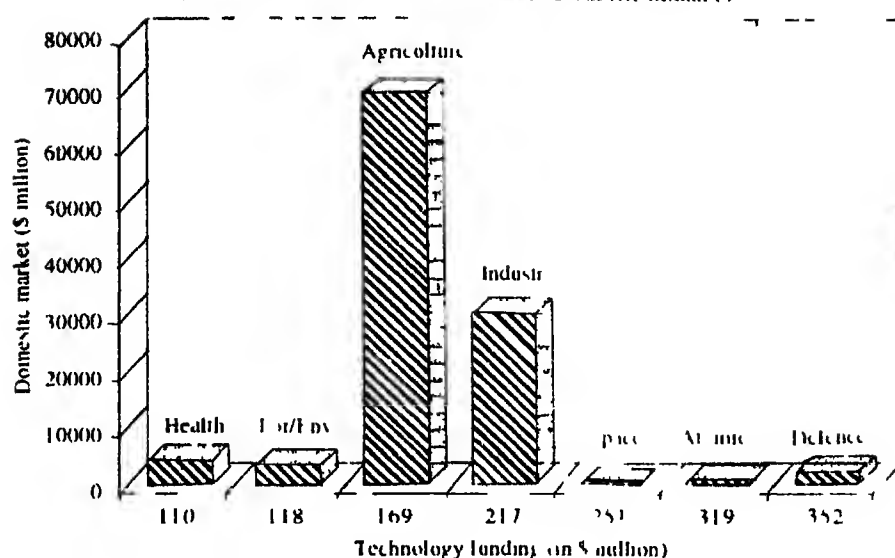
TECHNOLOGY AND MARKET TRENDS

Table I, which links government's R and D expenditure with global and domestic markets, will be used as the basis for discussion in this section. The procedures used in compiling the data are outlined in the appendix. The transformation of the data in Table 2 into figures 2 and 3 are also discussed in the appendix.

Defence Technology

Defence has been accorded the highest level of expenditure in technology development. There has been a steady increase in the funding of the Defence Research and Development Organisation (DRDO) as is seen in Table 3 (see Annexure 1). About 21-22 per cent of the total R and D money spent by government goes into defence alone. The value of defence production (domestic market) was about Rs 6,000 crore (\$ 2 billion) in 1993-94. India also imported about Rs 3,000 crore (\$ 1 billion) of arms in 1992. India was the world's largest importer of arms and defence equipment in the 1989-92 period with imports totalling \$ 13.2 billion.⁷

FIGURE 2 TECHNOLOGY FUNDING VERSUS DOMESTIC MARKETS



The arms industry appears to be in decline with world production having fallen from \$ 832 billion in 1986 to \$ 661 billion in 1992. This is a trend that is likely to continue as the developed countries disarm. The world trade in arms and defence equipment has also declined from a peak of \$47 billion in 1987 to \$18.4 billion in 1992. As the world market for arms and defence equipment declines competition for the available business is likely to intensify. Major global players with the tacit support of their governments will strive to retain market shares. Mergers, acquisitions and consolidation will be features of the industry worldwide. Recent developments in the American and European defence industry bear this out.

Though India may enjoy some kind of a competitive advantage in conventional arms or in some hi-tech areas like missiles, the barriers to entry are high. Existing controls within the Indian government as well as lack of professional marketing and financing expertise make it extremely unlikely that the Indian economy will gain substantially through the export of defence products. Indian export of defence products have traditionally hovered around Rs 50-70 crore. Exports in 1993-94 were estimated at about Rs 68 crore, less than 2 per cent of production. The poor record of exports substantiates the internal as well as external constraints for Indian entry into this market. Apart from purely technological and commercial considerations, international control regimes like the missile technology control regimes (MTCR) and the nuclear proliferation treaty (NPT) are also likely to come in the way of export for the hi-tech segments of the arms market.

World production of arms and the world market for arms ranks fifth and sixth respectively. The Indian defence market also

ranks sixth in domestic importance though it ranks number one in funding. Exporting arms calls for a coordinated effort internally within India. It may also call for some changes in the Indian position on the nuclear and missile proliferation issues. The prospects for capitalising on the capabilities of the defence industry are therefore not very promising.

Atomic energy

The second area that receives a major portion of the Indian S and T allocations is atomic energy. This accounts for about 20 per cent of government expenditure on technology. The major focus of the effort here is the development of economically viable power from the atom. In India the area is also perceived as strategically significant with demands that India retain the nuclear option becoming more strident. The budget allocation for the department of

atomic energy for 1994-95 is Rs 958 crore.

Worldwide the nuclear power industry is clearly on the decline. The International Atomic Energy Agency estimates that about 72 reactors were under construction worldwide as of end of 1992, which would contribute about 25,000 MWs additional capacity by the year 2000. When one looks at the share of nuclear power in the overall generation of electricity, the percentage worldwide is likely to come down from 11.3 per cent in 1992 to 11 per cent in the year 2000. It is further expected to decline to 8-10 per cent of the total electric power in the post 2000 period.

The experience of individual countries substantiates this declining trend. No new reactors have been ordered in the US since 1970. Most countries in Europe have decided to forego new additions to nuclear power. Even in France, no augmentation is proposed after the construction of five ongoing nuclear plants is completed. New nuclear power capacity is being created mainly by the developing countries of which India is a leader. Even China would have only three nuclear power plants contributing 0.1 per cent of the total electricity generated. The annual value of the world production of nuclear plants can be estimated as \$ 4 billion.

In India, projections made by the department of atomic energy envisage the addition of a little over 2,000 MW to the existing nuclear power capacity of 1,800 MW by the year 2000. This will involve the completion of five ongoing 220 MW plants and the construction of two 500 MW plants. Although on the basis of past performance, these projections appear optimistic, we will assume that these targets are achievable. When this capacity is distributed on an annual basis over a six year time frame, at the current estimated capital cost of nuclear plants of Rs 4 crore per megawatt, the annual value

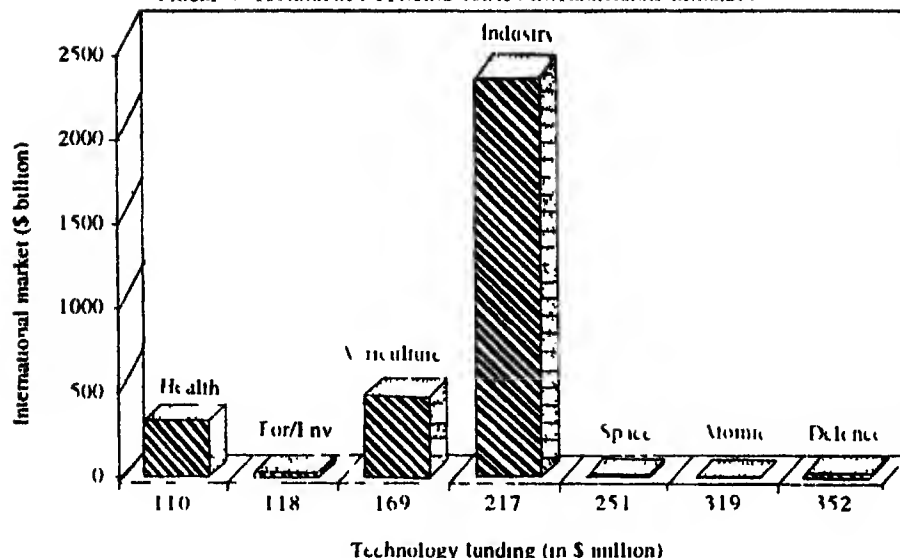
TABLE 1 TECHNOLOGY PRIORITIES IN RELATION TO GLOBAL AND DOMESTIC MARKETS

Area	Technology Expenditure 1994-95 (\$ million)	Rank	Value of Indian Production (\$ million)	Rank	Value of World Production (\$ billion)	Rank	Value of World Trade (\$ billion)	Rank	Trends
Defence	352	1	2000	6	661	5	18.4	6	declining
Atomic energy	319	2	433	7	4	10		11	declining
Space	251	3	100	9	35	8	8	7	stagnant
Agriculture	159	4	71000	1	7000	2	444	3	slow growth
Science and technology	128	5							
Industry	120	6	27000	2	6800	1	1800	1	growth
Health research	100	7	4166	3	1700	3	300	4	fast growth
Non conventional energy	75	8	100	9	3	11	0.5	10	growth
Electronics	51	9	3800	4	750	4	500	2	fast growth
Forestry/wildlife	39	10	3000	5	large	6	7	8	slow growth
Biotechnology	36	11	small	10	10	9	5	9	fast growth
Environment	23	12	233	8	700	7	20	5	growth

Notes: 1. For conversion 1 dollar is equal to Rs 30.

2. For explanation and references on how this table was prepared see appendix.

FIGURE 3 TECHNOLOGY FUNDING VERSUS INTERNATIONAL MARKETS



from the nuclear power industry in India is approximately Rs 1 300 crore.

As far as trade or export in this area is concerned, the major market is of course the export of nuclear power plants, especially to third world countries. Proliferation concerns are likely to limit world trade in atomic energy related products and services.¹

Power from the atom constitutes only 3 per cent of the total electricity generated in India as against 11 per cent in the world. When one looks at the energy projections for India, it does not look as though this percentage will significantly alter. Over 70 per cent of electricity is generated by thermal power plants and electricity from coal is the major source of power. This is likely to continue.¹⁵ Moreover, in a world where nuclear power is on the decline and power from coal has been fairly steady in terms of market share, building an efficient, cost competitive power industry based on coal should be a higher priority than building capabilities in nuclear power. If the efficiency of our thermal plants can improve even by 1 per cent, about seven billion additional units can be generated every year with a monetary value of about Rs 1 400 crore. Similarly, an improvement in the plant load factor by 1 per cent can produce about three billion units of electricity with a value of around 700 crore. These improvements will also alter the demands on the infrastructure required to run power plants, such as rail transport, additional investments in new power capacity etc. Improvements in motors and end-use equipment are also likely to contribute enormously to the economy.¹⁴

But when one looks at the priority that India accords to research on energy from coal, there arise questions about the process of allotting technology resources. The major government undertakings in the coal and

power sector spend about Rs 70 crore on technology related to thermal power.

India has over 5 per cent of the world's coal reserves even though it is of poor quality. Looking at the current and future contributions of coal to the power sector, technology capability in this area is vital for India. Domestic requirements are reasonably large even by world standards, and the development of cleaner, more efficient and environmentally friendly technology using Indian coal appears to be a more logical development route for India to take than say, depending on power from the atom.¹⁵

Space technology

The third area of major funding has been space technology. Expenditure on space in India has been growing steadily and at a faster rate than both defence and atomic

energy. As in the case of atomic energy, space is a strategic area. Indian expenditure on space has seen a major increase in the period 1991 to 1994 (see Table 3). Part of this increase can be ascribed to problems faced by India with regard to the missile technology control regime (MTCR) and American pressure on Russia over the supply of cryogenic technology.

World expenditure on civilian space activities in 1992 was estimated to have been about \$ 35 billion. The two main spenders, the US and Russia, have cut back on funding. In Europe the space effort seems to be more or less static with new initiatives like the Hermes manned space plane being postponed or phased out. The world commercial market for traded space products and services was estimated at around \$ 8 billion in 1992. The dominant segments of the market are communication satellites, launchers and ground equipment for satellite communications. Most recent projections indicate a decline in the communications satellite market after the current peak of 23 launches per year for the 1994-96 period is over. This is expected to decline to about 16 satellites for the period 1997-2000 and further decline after 2000. This decline will also result in a reduction in the requirement for launch vehicle services. Amongst the various segments, the market for ground equipment is likely to experience reasonable growth. The ground segment market for 1994-95 is expected to be around \$ 3.8 billion.

An analysis of the overall trend is that there will be a decline in the civilian market from the current \$ 8 billion per year to about \$ 7 billion in the 1996-2000 time frame. A drastic increase in growth beyond the current \$ 8 billion level is unlikely. The market can

TABLE 2 STRUCTURE OF WORLD R AND D EXPENDITURE

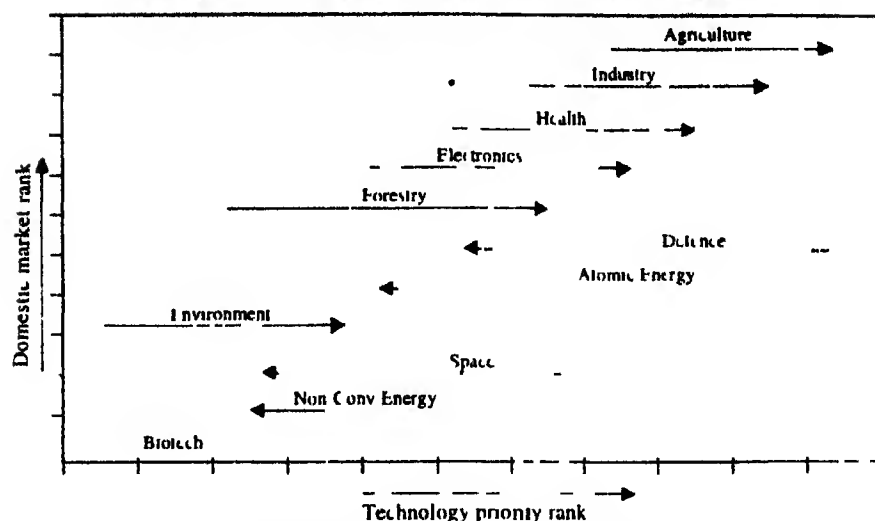
Country	R and D 1991 Estimated (Billion \$)	R and D as Percentage of GDP	Civilian R and D as Percentage of GDP	Sources of Funds Busi- ness Per Cent	Government and Others Per Cent	Expenditure by Sector Busi- ness Per Cent	Government and Others Per Cent
USA	157	2.8	2.1	51.3	48.7	72.6	27.4
Japan	91	2.7	2.6	80.4	19.6	70.9	29.4
Germany	45	2.85	2.7	65.3	34.7	72.2	27.8
France	28	2.33	1.9	48.3	51.7	58.9	41.1
UK	20	2.3	1.8	61.3	38.7	67.0	33.0
Italy	14	1.25	1.1	46.0	54.0	6.2	42.8
South Korea	5.4	1.9		81.0	19.0	61.0	39.0
India	2.0	0.9	0.5	20.0	80.0	26.0	74.0
Pakistan	0.4	1.0		-	-	-	-

Notes: 1. The total world spending on R and D in 1990 was estimated at about \$ 450 billion. It may be about \$ 475 billion in 1993.

2. The 1991 estimated R and D is calculated from the percentage of GDP devoted to R and D as stated in *Research and Development Statistics 1990-91* published by the department of science and technology, government of India. The GDP numbers are taken from *World Development Report 1993* published by the World Bank.

3. Data for Korea is taken from *Building Industrial Competitiveness in Developing Countries*, OECD Development Centre Studies by Sanjaya Lall.

FIGURE 4 MATCHING TECHNOLOGY PRIORITIES AND DOMESTIC PRIORITIES



Note The figure depicts the relationship between the technology priority of a sector and its domestic market size. Ideally, the technology priority of a sector should reflect its market size. This means that the positions for all sectors should lie along the diagonal. This is obviously not the case for India, for which the base of the arrow indicates the current position and the tip of the arrow indicates the desired position. In the case of defence, space and atomic energy, since there are other considerations that determine the priority, the arrows are shown as a dotted line.

therefore be considered a mature, slow growth or static market.¹⁶

National space markets are strongly controlled by governments. These markets are therefore neither open nor competitive. A handful of large multinationals control trade in space products and services.

Satellites built in India are roughly half the cost of similar ones built abroad. In spite of lower costs, exports of satellites and satellite subsystems from India is not easy since the market for geostationary satellites is declining and a number of large American and European firms dominate the market.¹⁷ As far as the launcher market is concerned, it appears that there would be too many rockets competing for the launching of fewer satellites. The Indian launcher GSLV will also not be able to launch the larger three tonne class geostationary communication satellites that will constitute the bulk of the market in the 2000 time frame.¹⁸

The market for satellite terminals and ground stations is the one segment of the space market that will grow. Both Indian domestic demand and world demand, especially in the Asian area, is likely to increase. A number of Japanese, American and European companies are major players in this market with Japanese companies dominant. In spite of having technological capabilities to build such equipment, there are no Indian companies comparable to Japanese companies like NEC or American companies like Scientific Atlanta or Hughes.

These market trends make it unlikely that space will provide a major growth area for India.

Agricultural Research

Agricultural research receives the fourth largest share of S and T funds. With a planned expenditure of Rs 477 crore in 1994-95, it has an outlay well below that for space. Although there have been increases in the budget for agricultural research in the last two years, it gets only about a half of the money allotted to defence.

TABLE 3 TECHNOLOGY EXPENDITURE IN MAJOR SCIENCE AND TECHNOLOGY ORGANISATIONS
(All figures in Rs crore)

Area/ Organisation	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	Percentage of Expenditure 1994-95
Defence research	578	608	670	683	770	984	1056	21.4
Atomic energy	1202	1178	1206	1279	1069	932	958	19.4
Space	434	399	386	457	510	718	754	15.2
Agriculture (ICAR)	378	253	306	329	373	460	477	9.6
Science and technology	196	210	232	251	282	337	386	7.8
Industrial research	207	233	239	250	278	343	360	7.3
Health	149	157	194	202	268	294	300	6.1
Non conventional energy	115	111	112	129	129	204	226	4.6
Electronics	149	104	107	121	88	178	154	3.1
Forests/wildlife	35	40	54	67	77	101	116	2.3
Biotechnology	41	54	59	64	78	88	90	1.8
Environment	32	30	34	41	49	86	68	1.4
Total	3516	3377	3599	3881	3921	4725	4945	100

Notes: 1. The industrial research allocations are for 40 CSIR labs covering many big industries.
2. The allocations for health, environment and wildlife exclude operational budgets.
3. The allocations for science and technology include the budget of Survey of India and Indian meteorological department (170 crore) and fundamental research (75 crore).
4. Compiled from annual reports and annual expenditure documents.

The value of the Indian market, based on personal consumption data provided in the GNP estimates was around Rs 214 000 crore (\$ 71 billion) in 1991-92, as compared to \$ 2 billion for defence. The value of world agricultural production can be estimated at about \$ 2 000 billion in 1992. World trade in agriculture and agriculture related products was \$ 444 billion in 1992. World trade grew at an average of 5 per cent for the 1980-92 period. By contrast, world trade in arms is declining and is currently about \$ 18 billion.¹⁹

In terms of physical quantities, India is among the world's largest producers of almost all agricultural products. India is one of the top two producers in the world of rice, wheat, millet, groundnut, sugarcane, tea, tobacco, fruits, spices and milk. In most other agricultural products, India has a fairly large share of world production. With some exceptions, the prices of most Indian agricultural products are lower or comparable to world prices.²⁰

Indian productivity gains have not been comparable to those of, say, China, which has made rapid strides. As a result, Indian technology for agriculture is far below world standards. Over the years, the technological gap between India and the US has practically remained the same. In spite of stagnation in US productivity, China, whose productivity in cereals in 1961 was 56 per cent of US productivity, had reached 88 per cent of US productivity levels in 1990. The technological gap between China and the US has narrowed while that between India and the US has remained the

same. While these are macro indicators, this trend is also substantiated at the individual crop level.²¹

As a consequence of liberalisation India has shown significant economic gains through export of agricultural commodities. In money terms exports of agricultural products increased from Rs 6 200 crore (\$ 2 billion) in 1991-92 to Rs 7 600 crore (\$ 2.5 billion) in 1992-93. The value of exports for 10 months of 1993-94 is Rs 8 700 crore (\$ 3 billion).

Indian policy on agriculture and export of agricultural products has always placed domestic requirements ahead of foreign trade. Clearly no government would like to see a food shortage develop in the country. Therefore export is carefully controlled and regulated. The recent turmoil over cotton exports and increases in the domestic prices of cotton indicates the kinds of problems that could arise. To become an exporter without harming the concept of self-sufficiency, Indian productivity gains in agriculture are mandatory. The Indian Council of Agricultural Research (ICAR) has a large number of research institutions covering all important agricultural crops. The link between research and applications is strong, as can be seen in the success of the green revolution.

No discussion on agriculture can be complete without reference to how the new and emerging area of biotechnology is likely to play a major role in increasing productivity and reducing costs of production. Although this will be dealt with later, a few lines would not be out of place here.

Developments in genetic engineering have made it possible to directly transfer genes carrying desirable traits into common plants, crops and animals. These transferred genes enhance the economic value of crops and animals. The bacterium *Bacillus thuringiensis* (BT), for example, produces an insecticidal protein effective against butterflies and moths, two major crop predators. The gene associated with the production of this natural insecticide has been identified and successfully transferred into a number of commercial crops like cotton, potato and corn. Cotton plants with BT genes have been field tested for more than two years. With such plants the use of artificial insecticides, which are both toxic and costly, can be significantly reduced. Similar results have been achieved with potato. Both potato and cotton are very important crops for India.

In addition to genes for insect protection, genes that confer natural resistance to the application of herbicides have been identified and inserted into a number of plants. Such plants are very tolerant to specific herbicides. These herbicides can therefore be used liberally to kill weeds without affecting the plant itself. Such genes have been introduced

into tomato, soyabean, cotton, etc., and more than three years of field testing have already taken place in many countries. Plants with both herbicide and insect protection have also been developed.²²

Scientists have also identified the genes that are responsible for the ripening of fruits. They have been able to manipulate these to delay the onset of the ripening process. The first delayed ripening tomatoes went on sale in California recently.

The tools and techniques that are required for such activities are now widely available. The problem is not with the technology but the application of the technology to problems of economic relevance. Indian capabilities in biotechnology both in terms of applications and funding do not appear to be adequate for India to remain technologically competitive in this field.

More than 50 important crop types have been genetically engineered by companies and organisations abroad. These include almost all the crops of commercial importance to India. Both product and process patents for most of these crops are with foreign companies. Calgene, a US company, for example, has the patent on a cotton plant that is resistant to the weed killer bromoxynil. Monsanto, a US based agribusiness and chemical company, has patents on cotton plants that are resistant to insect attack. There are reports that the Indian department of biotechnology will buy this technology at a price of about four million dollars. China has launched a rice genome project to unravel the genetic structure of rice. Undoubtedly, such knowledge subsequently would be used to genetically engineer rice to improve yields and reduce artificial inputs. China already has one of the highest rice yields in the world and is also involved in genetically engineering fish.²⁴

The comparative advantage that India enjoys in agriculture is substantial both in volume and variety. India also has a biodiversity regime providing a vast gene pool that can be a major asset if used wisely. A development route that builds on agriculture promises to be a more equitable, balanced and logical route. Without a reorientation of our national priorities and a closer linkage between publicly funded research in agriculture and agribusiness, one fears that even in an area where India has appreciable strengths, we would continue to be a follower rather than a leader. A focused approach that builds on India's strengths in agriculture will not only have a major domestic impact but will help in pushing Indian agricultural products into foreign markets.

Science and Technology

The fifth largest spender of government S and T funds is the area that is classified as science and technology. The money

allotted under this head for 1994-95 is about Rs 386 crore and has seen an increase of 15 per cent over the money allotted in 1993-94 (Table 3). The expenditure under this head includes provisions for the Survey of India, the National Atlas and Thematic Mapping Organisation (NATMO) and the India meteorological department (IMD). This budget head also supports a number of institutions engaged in fundamental research like the Raman Research Institute, the Indian Association for the Cultivation of Science, etc. The rest of the money (about Rs 145 crore) is what is available for technology development as well as for support of extramural research in a large number of universities and academic institutions in all disciplines of scientific research.

Industrial Research

Industrial research receives the sixth largest chunk of S and T funds from the government with Rs 360 crore for 1994-95. This money is allotted to 40 CSIR laboratories covering the spectrum of research activities in a number of industries such as chemicals, electronics, aerospace, glass, metallurgy, etc.

Industry (excluding drugs and electronics which are covered in separate sections below) spends approximately Rs 700 crore a year on R and D, making a total of 1 000 crore. This Rs 1 000 crore is distributed over a large number of sectors and industries. Chemicals, leather, glass, automobiles, machine tools, consumer durables are all major industries which are very big. Many of them are much bigger in size than atomic energy and space. Some of them like the chemical industry are bigger than defence. But even when industrial contribution is taken into account, the money spent on industrial research is very small on a per industry basis.²⁵

The industrial sector, which ranks number one in terms of economic importance in the world and number two as far as the Indian economy is concerned, is placed a poor sixth in government support. In terms of government funding it receives only one third to one half of the S and T money allotted to space or atomic energy programmes. A new policy that promotes focused industrial research is crucial for India's reform programme to succeed. Leaving technology development efforts to market forces alone is not an effective strategy. The prioritisation of different industries within the industry sector would require further detailed work.

Health

About Rs 300 crore a year is spent by the central government on education and research in the health sector. From available GNP data, Indians spent about Rs 12,500 crore

in 1991-92 on health care. This obviously includes money spent for hospital medical care as well as medicines. In terms of domestic market, the health care sector ranks third, after agriculture and industry.

The worldwide expenditure on health care in 1992 was estimated at \$ 1,700 billion by the World Bank. The accessible market can be estimated to be around \$ 300 billion. This gives health care a rank of four in terms of export markets after industry, agriculture and electronics. Health is only seventh in Indian priorities, which is not consistent with its domestic or export importance.

The problems related to health in India are quite different from the problems faced by most advanced countries. The research programme in health as well as the development of new drugs, vaccines and equipment should reflect these priorities. Cost effective health care for the large majority of Indians should be the driving force behind the research effort. If such an approach is adopted, there will be export markets in other third world countries who share similar problems. These goals may not be achieved if decisions are entirely left to market forces.

We have already touched upon the role of biotechnology in agriculture. Needless to say, it has an extremely important role to play in the health care field. India has a large heritage of Indian systems of medicine based on herbs and plants. Not enough has been done to look into these and apply the tools of modern technology, especially biotechnology, to reap the full benefits of this expertise. If no action is taken, derivatives from many traditional Indian medicines may be patented and marketed by foreign companies.

Non Conventional Energy

Non conventional energy with an outlay of Rs 226 crore for 1994-95 ranks eighth in terms of funding. The domestic market for these technologies can be estimated at Rs 300 crore (\$ 100 million). The value of world production can be assessed at about \$ 5 billion and the annual trade at about \$ 500 million. It is ninth in terms of trade potential.

Wind energy systems are more or less commercial and above certain wind speeds compare favourably with thermal power from fossil fuels. Biomass can be used as a source of heat or for generating power, and technologies for this are fairly well developed. India generates large quantities of agricultural waste and therefore these technologies are quite relevant.

In the case of solar thermal and solar photovoltaics, the technology status is such that they are not as yet commercially viable sources of power, except for select niche markets. The cost of power generation from these sources is still at least three

to five times the cost of generation from conventional sources. Solar water heaters based on Indian technology with a subsidy component have been successful on a small scale.

When one looks at the allocations to this sector in relation to allocations for technology development in the power or energy sectors, this sector receives considerable attention. Coal and cleaner coal technologies once again appear to get much lower priorities, though in economic terms they appear to be more relevant.

Electronics

With a planned spending of Rs 150 crore for 1994-95, electronics ranks ninth in government S and T priorities. Apart from government funding, industry may also spend about Rs 700 crore on technology development and R and D. The value of Indian production of electronics was estimated at about Rs 11,400 crore (\$ 3.8 billion) in 1992 and may be around Rs 15,000 crore (\$ 5 billion) currently. Of this production of Rs 11,400 crore, exports were about Rs 1,260 crore (\$ 420 million). Electronics as a whole is a growth sector worldwide with world production estimated at about \$ 750 billion in 1994. The trade in electronics, which is a relatively open market, can be estimated at about \$ 500 billion. It ranks second in world trade and fourth in domestic production.

The Indian electronic industry is primarily based on technology acquired from abroad. Software and computer exports are major foreign exchange earners. To compete in global markets, a minimum scale of production is necessary. Most Indian domestic markets are not large enough to achieve such economies of scale. The earlier practice of insulating the Indian electronics industry from global competition has further widened technology and market gaps. The Indian technology effort should therefore be strongly oriented towards the needs of the global market. Areas such as telecom and consumer electronics, that are likely to grow to meet domestic needs, would be good candidates for basing major technology initiatives that address global markets. This would require research collaborations between Indian and foreign companies and laboratories. Indian R and D expertise, which is relatively inexpensive by world standards, could make a significant contribution here. To acquire strengths in elements such as microelectronics, India may have to adopt innovative strategies such as getting major chip manufacturing multinational companies to set up production and R and D facilities in India.

Forests and Wildlife

The total amount spent on infrastructure research and technology projects on

forests and wildlife is about Rs 116 crore. In India a large number of people depend on the forests for their livelihood. The value of output was about Rs 9,000 crore in 1991-92. In terms of importance to the domestic economy, forests rank fifth after agriculture, industry, health and electronics. Firewood from forests is the most important source of energy for the poor. The decrease in forest cover in India has also been a cause of growing national concern. Forests are the most important source of biodiversity and the gene pools resident in them can become major national assets with the growing importance of biotechnology. When seen from this viewpoint, the quantum of resource that go into managing this area appears to be inadequate.

Biotechnology

With an allocation of Rs 90 crore for 1994-95, biotechnology is almost at the very bottom of the priority list. Even though the world production of about \$ 10 billion places it only ninth globally, it is widely predicted to become one of the fastest growing sectors. A \$ 50 billion to \$ 100 billion market by the year 2000 has been forecast for biotech products.

Apart from government expenditure, some money is also being spent by industry, but this is relatively small. A part of agriculture research and health care, some money is allocated for biotechnology.

The main areas of application of biotechnology are in health (drugs, diagnostics, treatments), agriculture and animal husbandry (genetically engineered plants and animals), tissue culture, environment (genetically engineered bacteria for waste handling) and some other related applications like fermentation. We have dealt with biotech applications in agriculture and health earlier. One of the advantages of biotechnology compared to traditional methods of improving crop and animal varieties is the speed with which improvements can be achieved. Drugs like insulin produced by the biotech route are replacing traditional methods of production from human and animal sources. The diagnostic tool available through use of monoclonal antibodies are likely to ease the diagnosis of even the rarest of diseases. On destroying bacteria patented by a US based Indian scientist has been found to be effective against oil spills.

A number of US based biotech companies like Genentech and Calgene have emerged as major players. Established chemical and drug companies are also moving into the biotech area to ensure that existing product lines merge into and mesh with biotech substitutes and alternatives.

The US government, the Japanese government and a large number of European governments are investing large sums in

biotechnology to ensure future technological competitiveness. As pointed out earlier, India can draw upon its vast natural diversity in the application of biotechnology. The technology base required is now widely available. The choice of appropriate problems and funding is the issue, not the technology. In spite of good infrastructure, India is far behind the developed world. China is forging ahead in many applied areas in both agriculture and health. To translate the enormous potential of biotech into commercial applications, new approaches from both government and industry are needed.

Environment

When operational elements are taken out, the allocation for technology and infrastructure in environment is only about Rs 68 crore. This includes the budgets of the botanical and zoological surveys. When the budgets of the Indian meteorological department and the Survey of India are added (approximately Rs 160 crore) the total amount spent increases to about Rs 230 crore.

Indian production of pollution control equipment is estimated at Rs 700 crore. World production is estimated at about \$200 billion with a traded value of about \$20 billion. This puts environment seventh in domestic importance and fifth in terms of world trade. These numbers reflect only the value of pollution control equipment and not the real value of environmental control measures.³¹

INDIAN TECHNOLOGY DEVELOPMENT VIS A VIS THE WORLD

Apart from changing the priorities for technology development in India, there is a desperate need to increase the absolute levels of funding for important areas. While India has the advantage of lower wages for scientists, it has to pay international prices for equipment, chemicals and other raw materials.

The extent of the funding gap between India and the rest of the world is often not realised. Table 2 compares the scale and the structure of the Indian technology development effort with the efforts of some other countries.³² India spends about \$2 billion on R and D. This is a very small amount in comparison to what the developed countries invest in R and D. When one compares R and D expenditure as a percentage of GDP, most western economies spend between 2.3 per cent and 2.8 per cent of the GDP on R and D.

Indian expenditure at 0.9 per cent is close to that of Pakistan (1 per cent) and not too far from Italy (1.25 per cent). South Korean expenditure on R and D is 1.9 per cent of its GDP, which is close to that spent by many developed

economies. This in part reflects the significant progress made by South Korea in recent times. When one takes out expenditure on strategic technologies (defence research, space research and atomic energy) the Indian expenditure at 0.5 per cent of its GDP is very low. Most developed countries have civilian R and D at between 2.1 per cent (the US) and 2.6 per cent to 2.7 per cent of GDP (Japan and Germany).

The other thing that is obvious from Table 2 is that in all the developed countries at least 50 per cent of the R and D funds are put in by industry. Most government spending on R and D is also carried out in industry. In Japan, Germany, UK and South Korea 70-80 per cent of the money for new technology development comes from industry. In the US, France and Italy the contribution from industry is around 50 per cent. In India by contrast over 80 per cent of the funding for R and D comes from government and almost all of this 80 per cent is spent in government run establishments. This pattern of funding reflects the importance given to the strategic sectors of defence, atomic energy and space which are large vertically integrated government programmes. When funding for these sectors is taken out, the government and industry shares work out to be 67 per cent and 33 per cent respectively.

In the context of economic reform, there is a need to alter this structure and pattern of funding to reflect a market and industry orientation. This would mean greater involvement of industry both as a source as well as a user of development funds. Greater industrial involvement would also help change priorities towards areas with the highest economic returns.

POLICY IMPLICATIONS

A technology strategy that builds on India's innate strengths seems to be the most appropriate route to follow to meet development and growth objectives. Existing priorities for technology development do not appear to be in consonance with the objectives of the new economic policy. When economic development is used as a criterion for identifying priorities, agriculture, industry, health and forestry appear to have higher priorities.

A strong domestic base is a great asset for competing in global markets. From this perspective the highest priority for India appears to be agricultural technology. The size of the domestic market, the strong R and D infrastructure, and the major impact that even incremental improvements will have on the economy, make an agriculture-oriented approach to

technology inherently attractive. India appears to be competitive in most agricultural products in spite of poorer technology.

Apart from traditional agricultural technology, the methods and techniques of biotechnology offer new commercial possibilities in agriculture. Selection of the right applications of biotechnology appears to be the issue today, not the availability of the technology itself. India's strong biodiversity regime provides a rich genetic base for developing new agricultural products. There is an urgent need to initiate technology development programmes that integrate these capabilities. When compared with other advanced countries, India seems to be lagging behind in many agricultural applications of biotechnology. This is a dangerous trend for a country whose economy is still strongly rooted in agriculture.

There is also a need to assign higher technology priorities to the industrial sector. Technology development programmes here should cover both well established and emerging industries that are likely to have a major domestic impact. Infrastructure industries like the thermal power industry and the telecom industry appear to be particularly important. In the health sector the focus of R and D should be on diseases and ailments relevant to India. Biotechnology applications in identified areas are also very important. If India is to become a major player in the world market, there is a need to concentrate upon technologies that are commercially relevant.

Figure 4 depicts the broad directions along which changes in the funding pattern should take place. This diagram is based on the ranks assigned to the various areas in Table 1. This does assume that economic and market criteria should be the major determinants of priorities.

India also needs to alter the current structure of its R and D activities and make it more market and industry oriented. This requires new links to be forged between government and industry at several levels.

The other important issue is to increase in absolute terms the quantum of resources that go into technology, especially in the identified priority areas of agriculture, industry, health, environment, forestry and environment. Such an approach if feasible could take care of India's economic and development concerns without jeopardising her current national security concerns.

The success of the economic reform programme in making India globally competitive would depend on how effectively these ideas can be translated into pragmatic plans of action that are closely linked to market forces.

Appendix
BASIS FOR PREPARATION OF TABLE 2 AND
FIGURES 2 AND 3

(1) For converting rupees into dollars and vice versa the conversion rate used is Rs30 per dollar.

(2) The basic financial data for the various areas have been compiled from *Expenditure Budget, Volume 2*, for the periods 1988-89 to 1994-95, published and presented to parliament by the government of India. For defence, the allocations have been compiled from the annual reports of the Defence Research and Development Organisation (DRDO) published by the ministry of defence, government of India, for the period 1988-89 to 1993-94. For arriving at the allocations for health, forestry and environment, operational components have been taken out from the budgets of these departments. Only the education, research and technology components have been included. Data from *Research and Development Statistics 1990-91*, published by the department of science and technology, government of India, have been used for cross checking.

(3) The value of Indian defence production is taken from the ministry of defence *Annual Report 1993-94*. World production of arms and world trade in arms are taken from the Stockholm International Peace Research Institute *Yearbook 1994*.

(4) The value of domestic production of atomic power plants is based on the projections given by R Chidambaram in 'Nuclear Power - Good Beginning for the Next Phase', *Hindu Survey of Indian Industry 1993*. According to this, 2,000 MW of nuclear power additions are likely to be commissioned by 2000 AD. This has been distributed over a six-year period with a value of Rs 4 crore per MW.

World projections for atomic energy are from the International Atomic Energy Agency (IAEA) *Yearbook*. Seventy-two reactors with a total capacity of 25,000 MW are expected to be commissioned by the year 2000. This has been converted into an annual value using a cost of \$ 1 million per MW.

(5) To estimate the value of space production, one INSAT II kind of satellite (valued at Rs 300 crore) is assumed. The cost of INSAT II including launch is assessed to be in the vicinity of 280-300 crore. World production and trade figures are from 'Space Industry - the Scene in 1992' which is a summary of Euro-consults' 'World Space Industry Survey, 10 Year Outlook', published in *Space Policy*, August 1993.

(6) The size of the agricultural market is estimated on the basis of personal consumption data from the GNP statistics for 1991-92. World production of agriculture is based on a 9 per cent share for agriculture of the world GDP estimate of 22 trillion

dollars for 1992, taken from *World Development Report, 1993* published by the World Bank. Trade figures for agriculture are 1992 figures taken from *World Trade Statistics* published by GATT, 1993.

The Indian production figure for industry is the value added component for manufacturing for 1991-92 taken from GNP estimates with the values of electronics production (9,700 crore) and drugs (4,500 crore) taken out. The world production value is derived as 40 per cent of world GDP based on *World Development Report 1993*, published by the World Bank. From this figure 750 billion dollars for electronics, 220 billion dollars for drugs, 200 billion dollars for environmental equipment, 661 billion dollars for defence have been taken out, to take care of double counting problems. World trade for industry is taken from *International Trade Statistics* published by GATT, 1993, which estimate this at 2,653 billion dollars. From this, trade in electronics, defence, environmental equipment, space, etc. have been taken out to arrive at the figure shown.

(7) The value of the domestic market for health is derived from consumption data for 1991-92 given in *National Accounts Statistics*. World demand for health services is from 'Investing in Health', *World Development Report 1993*, published by the World Bank. The projected trade is an estimate.

(8) For non-conventional energy, based on a review of available data, annual addition of 50 MW of wind power (Rs 3.5 crore per MW), 2 MW of solar power (at Rs 450 per watt), and about 20 MW of biomass power (at Rs four crore per MW) are assumed to arrive at the value of Indian production. World production figures are from the published literature of the Energy Power Research Institute, US.

(9) Value of Indian production of electronics is from 'Welcome Pickup in Electronics Output', *The Hindu*, May 17, 1993. World production figures are from 'World Electronics Market to Cross \$ 940 Billion', *Business Line*, March 31, 1994. These are based on projections made by the American Electronics Association. This has been interpolated to 1994.

(10) For domestic production the value added component from the forest sector for 1991-92 based on GNP statistics is used. World trade in firewood has been estimated at \$ 7 billion by the World Bank. (See box 6.2, 'The Future for Improved Stoves Programme', *World Development Report 1992, Development and Environment Report*, published by the World Bank.

(11) In view of the fast changes in the biotech area, current data are sketchy. The projections used are based on *The International Handbook of Biotechnology 1988*, published by Euro Monitor

Publications, London. Various available projections appear to be consistent in projecting a market of 50-100 billion dollars by the year 2000.

(12) Value of world and Indian production of environmental services is taken from 'Air Pollution Control Systems - Growing Indigenous Capability', *Hindu Survey of Indian Industry 1993*. For specific requirement for each industry see Table 6.2, p 128, of *World Development Report 1992*. The value of world trade is assumed as 10 per cent of world production.

(13) To arrive at Figures 2 and 3, industry and electronics have been clubbed. Forestry and environment have also been combined. The allocations for science and technology have been apportioned between environment (170 crore) and industry (140 crore). Bio-technology allocations have been distributed equally between agriculture, health and environment. Non-conventional energy has been left out.

Notes

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UNSNA 1993 and Indian National Income Accounting Procedures

Some Emerging Issues

Arun Ghosh

The new UN System of National Accounts 1993 (UNSNA) finalised after several years of deliberation and discussion and now published jointly by five international organisations, is predicated to a particular system – it needs to be looked at carefully by each country and suitably modified in the light of its own institutional framework of economic activity. It is to be hoped (a) that the UNSNA will provoke a debate among experts in this country on some aspects of the definition of 'income' and the 'production boundary' and (b) that the Indian national accounting system will not be changed in undue haste to fall in line with the changes suggested in the UNSNA without regard to the institutional framework of production activity in the country.

THE new UN System of National Accounts (SNA) 1993 was finalised after several years of deliberation and discussion by an international group of experts, and in the light of comments sent by member governments and expert bodies like the Indian Association for Research in Income and Wealth (IARNIW) on a draft set of proposals – especially on the concept of 'income' and on the set of accounts – and finalised in consultation with the IMF (especially in regard to international flows and financial statistics) and the World Bank. The document, now published jointly by five international organisations is supposed to provide the guidelines for member governments for revision of their national accounting systems and for drawing up their own national income and other related accounts in line with the SNA.

Since of late the tendency within the government of India has been to kowtow to any suggestion emanating from international organisations dominated by the west since bodies like the official Advisory Committee on National Accounts no longer have the advantage of advice and guidance from internationally renowned experts like Mani Mukherjee and V M Dandekar, it may be useful to focus on a few salient issues, particularly in relation to the concept of 'income' (and its valuation) and to raise a debate on some relevant issues. Hopefully the Central Statistical Organisation, wherein vital technical decisions are now taken by bureaucrats rather than by technical experts (in the Department of Statistics), will ponder before precipitately accepting the SNA (1993) in its entirety. Be it stated at this juncture that India has so far consistently adopted a system (and definitions) somewhat at variance with the earlier SNA (1968) with good and justifiable reasons.

It should also be stated at the outset that the SNA 1993 has turned out to be a much more reasonable document than the earlier

(somewhat one-sided and haughty) draft proposals (which had evoked a strong critique from the IARNIW). The SNA now accepts the need for flexibility and for somewhat different approaches by member countries as may suit them particularly with reference to their stage of development, the degree of sophistication of instruments of production (especially in the matter of financial instruments) and data availability. The 1993 SNA turns out to be a much more gentle and acceptable document than the earlier overbearing draft proposals circulated among member countries in the late 1980s/early 1990s.

PRODUCTION BOUNDARY

Having said this, a few comments on the concept of income (and the treatment of some institutional sectors) – and in particular the definition of the production boundary – need to be made. But before entering into that discourse, perhaps agreement on a major issue – which I had earlier cropped up during the discussions stage – must be recorded.

The SNA clearly sets at rest the issue of production of services for own use. There was also the problem of valuation of self-consumed goods. Self consumption of commodities is to be treated as within the production boundary; this is clearly an obvious need in a primarily agrarian economy where there is much subsistence production and obviously it would be incorrect to exclude from output, and therefore from the national accounts, the value of foodgrains (and other final products) consumed by the producer household.

There has been considerable debate as to whether 'services' produced and consumed by the household should also similarly figure in the National Accounts. The household chores of a housewife figure prominently in this debate and the SNA (1993) has (perhaps wisely) suggested that *all* services directly

consumed by the producers should be kept out of the production boundary.

This does prevent some problems of comparability between an economy where such services are by and large performed by hired help – wherein these 'services' would be part of the aggregate national output – and an economy where such services are performed in house, say within the family. Perhaps this definition may also irk some women activists who may feel that women's role in the nation is not properly recognised because of this definition. But we must try to understand the purposes for which national accounts are drawn up – and if the major purpose is to obtain data on economic activity in an economy for macroeconomic policy-making, this sharp distinction between self-consumed goods and services would appear to make sense.

VALUATION OF SUBSISTENCE OUTPUT

There does arise however a problem in regard to the valuation of 'subsistence' output of commodities. (Incidentally, construction of dwellings for own use is treated as within the production boundary – even though dwellings provide a service – but let us not enter into that debate here because this has been justifiably so right from SNA 1953.)

What is the problem of valuation in regard to the output of self-consumed commodities? The SNA 1993 suggests the use of 'basic prices' or 'producer prices' (the latter inclusive of taxes *minus* subsidies), whichever may be readily available. The National Accounts Division of the CSO uses 'producer prices' or some approximation of the same – for this purpose though the National Sample Survey (NSS) uses 'retail prices' as available in each area, for estimating the value of self-consumption of food in rural areas. The use of retail prices by the NSS appears to be justified because the NSS

continues its survey round the year, and in the event the value added by 'storage' gets included in the figure of self-consumption over the year. Yet ideally if we could get rural producer prices all year round that may reflect better the value of self-consumed output. Storage imparts a definite value to output. Any seasonal product becomes, economically, a different product at different points of time in the year - this is recognised and, in fact, accepted by the SNA - and thus the use of retail prices in the NSS gets justified as being closer to reality. One can, of course, add that there can be no 'trade margins' for self-consumed output and in any case, self-consumed services are not to be included within the production boundary. Since self-consumed services are not to be included within the production boundary, the use of retail prices could overstate the value of consumption. The issue herein is to what extent do the retail prices used by the NSS include a retail margin? If the margin is not large (in rural India), the problem is one of semantics. How exactly are the retail price data compiled/computed? Perhaps this issue is best left to the Advisory Committee on the NSS so that the valuation of self-consumption of foodgrains can get properly settled. To the extent the NAD estimates self-consumption at producers' prices at harvest time, the value of self-consumption in the national accounts can only be understated, not overstated, by the storage costs (or the difference between producers' prices at harvests and the rest of the year).

In the above context we need to note that the concept of basic prices would not work. It would be impossible to segregate the 'subsidy element' (on electricity on irrigation water on fertilisers) from the producer price of different crops, hence, there is no possibility of use of the 'basic price' (suggested by the SNA). All in all, we have the best *compromise* in the use of producer price in the production account of the National Accounts Statistics (NAS), and the use of retail price for measuring consumption (of self-produced output) in the NSS.

During the discussion stage - as suggested in one of the draft proposals - there was wide support for evaluating the labour spent (in developing countries for collecting fuelwood and water within the production boundary. This had been strongly opposed by the IARNIW because then what is a hardship for the poorest would get reflected as income and consumption (the valuation of such labour being at market prices). Fortunately, this suggestion has been abandoned in the final SNA 1993, only commodities with a market price are evaluated (at the market prices). Incidentally, if the suggestion of evaluating all labour (for

commodity production) were to be accepted, we could have an enormous increase in the (imputed) value of output of the poorest. Indeed, in real life, for a 'marginal farmer', there is a negative profit (*a la* Chayanov's theory of the peasant economy). The value of labour in the present framework becomes irrelevant when we measure all output at producer prices. We are not really evaluating the output in terms of the labour spent (valued at market wage rates), but the output self-consumed by the producer, valued at the producer's selling price.

The above point may appear to be irrelevant in the context of SNA 1993, but is still repeated here because there is nothing inherently sacrosanct about the SNA and some of the proposals in the SNA 1993 still appear to be quite irrelevant in the context of the framework of the Indian economy. Indeed it is worth stressing that if national accounts are to serve any policy purpose, they need to be devised in the context of the institutional framework of the organisation of economic activity in the economy for which national accounts are being drawn up. Concepts and definitions (suggested by the SNA) need to be amended/modulated suitably in this context.

PROBLEM OF ILLEGAL PRODUCTION

The first problematic issue arises from the fact that the system (i.e. SNA) includes the production of *all* goods within the production boundary (emphasis added para 6.24) and despite the obvious practical difficulties in obtaining data on illegal production it is included within the production boundary of the system' (para 6.30).

The problem herein arises from the fact that there are two kinds of 'illegal' production. There is production which is legal, but tax-evaded and therefore done illegally. Clearly every attempt should be made to measure such output, no matter what difficulties of estimation are encountered. But then there is also wholly illegal economic activity (and production) in areas which are (quite justifiably) banned, e.g., the production and sale of narcotics. The SNA recommends that even the latter should be included within the production boundary because one way or the other, funds are being deployed for such production activity, incomes are being generated (and spent on consumption or for capital formation), and exclusion of such activity would then indicate larger funds being deployed on the (smaller volume of) legal production activity.

The latter argument may have some relevance in regard to 'flow of funds' analysis. On the other hand, it is not clear that the funds being deployed in such activity are necessarily part of the 'domestic

monetary circulation' within the country concerned. At any rate, in today's world, there are lots of activities like gun running, terrorism, kidnapping (for extortion of a ransom) which get financed one way or another, but which cannot be conceived by any stretch of imagination to be part of the 'production boundary' within any economy. Let us remember that such services are not 'self-consumed'. Perhaps a distinction needs to be made between tax-evaded or otherwise unauthorised production, and criminal activity which still leads to the generation of an income - maybe a large income - for some criminals. Thefts and robbery can, of course, be dismissed as involving an income transfer (maybe involuntary), but criminal activities of the type mentioned, which directly lead to the generation of incomes, are not activities which the national accounts ought to recognise.

The borderline case is of prostitution which is not 'illegal' in many countries, yet not so far covered in the national income accounts (in India). Like tax-evaded production of commodities, this is a service which, in theory, can justifiably be included within the production boundary. One need not take an ethical/moral view of national accounts. And yet clearly *criminal activities* which are to the detriment of a country, should not perhaps be included within the production boundary. Even though the size or growth of the national income does not indicate, *pari passu*, the growth of welfare, yet the common man continues to view national income growth as a positive indicator of greater welfare. Certainly, there is need for a debate on this issue before the CSO adopts the SNA in this context, for the SNA gives as examples of activities which should be included in the production boundary, "the manufacture and distribution of narcotics, illegal transportation in the form of smuggling" (para 6.32).

VALUATION IN A 'THIN' MARKET

There is a second issue, in regard to the 'valuation' of income from owner-occupied dwellings, where the SNA recommendation does not appear to be valid, at least for the Indian economy. The SNA states that "as well organised markets for rented housing exist in most countries, the output of own account housing can be valued using the same kind of services sold on the market" (para 6.89). This is not only impractical for all rural housing in India, for no 'market' really exists for such housing, there are theoretical problems that arise even in urban areas with a substantial market for rented dwellings.

The problem is, briefly, that in a market which is 'thin', the market price is not the best indicator of an equilibrium price. This

is, in fact, a problem that one is familiar with in an economy with controls, the existence of a high black market price (for a commodity) in a thin black market is no indicator of the equilibrium market price for the commodity, were all controls to be lifted. And yet one keeps on hearing of diverse types of estimates (e.g. of demand) being made on the basis of the black market price for the controlled items in question. One recalls that a few years back the long waiting list for passenger cars vanished overnight with a small increase in availability, and that phenomenon has been observed for many commodities (in temporary short supply).

In short, it is the size of the market for dwelling houses – in relation to the population of dwelling houses – which becomes an important desideratum in a decision concerning the valuation of owner-occupied dwellings. More importantly, in metropolitan areas today, the perks granted to corporate executives make the market price of rented out dwellings excessive. Take away the perks regarding laboursome rentals paid by companies for their executives with a mere 10 per cent of the salary deemed as the additional income for tax purposes, and the rent of dwellings will come tumbling down. The observed rentals are no indicator of the equilibrium market rents of dwellings in urban India.

In other words, one has to examine the ground conditions in each country, examine the appropriateness for a developing country of a suggestion which emanates from the experience of developed countries (where there is a broad, free market for dwellings) before blind acceptance of the system in its entirety.

TREATMENT OF CENTRAL BANK

This last issue is best exemplified in relation to the next – and a major – problem with the SNA, that pertaining to the treatment of the central bank. In our case, the Reserve Bank of India.

This issue is a long-standing one, with a long controversy behind it within India. Perhaps it would be well to elaborate on the issue with a brief historical explanation of the Indian position *vis à vis* the SNA position (all the way from 1953 through 1968 to 1993). The central bank in the SNA is treated as a part of the 'banking sector'. As a result, the net output of a central bank is also treated in the same manner as that of any commercial bank, and there the story ends.

Of course, in every country, the central bank is in charge of monetary policy. But the income of the personnel deployed for laying down monetary policy is minuscule in relation to the total activities (and income) of the banking sector as a whole. So, for the

sake of convenience, in the SNA the tail is not allowed to 'wag' the dog: the net output of the central bank is derived in the same manner as the net output of commercial banks.

Incidentally, the SNA 1953 – devised by Richard Stone – recommends this procedure, and this has been followed by SNA 1968 and now by SNA 1993.

In 1950, when the present writer was preparing the first official estimates of the national income of India (on behalf of the National Income Committee consisting of P. C. Mahalanobis, D. R. Gadgil and V. K. R. Rao, with Simon Kuznets, Richard Stone and J. B. D. Derksen as Advisers), he came to take a slightly different stand. The Reserve Bank of India had at that point of time two departments: the Issue Department and the Banking Department, and the present writer then decided that the Issue Department would be treated at par with government administration, and the Banking Department would be treated at par with the banking sector.

Incidentally, after considerable discussion and an examination of the accounts of the Reserve Bank of India at that point of time, Richard Stone agreed with and approved of the above approach. That was how the Indian national income accounts came to be drawn up for the *First Report of the National Income Committee* in 1951, and that approach is still adopted for drawing up India's national accounts.

Time does not stand still. Over time, the activities of the Issue and Banking Departments of the RBI have overlapped (in the sense of financing the deficits of the government of India), and the profits of the RBI have soared as a result of the large borrowings of the GOI from the RBI. The moot question that arises is: are the profits of the Reserve Bank commercial profits, or are they of the nature of savings extracted by government from the people of this country?

Came the K. N. Raj Committee in the late 70s (*vide Report of the Working Group on Savings in India*, 1982) and the economists (particularly from the Reserve Bank of India) in that committee argued forcefully for a change in the Indian system of accounts, and for treating the RBI as a part of the banking sector. It is an understandable human weakness: this desire of RBI officials to show the RBI as making large, commercial profits, and after all, they have the backing of the SNA! No one today cares that Richard Stone, who devised the first SNA, agreed that a different treatment of the central bank was justified for India. The then Advisory Committee on National Accounts – of which the late V. M. Dandekar was the chairman and Mani Mukherjee a member – rejected the recommendation of the Raj Committee

on this issue. In fact, it was then suggested (by the present writer) that of the eight or nine clearly specified functions of the Reserve Bank, three were clearly of the nature of banking or commercial activity (bills discounting, accepting/operating deposit accounts of state governments et al, and at present perhaps also forward trading in foreign exchange, though the last function is a problematic one), while all the other activities were clearly 'administrative'. It was then suggested (by the present writer) that the RBI prepare a break-up of total salaries and perks of the personnel deputed for these tasks as a proportion of the salaries and perks of total personnel, and then classify the income of the RBI from the expenditure side. (A better alternative would be to look at the income side directly from this angle, the RBI may become almost wholly of the nature of government administration for the income from bills discounting is minuscule, and exchange management ends up in a loss, with large profits arising from the interest on GOI securities arising from the deficit financing indulged in by the GOI.)

When, for example, the RBI governor decides on monetary policy, curbs, how is he any different from the finance minister of India who decides on policy questions? At any rate, looking at the income side, perhaps 99 per cent of RBI income arises from the deficit financing of the centre.

I look at it this way: Suppose the government of India were to issue all currency notes from Rs 10 to Rs 1,000 denomination – directly, would there be any assets of the RBI (other than foreign exchange assets, which are also held on behalf of the government)? And what would then be the income/profits of the RBI? Would the income from bills discounted, etc., exceed the losses on forward exchange risks? Indeed, would RBI have even the funds to engage in large-scale open market operations, which it has to undertake for policy reasons? With losses on these operations rather than profits?

Today, the operations of the Issue and Banking Departments do overlap. The present NAD classification of RBI accounts is therefore economically incorrect. The financing of central government deficits is really managed by the Banking Department as of today. So the earlier NAD distinction between the Issue and Banking Department – and treating the former as Administration and the latter as commercial activity – is no longer valid. But would it be correct to treat the RBI as a commercial entity? Would it be proper to define RBI surpluses as 'enterprise profits'?

Perhaps one ought to quote some figures from the Annual Report of the Reserve Bank of India for 1994-95 (July-June), in the above context. The report cheerfully lumps together all income from interest and from

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discount and exchange commissions, etc. Total interest (and other) income in the year ended June 1995 was Rs 9,222 crore. Of this, Rs 1,503 crore were transferred to Contingency Reserve. Interest payments to scheduled banks were Rs 2,864 crore, payment to government (for payment to the IMF) amounted to Rs 2,151 crore. Establishment costs were Rs 514 crore, and diverse other costs Rs 488 crore. The net disposable income of the RBI in 1994-95 – after all costs and transfer to Contingency Reserve – was Rs 3,562 crore. The surplus transferred to government was Rs 3,558 crore, out of which Rs 2,058 crore was to go towards meeting the losses on Foreign Currency Non Resident Account (FCNRA) incurred by the government (for compensating commercial banks).

Regrettably, the Income Statement gives no break-up of interest income from rupee securities and income from discounting business and from exchange commissions. But can one imagine a profit of Rs 3,562 crore (plus the transfer to Contingency Reserve of Rs 1,503 crore, or a total of Rs 5,065 crore) as commercial profits of the Reserve Bank?

Incidentally the government incurred a loss of Rs 2,058 on the FCNRA account that is *not* a commercial loss, but a loss incurred because of a policy decision. In short, the RBI is essentially like a tail of the government of India: the RBI profits are *not* enterprise profits; they are savings eked out from the economy *via* deficit financing. The RBI merely provides the operating mechanism for the process.

One may legitimately ask as to why this point has been laboured in such detail. The reason is simple: there has been enormous pressure in the past for the CSO to toe the SNA line in this regard and to treat the RBI as part of the commercial banking sector. With the present thrust for globalisation, the bureaucrats calling the shots in the CSO may find it convenient to switch over to the SNA 1993 in regard to the treatment of the RBI. That may tickle the ego of RBI economists, that the Bank has made such large *profits*. But it would be an unfortunate decision, a wrong decision, an economically unjustifiable decision.

One should perhaps add, in the same vein, that the losses of the Food Corporation of India are *not* a commercial loss, they are losses incurred for a policy purpose, as such they ought to be classified as a subsidy. RBI profits and FCI losses are both outside the ambit of enterprise profits/losses. (One is not concerned here with the supposed efficiency/inefficiency of FCI, by that criterion, *all* inefficient enterprises – and they are aplenty in all countries – would have to be specially treated, as involving a 'subsidy' rather than as showing operating losses. By

the same token, government administration also provides a large variety of public services; however *by convention* the net output of Government Administration is taken as equal to the wages and salaries paid by the government. Should *these* services be treated in a manner different from present conventions? In short, national accounts are based on certain conventions but then we should endeavour to keep the estimates of the GDP as close to reality as possible. The institutional framework of the economy must be kept in mind in this context.

VALUATION OF INVENTORIES

There arise certain other, more subtle problems with the SNA 1993. Take the statement that for 'a good whose quality improves while being stored (e.g. wine) storage can be regarded as work in progress' (para 6.107). Conceptually, this is fine but such refinements can distract attention of national accounts statisticians from more important problems of data collection, verification and validation. As a matter of fact, this point is of some importance for developing countries: subtle refinements – recommended by the SNA – do divert attention from more urgent tasks, and where there is a constant flow of aged wines, one can take their sales, adjusted for inventory changes, as the output. Storage costs get deducted as a part of costs, and as value added by storage. Since there exist standard procedures for the valuation of inventories, the problem is thus got rid of, without going into the subtleties suggested. Since storage – especially of wines – can be quite costly and a future value of vintage wines today can be quite misleading, the difference between the present value (when the wine is not marketed at all) and likely future value can be a misleading concept. 'Value' arises when the wine is sold, and the circumstances of demand and supply say five to ten years from today, are wholly unpredictable. Since the *quality* of wines varies greatly not only with age but also with the *year* the wine is produced *and* the vineyard, the refinement suggested can be misleading. A good wine-maker never markets any but aged wines, and market prices of wines also vary significantly over time. Thus a procedure which is valid for, say, equipment manufacture, cannot be applied for a good whose quality improves with storage' and where the value keeps changing depending on market perceptions, demand for vintage wines and the supply of alternative wines. The valuation of 'wines' is best attempted on the basis of market price, when marketed, subtle refinements may lead us into a maze.

The above has been laboured because, while the SNA is quite correct when it states,

for agricultural produce that "goods withdrawn from storage some months after the crop is harvested are economically different from those that entered" (*vide*, para 6.108) the answer lies in evaluating each good as it is marketed (to the extent possible) and in avoiding wholly *arbitrary* allocations of value added in respect of work in progress. Again this point is being laboured merely to warn statisticians of developing countries that they need to set their own priorities of data collection and analysis and not get overruled by interesting issues that arise for say wine makers from France, Italy and the Iberian peninsula.

HOLDING GAINS

A much more important issue – both in theory and in regard to policy uses of national accounts – arises in the context of holding gains, which of late have been assuming increasing importance in all countries, owing to the proliferation of speculative finance capital around the world. There arises of course the tricky practical problem of calculating real holding gains: that is, nominal holding gains adjusted for inflation. What price index does one use for deflating nominal holding gains? The SNA 1993 recommends the use of an index of the *general price level* and in the absence of such a ready-made index the retail consumer price index. The issue is tricky. When the holding gain arises in respect of a capital asset (for purposes of revaluing, say, equipment) one should use the index of the price for that particular equipment; that, in principle, is the basis of revaluation of assets by corporate manufacturing entities. One can therefore distinguish between three types of assets: directly productive assets, inventories and financial assets, all of which can be subject to holding gains' and while the revaluation of inventories is straightforward and easy, the revaluation of durable assets is tricky yet still reasonably easier: it is the revaluation of financial assets which calls for special mechanisms like the use of an index of the general price level or in the alternative the use of the retail price index.

But there arise some other conceptual problems in this context. 'Holding gains' arise very significantly in the course of trading operations. But can one really segregate, for pure trade, holding gains from normal trading profits? In particular, how does the national accounts statistician deflate trading margins (or trading incomes, which are very approximately estimated anyway)? There is no doubt that a substantial part of trading profits does arise, in the real world, as a result of 'holding gains', but it is also the trader's job to hold inventories, and to distribute products to consumers, and the

traders sometimes makes monopoly profits' in times of scarcity (offset by losses when there is a depression in consumer demand) and sometimes holding gains which arise from inflation. Is it possible to distinguish between monopoly profits and holding gains? Since, as per national accounts, the market price reflects the real product at each point of time, the value of the product (for national accounts purposes) can at best attempt to track deflator (for trading incomes) based on the rate of overall inflation and the aggregate trading income at current prices. But then to derive real income growth one deflates in any case, so how does one separately convert nominal holding gains in the trading sector into real holding gains? In practice, this could turn out to be a delusion.

REAL AND NOMINAL GAINS

There arises yet another set of issues. The concept of holding gains appears to be simple, yet the calculation of real holding gains (adjusted for inflation) can be very tricky. As the SNA correctly observes, *It cannot be assumed that real gains and losses cancel each other out even in a closed economy*, as it is possible that asset owners benefit at the expense of units that do not own any (emphasis added para 12.80). This implies that a set of producers reap holding gains (in real terms) at the expense of consumers (or say stock brokers gain at the expense of ordinary shareholders). This leads to a transfer of real purchasing power from one group of persons to another, which is extremely difficult to trace from the accounts of all producing agencies. These lead to *income changes* among sectors/segments of the population.

Unfortunately the SNA 1993 leaves this issue inconclusive. There is no clear cut recommendation in regard to the treatment of holding gains as part of income. In fact, the *unplanned* suggestion appears to be to transfer all holding gains to the assets account (in practice the revaluation account for there can be no real asset formation except out of current income). The SNA acknowledges that real holding gains are important economic variables in their own right that need to be taken into account as well as income for purposes of analysing consumption or capital formation. The SNA goes on to add 'it can be argued that real holding gains ought to be assimilated with income as defined in the system to obtain a more comprehensive measure of income but there is no consensus on this' (emphasis added para 12.81).

Let us look at the problem this way. Nominal holding gains (i.e. holding gains unadjusted for inflation) are becoming increasingly more important in every economy in fact if the volume of transactions

in the stock exchanges is any guide, the recent trend among many investors appears to be to shift from making a steady income to making quick capital gains. Such capital gains do affect incomes, consumption, savings and deployment of savings, (either to capital formation or to speculation). The SNA has focused on the importance of measuring illegal incomes for correctly allocating the deployment of funds in an economy and is of today *nominal capital gains are becoming increasingly more important in determining income consumption and the deployment of funds* in respect of an ever growing number of the urban middle classes. Thus the calculation of nominal holding gains of one segment of the population (against nominal holding losses of another segment) becomes an important task of the national accounts statistician. The computation of real holding gains bristles with difficulties because the concept of the *general price level* is elusive and perhaps even the retail price index is not relevant in this context. But the SNA focuses on only 'real holding gains' and not on nominal holding gains, and it is suggested that the latter ought to concern the national accounts statistician for holding gains are today important, and getting to be increasingly so.

Holding gains ought, it is felt to be, classified as part of income (and holding losses deducted from income) when we estimate GDP at current prices in order to reflect the resource flows and the distribution of real output in the economy. A large part of the income of 'brokers' today arises not from brokerage fees but from holding gains. And 'holding gains' become important for both enterprise and for trade during inflation. It would be an error to miss out on this important development in India today.

MARKET FITTISH

Two further points are in order. First, in regard to debt transactions, the SNA has this to say: write downs that reflect the actual market values of financial assets should be accounted for in the revaluation account. However, write-downs/write-offs that are imposed solely to meet regulatory or supervisory requirements and do not reflect the actual market value of those financial assets should not be recorded in the SNA (para 11.23). The second sentence in the above quotation is intriguing. A write down (of bad debts) imposed by a regulatory authority (say on a bank) is *normally* taken care of in the profit and loss account and therefore affects the balance sheet only indirectly. And in most countries the market for the equity of banks (most of which in India are state owned) is not well developed.

It is this fetish with the market system which occasions this recommendation, and in the event of an *enforced* write down of capital (whatever the reason) due note should be taken of the fact in the assets revaluation account.

Finally the SNA has recommended that consumption of fixed capital should not include losses due to unexpected technological developments that may significantly shorten the service lives of a group of existing fixed assets' (para 6.187). This recommendation is inconsistent with the very concept of the GDP in a market economy (especially in a world of rapidly changing technology and higher obsolescence). Indeed this recommendation is inconsistent with the recommendation of the Perpetual Inventory Method (PIM) for the calculation of capital consumption in the SNA. In information technology for instance, the life of a new invention/innovation may today be only between three to five years, though one may have started a project expecting a 10 year life. Capital in market economy is what capital does, and the value of capital at any point of time is the (discounted) value of future streams of income expected from capital at any point of time. (In fact the entire basis of the revaluation of capital under the PIM is this principle.) Hence this particular recommendation of SNA 1993 appears to be inconsistent with its own approach in regard to the valuation of capital.

To conclude the brief point one should emphasise is that the UNSNA is a *suggested framework*; indeed the SNA acknowledges that at best it represents a stage in the evolution of national accounting, and that 'however simple and precise concepts and classifications may appear in principle, there are inevitably difficult borderline cases which cannot easily be fitted into predetermined categories' (para 1.48). The SNA is predicated to a particular system; it needs to be looked at carefully by each country and suitably modified in the light of the *Institutional framework of economic activity* in each country.

This essay concludes with the hope that (a) it would provoke a debate and a discussion among experts in this country on some aspects of the definition of 'income' or the production boundary in SNA 1993 and (b) that the Indian national accounting system – on which technical decisions will finally be taken by the government that is by some bureaucrats – would not be changed in undue haste to fall in line with all the changes suggested in SNA 1993 without regard to the institutional framework of production activity in India. There is always that danger when technical recommendations are packaged in a document emanating from international organisations.

Conservation in India: A New Direction

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Saloni Suri
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The ongoing debate about the justification, planning and management of India's wildlife protected areas between the wildlife conservationists and human rights advocates overlooks the fact that both wildlife and local communities are today equally threatened and have a common adversary in elitist state policies and the urban industrial development process. This article argues that a reconciliation between the two is possible if local communities and government agencies evolve a partnership in conserving the habitats with critical support from NGOs and independent researchers.

Don't the wild animals (and plants) have a right to at least a small part (4 per cent) of the country as their exclusive home undisturbed by humans?

S. Singh (1994)

A poor country like ours cannot afford the luxury of keeping thousands of square kilometres of land under forests and wildlife sanctuaries at the cost of millions of people.

M. D. Mistry (1995)

THE starkly contrasting statements above represent an increasingly bitter debate about the justification, planning, and management of India's wildlife protected areas. On one side are forest officers, urban conservationists, wildlife ecologists, and on the other side social activists, local community representatives, human rights advocates. As the wildlife versus people debate rages, what seems to be lost to the extreme elements on both sides is the fact that both wildlife and local communities are today more threatened than ever before, that they in fact have a common adversary in elitist state policies and the urban industrial development process, and that only a reconciliation between the two will be able to counter this adversary. It is this reconciliation that some conservationists and social activists on both sides are trying to seek, and which we propose to explore below in the specific context of habitats protected for wildlife.

India has an extensive network of about 500 national parks and sanctuaries, covering some 4.3 per cent of its territory. Though a small percentage, these areas are today the hub of what little is left of the country's natural habitats and wildlife. They are also home to some of India's most traditional communities. Finally, they are also the repositories of some of the country's most valuable forest products, minerals, and other resources which our rapidly expanding industrial-urban economy needs. These protected areas (PAs) thus mean different things to different people, and therein lies

the locus of a simmering cauldron of conflicts.

In PA after PA, a variety of issues has surfaced over the last few years, including conflicts between villagers and government, between villagers and commercial forces, and between conservationists and commercial forces. In places, local communities are totally rejecting the official concept of protected areas and are even willing to sacrifice the forests and wildlife for immediate gains; in others, they are struggling to conserve these habitats along with government officers, with the recognition that only this will secure their own long-term livelihood; in yet others, they are themselves protecting habitats with an explicit rejection of any government involvement, and finally in some, bold forest officers and NGOs are standing in the way of destructive commercial interests.

Any generalisation of the PA situation in India is hazardous. Some brief examples will illustrate the complex reality. (i) In the early 1990s, Gujarat deserved the Narayan Sarovar Sanctuary to make way for limestone mining and a cement factory. The sanctuary had been declared two decades ago by the same state government to protect one of the last large stretches of coastal scrub habitat and a large population of the threatened Indian gazelle, *Gazella gazella*. But while there was immediate protest from conservation NGOs in India, a substantial number of villagers came out in support of the denotification. Their argument: the sanctuary status had only meant restrictions on their access to resources, and the forest department, which manages the area, had done nothing for them. Industrialists were bringing them promises of jobs, 'why were conservationists standing in the way?' (ii) In the same state, tribals have been demanding the denotification of Shoolpaneshwar Sanctuary, where forest officials were harassing the villagers for collecting traditional forest produce, while simultane-

ously allowing a paper mill to harvest large numbers of bamboo! The tribals argue that the sanctuary only means trouble for them and in any case does not help in conserving wildlife, since commercial interests and outside poachers are allowed in. (iii) In and around the Sariska Tiger Reserve, Rajasthan, mining companies had come in with promises of employment to villagers. However, Sariska's villagers soon realised that the mining was only enriching the contractors and owners, employing very few local people, while destroying their forests, fields, and waterways. Tired of the inability of the government to stop the mining, the villagers obtained a court order to close down the mines and got it implemented by physically blocking the mine owners' operations. Interestingly, their motives were not purely selfish; they repeatedly said that they were also fighting for the continued existence of the tiger and its habitat. (iv) Close by, in the Kaila Devi Sanctuary, part of the world-famous Ranthambhore Tiger Reserve, there is a collaboration building up between forest authorities and villagers. According to the divisional forest officer in charge, the sanctuary is today protected mainly because the pastoralist villages inside have fought against illegal mining and are helping to keep out huge populations of migrant sheep which were earlier devastating the vegetation. In turn, the forest department has given control over some forest land to the villagers to develop as pastures. (v) Also in Rajasthan, inhabitants of five villages have declared 1,200 hectares of forest as the Bhamodev Dakav Sonchuri, promulgated their own set of rules and regulations, and are zealously protecting the area against any outside encroachments. Violations are dealt with by village councils, which have appointed a sonchuri warden. They proudly say that there are two leopards in the forest and are going to start an annual census of wild animals. Interestingly, one of their rules

disallows an overall growth in the livestock population (vi) In the rainforest tracts of Maharashtra, forest officers and local NGOs have kept out bauxite mining interests from the Radhanagar Sanctuary, by tactics such as digging up the road leading to the mining site! This resistance has so far been successful even in the face of extreme political pressure to start the mining (vii) In Orissa some local politicians and NGOs have stalled government plans to build a hotel complex in coastal Balukhand Sanctuary and fishing jetties for trawling adjacent to the Bhitarkanika Sanctuary which harbours the world's largest nesting congregation of the endangered Olive Ridley turtle Delhi based lawyers are providing legal support

The above examples are only a tiny sample of the crises and opportunities facing wildlife habitats in India. Though examples like Kaila Devi and Radhanagar shine out, collaboration in conservation is still a relatively rare story across the Indian countryside. The more frequent tale is that of people-wildlife and people-state conflict.

Current conservation policies and programmes in India do not seem to have solutions to these conflicts; indeed as we argue below, they have often created the conflicts. It is in this difficult context that conservationists, social activists, and government officials are groping for answers, before India's remaining natural habitats reach a stage of irreversible destruction.

INDIA'S THREATENED DIVERSITY

India has a combination of natural and cultural diversity which is matched by few other nations. The world's greatest range of altitude, rainfall, and geological conditions has given rise to an enormous diversity of forest, grassland, wetland, desert, montane and marine ecosystems. This habitat diversity supports a recorded figure of 81,000 animal species and 45,000 plant species [MoEF 1994], and possibly several times more yet undiscovered. India also has a culturally diverse population of over 900 million, with 4,635 distinct ethnic communities, 325 languages belonging to 12 language families, six 'major' religions and dozens of smaller independent faiths, three racially distinct resident populations and ways of life ranging from ancient hunter-gatherer to modern urbanism [Singh 1992].

This complex juxtaposition of biological and cultural diversity is no coincidence; the latter has arisen as a human adaptation to the former, and has in turn nurtured it. The widespread traditional practices of protecting patches of natural habitat ('sacred groves') and certain species, the myriad myths and

folklore representing animals and plants as ancestors and totems, lifestyles which were incredibly fine-tuned to the rhythms and limits of their natural surrounds, hunting practices which respected nature's limits: in all these and other ways local communities have expressed a profound understanding of their relations with nature [IIC 1992, Gadgil, Berkes and Folke 1993, Deeney and Fernandes 1992].

A whole host of factors have, however, led to a sharp decline in both biological and cultural diversity over the last few decades. What was once a relatively harmonious relationship between local communities and wildlife has soured due to forces external to both. The dominant elite in India has conventionally viewed such communities, their homelands and the wildlife inhabiting these homelands as resources to be subjugated and exploited. Declining local community control over natural resources (e.g. the takeover of forests by British colonialists), the commercialisation of these resources for the market, an unsustainable development process, and increasing population of humans and livestock, are major destructive factors.

Traditional customs, lifestyles and conservation ethics of people, are being broken by exposure to the so-called mainstream which teaches them that unless they have material wealth, they are backward and primitive. This 'integration' into the mainstream has more often than not meant a place in the lowest rungs of society, usually as wage labour in the very development projects which have dispossessed them in the first place. All over India, the local community has been transformed from a relatively (though by no means as completely as made out by some romantics) independent, self-reliant and self-determining entity to one dependent on the vagaries of money markets, labour contractors and governments [Fernandes 1992, Sharma 1989].

The consequences of these forces have been disastrous for India's wild biodiversity as well. Over half of India's natural forests are gone, one-third its wetlands drained out, 70 per cent of its surface water bodies polluted, 40 per cent of its mangroves wiped out, and most of its grasslands converted to fields or built over [IIPA forthcoming]. Literally thousands of species of plants and animals are heading towards extinction in India, no-one has a clear estimate, but official sources suggest that about 10 per cent of the flowering plants, 21 per cent of its mammals, and about 5 per cent of its birds are on this list [MoEF 1994, ZSI 1994].

Mammals like the Cheetah *Acinonyx jubatus*, birds like the Pink-headed duck *Rhodonessa caryophyllacea*, and plants like *Madhuca insignis* (a wild relative of mahua, one of central India's most widely used trees) have already been pushed over the brink [ZSI 1994, Nayar and Sastry 1990].

HISTORY OF INDIA'S WILDLIFE RESERVES

It was in the context of this rapid decline in wildlife populations over the last few decades, that conservationists called for a national wildlife protection programme in the 1960s and 1970s. The thrust was towards protecting remaining populations of certain endangered species by banning hunting, giving legal protection to their habitats and restricting trade in wildlife. The Indian Wildlife (Protection) Act (hereafter referred to as WLPA) was promulgated in 1972, with various provisions for protecting habitats and an all-India list of protected species. There followed a virtual spate of declarations of new national parks and sanctuaries, the total increasing from 131 in 1975 to 496 today [Jena 1993, MoEF 1994].

This recent state-led effort at wildlife conservation has its predecessor in sporadic attempts by previous rulers of the country. Emperor Ashoka was the first to specifically protect wildlife by law, back in the 3rd century BC. Several Muslim and Hindu rulers created hunting reserves for their own use [Stracey 1963]; many of these were later to become independent India's national parks or sanctuaries. During the British colonial period, the Indian forest service was set up (1865) and an elaborate system of reserved and protected forests was established (1878) [Tucker 1988, Tucker and Richards 1983], partly for conservation purposes, and partly to reserve areas for commercial forestry. The country's first specific wildlife protection law, the Madras Wild Elephant Preservation Act, was passed in 1873 [Stracey 1963].

Agencies outside the government were also at this time becoming vocal about conservation, amongst the first being the Nilgiri Game Association, founded in 1879, and the Bombay Natural History Society (BNHS) set up in 1883. These and other provincial organisations were instrumental in the promulgation of the Wild Birds and Animals Protection Act of 1887, a precursor to the current WLPA [Stracey 1963], along with groups like World Wildlife Fund (now World Wide Fund for Nature), they have continued to be highly influential in the development of wildlife programmes (such as Project Tiger) well up to recent times.

The increased availability of firearms after first world war led to a rise in hunting,

prompting renewed concern about the fate of several species simultaneously, the realisation that entire habitats were threatened led to the establishment of the National Parks Act in 1934, and the creation of India's first national park, Corbett (then Hailey National Park) [Tucker 1991]. Events related to second world war saw a greatly heightened attack on wildlife habitats, so that as soon as India gained independence there was considerable pressure from naturalists to take urgent conservation steps. India's first prime minister Jawaharlal Nehru himself a keen naturalist set up the Indian Board for Wildlife (IBWL) in 1952. The IBWL is today the main advisory body to the government on wildlife conservation.

But the most important step was to come only in 1972 when the WLPA was promulgated and extended to all the states of the country. A series of national programmes notably Project Tiger were also launched towards the protection of specific habitats and threatened species. State governments rapidly expanded their network of PAs under the WLPA.

This network of about 500 PAs has helped to conserve a significant part of India's biodiversity including a wide diversity of habitats and species. The factors causing biodiversity loss would have gobbled up these areas too if it were not for the protection given. Several examples come to mind: the Marine National Park in the gulf of Kutch fighting what is so far a successful battle against a proposed Reliance Industries refinery; Balukhand Sanctuary in Orissa standing in the way of a luxury hotel complex; Bhittarkanika Sanctuary also in Orissa, resisting attempts to build fishing jetties and introduce trawlers. In addition, the legal protection given to threatened species has also helped in their recovery: we have no doubt that in the absence of the WLPA, and of associated programmes, the one horned rhinoceros *Rhinoceros unicornis*, the Asiatic lion *Panthera leo persica*, the swamp deer *Cervus duvauceli*, the brow-antlered deer *Cervus eldi*, and dozens of other species would have joined the Cheetah on the list of extinct animals.

PROTECTING WILDLIFE FROM PEOPLE?

But that is only one side of the story. Contrary to the conventional middleclass image of PAs as pristine habitats untouched by human hands, the majority of India's PAs have human communities dependent on their resources for sustenance and livelihood. A national survey done in the late 1980s (hereafter referred to as the 'IIPA study') revealed that 69 per cent of surveyed PAs

had human population living inside, and 64 per cent had community rights leases or concessions inside them [Kothari et al 1989]. The most common activity inside was grazing present in 69 per cent of the surveyed PAs while 57 per cent had collection of non-timber forest produce. A rough extrapolation of available data from the same survey reveals that there are at least three million people living inside PAs.

The declaration of PAs and the imposition of regulations under the WLPA was almost always done without consultation with these communities and resulted in their rights being terminated or abridged, or access to basic resources being cut off without adequate provision of alternatives. An analysis of the genesis and history of the official conservation effort in India reveals several influences which led to such neglect (though we are not of the opinion expressed by some activists and academics, that official conservation measures were another *deliberate* attempt by the rich to dispossess the poor): (i) One of the primary motivations for the creation of PAs in the princely states and for the promulgation of certain regulations in the British period was a concern about the depleting populations of 'useful' animals: those which were favourite hunting targets or those which could be put to productive use (e.g. elephants used extensively by the British in forestry operations). PAs like Ranganthittu set up solely to protect birds for their own sake rather than for hunting [Lal et al 1994] were exceptions. But whether it was concern regarding depletion of 'game' or ethical motivations, this concern did not extend to the dependence of the local communities on these species or their habitat. Indeed rulers very often held such communities responsible for species decline and so kept them out as far as possible. As stated above, many of the royal hunting reserves were the ones later converted to national parks and sanctuaries complete with the legacy of shutting them off to local people. (ii) The main actors in the official conservation process during the British period were princes, British officials or naturalists, their Indian collaborators or counterparts, big game hunters, and/or other members of the Indian or colonial elite [Tucker 1991]. Most of these individuals were alienated from the vast majority of Indians, and especially ignorant, if not disdainful, of village society. While some of them recognised the ecological knowledge and related practices of local communities (and indeed, as hunters or naturalists, used this knowledge), the majority of them were dismissive of traditional systems. Indigenous

practices of forest management, hunting and trapping and conservation were marginalised indeed, in their bid to establish physical and moral control the British tried to delegitimise tribal or non-tribal peasant practices as being reckless and destructive [Rangarajan forthcoming].

In actuality, most such practices were far from reckless (except when combined with externally imposed inputs like modern fire-arms). These beliefs and knowledge/practice systems were unfortunately bypassed in official conservation efforts and local communities were never considered critical elements in conservation planning.

It is doubtful that the change from British to Indian bureaucracy managing forests and wildlife brought in much greater sensitivity to local community interests. It may be instructive to do an analysis of the composition of the Indian board for wildlife since its inception up to the present stage. We have no doubt that it would overwhelmingly consist of the ruling elites, and that there would be virtually no representative of local communities. The assumption was that wildlife conservation and habitat management were the prerogative of naturalists, formal ecologists and foresters, and that modern biological science was all that was needed for the task. This is probably still the case even though it has become abundantly clear that socio-political factors are equally critical inputs in habitat conservation and management and that traditional knowledge can play as vital a role as modern science. (iii) A considerable part of the influence of Indian wildlife policy and programmes came from the west: this included not just the British present in India, but also interaction with western conservationists at forums such as the series of conferences held in the early part of this century [Stracey 1963, Tucker 1991]. The model which in the late 19th century and early 20th century was being applied in the colonial tracts of Africa was also imported to India: the essential feature of this was the closure of natural habitats to human populations. There was very little attempt to assess the suitability of such a model to Indian ecological or social conditions. As an example, the concept of national parks originated in the US (which set up Yellowstone in 1872): a large area where 'one or several ecosystems are not materially altered by human exploitation and occupation' and where the 'highest competent authority of the country has taken steps to prevent or eliminate as soon as possible exploitation or occupation in the whole area' [West 1991]. In India, this

concept was in many cases applied to areas with resident populations the IIPAPA study showed that 18 (56 per cent) of 32 national parks surveyed had people living inside them [Kothari et al 1989]

PLANNING AS SOURCE OF CONFLICT

A considerable number of individuals who have influenced conservation policy since the latter part of the 19th century have been naturalists and biologists of exceptional merit. The British period threw up many dedicated persons, both foreign and Indian who added substantially to the formal knowledge of India's wildlife and natural habitats a trend which continued after independence. Unfortunately however even from a purely scientific point of view the actual creation of national parks and sanctuaries in India has often been highly irrational at times ignoring even available expertise. This in turn has added to the situation of conflict in these areas.

Planning a PA network involves an assessment of areas and species which are critical for conservation the major natural and human factors influencing or threatening them and the conservation strategies and institutions needed.

Conservation planning in India has been deficient in all these respects. Informally and sporadically an assessment of areas and species which need conservation measures has been made by conservationists or state government officials but no comprehensive national survey on this existed till the late 1980s. Recently the Wildlife Institute of India conducted a pathbreaking study in identifying ecologically representative habitats which needed PA status [Rodgers and Panwar 1988], but it was unable to look at the human factor in these areas. The IIPAPA study was conducted in the mid 1980s [Kothari et al 1989] but was largely based on governmental data which can often be notoriously inaccurate. In any case even this study has remained largely ignored in actual PA network planning as parks and sanctuaries continue to be set up and managed in an arbitrary manner.

Examples of irrationality in planning and of how this results in avoidable conflicts are plentiful. As mentioned above many PAs in the country contain human populations inside them, in many cases there is little possibility of shifting these people out even if this was socially acceptable given the intense land pressures in surrounding areas and the lack of governmental resources. A number of these areas also have limited ecological value with highly degraded ecosystems. The Bannerghatta National Park in Karnataka is an example. The Nargu Wildlife

Sanctuary in Himachal Pradesh has 170 villages concentrated on the western side [Singh et al 1990]. This side has little forest left however the eastern more hilly side has wildlife value and adjoins forests which for some administrative reason have not been included in the sanctuary. The daily conflicts which come up on the western side could easily have been avoided if the sanctuary boundaries had been based more on ecological grounds than on administrative considerations.

Other conflicts are created because of irrational assignment of a particular PA category to an area. Under the WLPA two categories of PAs are possible national parks and sanctuaries. The former is by law more strictly protected allowing virtually no human activity except that which can be defined to be in the interests of wildlife. In sanctuaries there is scope for traditional resource collection had land-based production activities to continue, though this is left to the discretion of the wildlife and civic authorities. There are several examples of areas having been declared national parks with human populations inside only to be followed by the park authorities tying themselves up into legal knots when they find that they cannot evict these populations. As an example there is currently a controversy raging about Nagarhole National Park in Karnataka. This park has 54 tribal settlements with a population of about 6 000 [I et al 1994], and for a long time now the forest department has been in two minds about whether to resettle them (as dictated by the WLPA). The tribals are naturally resisting displacement stressing that they have a right to the area, and that they can in fact be central actors in its conservation. Again the conflict could have been minimised if the inhabited part of Nagarhole had been declared a sanctuary or some other conservation category selected in consultation with the resident tribals. Suggestions to convert it to a sanctuary now are being resisted by the forest department and some conservationists as it would appear to lower the legal status, though in the case of the Great Himalayan National Park, such a change has been accepted (V Sankaran Indian Institute of Public Administration personal communication).

Another well known example illustrates that decisions about PA status are often taken not only ignoring human factors, but are also often scientifically unsound. The Keoladeo National Park better known all over the world as Bharatpur bird reserve, is a small wetland harbouring over 350 species of birds. It is partly artificial filling up with

the waters released from a nearby irrigation project. In 1980, its status as a sanctuary was upgraded to that of a national park, and almost immediately after, grazing was banned. In one of the worst incidents of conflict which followed, seven villagers were killed protesting against this ban [Prasad and Dhawan 1982]. Ironically, a long-term study by the Bombay Natural History Society showed that buffalo grazing was an integral part of the ecosystem, helping to counter the tendency of the wetland to turn into a grassland [Vijayan 1991]. Its ban had adversely affected the wetland. In desperation, the Park authorities have now had to allow grass-cutting by the villagers.

The decision to ban grazing was taken because it was assumed that grazing must be damaging the ecosystem, and because the WLPA does not allow grazing inside national parks. Similar assumptions are also made regarding other traditional resource uses, even though there is evidence from the Amazon rainforest and the African savannah [Colchester 1994]. Himalayan pastures [Hans Raj Negi Indian Institute of Science and Saberwal, forthcoming] and India's western ghats (Utkarsh Ghate, Indian Institute of Science) that diversity may not be reduced by many such uses and may in fact be locally enhanced (though such results are not generalisable to all uses and all ecosystems). Ironically, some conservationists who hold all local community activities to be inimical to PA conservation nevertheless are willing to allow eco tourism into the same PAs [Singh 1994].

A convoluted process in which the legal status rather than the conservation priorities and levels of human dependence determines what human activity can and cannot be allowed has created conflict in many areas. Thus, in the core zone of Manas Tiger Reserve, the forest department burns thatch grass as a management measure, but does not allow local people to harvest it in a regulated manner for construction and fodder as that is not considered permissible in a national park [Gadgil and Joshi 1994].

Decisions to restrict or stop certain human activities have often been taken arbitrarily without any proper assessment of their impact on the ecosystem or its wildlife, and without any clear statement of the conservation objective sought to be achieved. Undoubtedly most of these decisions are taken with the best of intentions. Undoubtedly, also in many cases they are justified, for, as mentioned below, human pressures in several areas do cause serious damage. However, even in such cases, the high-handed manner in which restrictions

are imposed, and the almost universal absence of suitable alternatives being provided has led to avoidable suffering and tension

PARKS AND PEOPLE: TWO-WAY CONFLICT

Protected areas have had the following major impacts on people

(i) Forced displacement from national parks, core zones of sanctuaries or special conservation areas like Tiger Reserves. Contrary to popular perception, the establishment of the Yellowstone National Park in US, the forerunner to most such PAs in the world, also involved the forcible displacement of Shoshone tribals [Kemp 1993]. For India too, this is not an entirely new phenomenon: the Maharaja of Kashmir, for instance, removed all human settlements from the Dachigam deer reserve (now national park) back in 1910 [Tucker 1991]. Some commentators suggest that upwards of 600,000 people have been displaced from Indian PAs [Fernandes et al 1989]. We feel that this may be an exaggeration as it is based on the assumption that most people living inside national parks and core zones of sanctuaries have been evicted. However, fortunately, actual eviction has not taken place as extensively as would have been the case if the WLPA had been strictly enforced. An assessment of 104 human inhabited PAs as part of the IIPA PAs study revealed that eviction had taken place in only seven and was proposed for another 13, and that the number of people involved was a few thousand [Kothari et al 1989]. However, whatever independent assessments have been done of these relocations all conclude that they have been rather poorly carried out [Fernandes et al 1989, Jena 1993], though officials involved in some of them (e.g. Kanha National Park in Madhya Pradesh) claim a high degree of success (H. S. Panwar, Wildlife Institute of India). This is of course part of the general failure to properly rehabilitate displaced people [Kothari S 1995].

(ii) The more common impact has been the curtailment or extinguishing of local community land and forest rights, or access to natural resources inside PAs. This has had a direct impact on their survival and livelihood base, for even basic inputs like cooking energy and fodder for livestock have become hard to obtain. Traditional activities have suddenly become 'illegal' (the 'criminalisation of tradition' as reported from several countries) [Peluso 1992], and villagers report considerable harassment and bribe-taking by forest staff. To add insult to injury, villagers have rarely been explained the

reasons for this curtailment of rights, and viable alternatives have rarely been provided [Chaudhuri 1993]. During the recent Jungle Jivan Bachao Yatra through 18 PAs of western and central India, participants found such incidences from every area. Recent amendments (1991) to the WLPA have further curtailed local community activities by prohibiting all activities causing damage to the habitat of a sanctuary (a provision already in place for national parks). One immediate effect of which was that some state governments severely restricted or banned collection of non-timber forest produce from within PAs. The 1991 amendment also made easier the final notification of parks and sanctuaries which were declared on Reserve Forest (RF) land on the assumption that local rights would have been dealt with when the RF was declared. This is a faulty assumption (admittedly held and advocated by one of us till a few years back), since many rights were never adequately dealt with, especially during the colonial times.

(iii) The protection offered by PAs and the WLPA has resulted in an increase in the population of some species (elephants, wild boar, nilgai, tigers, lions, leopards, bears) in some areas. This results in a spill-over of animals unable to find adequate food and territory, or of those who actually prefer human-made habitats like fields. The result: direct human-animal encounters leading to human injury and death, livestock lifting, crop raiding and property destruction. For example, about 63 (30 per cent) of 206 PAs sampled in the IIPA PAs study reported incidents of human injury or death [Kothari et al 1989]. Crop damage by species like wild boar and nilgai is so widespread that some states have declared them vermin or ordered their elimination from areas of high damage.

In this situation, a feeling of hostility amongst local communities has quite naturally built up. In an increasing number of areas this has manifested itself in the form of physical clashes between villagers and wildlife staff or other state forces, physical damage to habitats by irate villagers, poaching or support to outside poachers, and even demands for denotification. The discontent is often voiced in the most destructive of ways, e.g. the widespread incidences of fire in several protected areas [Basappanavar 1993], police firing upon villagers as in the Bharatpur case cited above, attacks on forest staff by angry villagers as in the case of the former field director of Ranthambhor Tiger Reserve who was nearly beaten to death. A survey of 222 PAs as part of the IIPA PAs

study revealed as many as 47 which had had physical clashes between people (local or outsiders) and forest officials. Jalapara Sanctuary in West Bengal reported 20 confrontations for the period 1979-84 while Gir National Park in Gujarat, home to the world's last population of the Asiatic lion, reported 12 [Kothari et al 1989].

This conflict is one of the most serious threats faced by our protected areas and the biological and cultural diversity they contain. A protection strategy which alienates local communities is unjust to them and disrespectful of their fundamental rights, as also short-sighted for wildlife conservation. What is happening in Narayan Sarovar and Shoolpaneshwar people demanding denotification could well happen in many other Indian PAs if conservation policies remain insensitive and unjust. No amount of state control will save these habitats against such unrest. Again, this mirrors similar occurrences in other countries [Neumann 1992].

The park-people relationship is, of course, by no means one-sided. Increasingly, local communities are putting excessive pressure on natural habitats or becoming conduits to serve urban and commercial demands. The mass ritual hunting carried out by some communities and the indiscriminate hunting of mammals and birds by some north-eastern tribes are causing irreversible decline in wildlife species. Even tribal groups like the Naga Students' Association and the Naga Mothers' Association had to recently issue an appeal to stop hunting in the state of Nagaland [Anon 1991] of special concern was the rapid decline of species like hornbills, whose casques are used as traditional headgear.

Ecologists have also pointed out that local resource use is no longer sustainable because their populations or that of their livestock has risen or because their demands have gone up in response to urban consumerist values. The irreversible degradation as a result is boomeranging on these communities themselves. The most striking example of this is shifting cultivation in north-eastern India. Once a sustainable and biologically diverse system of agriculture in areas which cannot sustain settled cultivation, shrinkage of the total available habitat and local population rise has cut down shifting cycles to obviously unsustainable levels [Ramakrishnan 1992, Sayer 1991, Deb Roy 1992]. Elders in the area also note that cultural changes have led the younger generation to ignore the careful tending of the land which characterised earlier cultivation practices. In addition, members of many tribes are

Involved in selling off their forests to sawmills mushrooming all over the north-east [IYH and Kalpavriksh 1992]. The net result of these changes (and of state and central policies, army interventions, and other factors), is widespread degradation of forest and land resources [FSI 1987, 1989]. Local community rights in such a situation are often a dangerous facade for the power of a few members of the communities to get rich, fast.

Wildlife habitats also face considerable encroachment, in a sense a continuation of the state-sponsored expansion of agriculture into prime forest areas after India gained independence. Out of 204 PAs studied in the IIPA PAs study, about 35 reported encroachments [Kothari et al 1989]. This is a difficult issue to resolve. On the one hand, a lot of the encroachment is by poor people who have no alternative (since state governments have generally been unable to carry out land reforms and redistribute land to them, or provide alternative employment opportunities). On the other hand, commercial interests also encroach using poor people as fronts. More often than not, state governments have 'regularised' these encroachments, hoping to increase their vote banks or other 'earnings'. The Forest Conservation Act of 1980, which attempted to discourage such regularisation, has been repeatedly violated by both state and union governments.

URBAN-INDUSTRIAL PRESSURES: COMMON ADVERSARY

Even while wildlife conservationists and community rights advocates argue with each other, one of the major forces of destruction makes merry. This is the urban-industrial economy, a sector which has no qualms in destroying biological or cultural diversity for short-term commercial gains. There are examples by the dozen in India, of mining, commercial fishing and forestry, dam construction, government office construction, road-building, high-price tourism, and a variety of other commercial activities inside several national parks and sanctuaries. Many of these have come up after establishment of the PA. In the biodiversity rich western ghats in Karnataka, parts of the Kudremukh National Park have been leased for minerals prospecting in the early 1990s; the Madhya Pradesh state government has offered free landholdings to the tourism industry for setting up facilities inside Pench, Kanha, and Bandhavgarh national parks, and Pachmarhi sanctuary.

The extent to which state governments are willing to compromise to please the urban-

industrial lobby is illustrated by the spate of denotifications carried out or proposed. Under the WLPA, any state government can take a PA off the record books, thereby removing its legal protection, by taking the permission of the state legislature. Obtaining such permission is usually not difficult, given that politicians are more concerned about votes (however illusory) than about wildlife. In 1991, Darlaghat sanctuary in Himachal Pradesh was denotified to make way for a cement factory. In 1992, a substantial part of Melghat Tiger Reserve in Maharashtra was denotified; officials claim this was to help local tribals be free of the sanctuary's restrictions, but some conservationists fear that there may be plans to open up the area for commercial operations [Sahgal 1993, Aziz 1994]. The Gujarat government denotified Narayan Sarovar for cement production (without even obtaining legislative approval), and threatened to denotify a part of the Marine National Park in the Gulf of Kutch to make way for an oil refinery. In Orissa, the government proposes to denotify a part of the coastal area Bhitarkanika sanctuary. It claims that this is to enable the local small-scale fisherfolk to better sell their catch, but local activists claim it is to enable commercial trawling interests to operate off the coast [Misra 1994; Banka Behary Das, former MP]. The same state government wants to take Balukhand sanctuary off the books to allow a hotel complex to come up.

The extent to which governments themselves are to blame for the situation is also evident from the continued occupation of various official departments on PA land. The IIPA PAs study found that 144 out of 233 PAs had such occupation; most common were roads, tourism facilities, and transmission lines [Kothari et al 1989]. This is despite the WLPA's clear stipulation that all PA land should be under the control of the state wildlife authorities.

What is often ignored is that the root of many people-park conflicts lies in these urban-industrial pressures. A classic case is that of Rajaji National Park in the Himalayan foothills of Uttar Pradesh, the centre of a bitter conflict over the forest department's moves to evict nomadic pastoralists called Gujjars. While the department and many conservationists have focused on the alleged overgrazing by the Gujjar livestock, and local activists have pointed fingers at the corruption rampant in the forest department, the truth is that the Park's forests, wildlife (including elephants), and human inhabitants have been victim to the fragmentation of habitat caused by the expansion of the cities

of Dehradun, Haridwar, and Rishikesh [Poti 1995]. Specifically, traditional elephant migration routes have been cut off by industries, power channels, and army camps, increasing animal-human conflicts in the area where the pachyderms are now trapped. The Gujjars have become an easy scapegoat for the government, which is unable to tackle the vested interests behind the urban-industrial expansion around the Park.

Similar is the case of people displaced by dams or other 'development' projects, and not given proper rehabilitation. PAs like Koyna sanctuary in Maharashtra and the Dudhwa National Park in Uttar Pradesh are subject to encroachment and pressures from such oustees. In Pench National Park, Madhya Pradesh, labourers brought in to work on a dam in the area, were abandoned by the irrigation department after two decades of construction. With no-one claiming responsibility for them, the threat of eviction by the forest department hangs on their heads.

Vested interests also often use people-park conflicts as fronts to pursue their own agenda. Politicians are habitual exploiters of such situations, especially if they can see a potential vote bank in the aggrieved local communities. In the Sanjay Gandhi (Borivali) National Park outside Bombay, land developers regularly get poor people to encroach, project the issue as one of the rights of slum dwellers, and eventually take over the land themselves.

Commercial pressures on India's PAs are only going to increase manifold with the new liberalisation and structural adjustment policies of the government [Kothari, A 1994c; Kothari, A 1995]. Exports of natural resources and related products, like fisheries, are a major thrust of these new policies. Already coastal and marine PAs are facing threats from prawn and shrimp farming, and trawling; many inland PAs which are sitting on rich mineral deposits are being eyed by Indian and foreign companies; several state governments have announced major concessions for industries coming up in so-called 'backward areas', which are inevitably also the areas with the last vestiges of natural habitats and traditional communities.

FOREST DEPARTMENT: BACKS AGAINST THE WALL

While activists have been justifiably critical of the forest department for its high-handed handling of the wildlife conservation programme in India, a criticism with which we would concur, we would also point to the often heroic efforts of forest officials in

saving threatened habitats and species. The odds are particularly heavily stacked against the 'lower' rungs of the department. For foresters, forest guards, and daily wage workers, conditions on the ground are usually daunting. Apart from the physical rigours of working in natural habitats, there is minimal access to the even basic facilities like transport equipment, education and housing, the salaries are low, and encounters with poachers and timber thieves who are usually better armed are frequent. News about forest staff being killed by the timber and poaching mafia are commonplace. There is frequent harassment due to false charges levelled against them, very often they are up against politicians or even people from other government departments including the police. Forest officials are often transferred when they stand up to illegal activities carried out by influential vested interests. We would even argue that the widespread occurrence of corruption amongst forest staff is often (though by no means always) an outcome of these adverse conditions. A forest guard who can be beaten up or shot dead if he opposes illegal activities is more likely to take a bribe and look the other way than risk his life.

In addition, the department has to work within the structure and directions set by the government. Since, even five decades after independence, forest and wildlife conservation remains a low priority in state planning, the department continues to have very little power compared to other government agencies handling development or commerce-related activities.

In such an environment, the efforts of individual officers in opposing commercial interests is commendable. The case of Radhanagar Sanctuary, Maharashtra, cited above, where bauxite mining would have started long back were it not for the efforts of the local forest officer, is instructive. A range officer in the Okhla Bird Sanctuary near New Delhi exposed illegal granting of fishing contracts by the Delhi government, resisting offers of bribes and threats to life. With the help of local NGO support, he got the contracts cancelled. Just outside Corbett National Park, the field director caught a state minister illegally fishing, and fined him Rs 25,000 on the spot, risking possible transfer and harassment. Forest officers in charge of Bhitarkanika Sanctuary in Orissa have consistently opposed their own state government's proposal for construction of jetties there, one of them getting transferred as a result.

These are exceptional, but not isolated, examples of people fighting against the

destruction of wildlife habitats from within a system which does little to encourage such boldness. Activists who paint the entire forest department corrupt or evil (Anon 1995) do them grave injustice, and make even more difficult the task of bringing together all those interested in conservation and livelihood security.

IS ECO-DEVELOPMENT THE ANSWER?

The increasing conflict in and around PAs has forced the government to respond more substantially in the last decade or so. From improvement in relocation strategies to the provision of alternatives and jobs, a range of options is being tried out. Part of the cue for this comes from international sources. For instance, the World Conservation Strategy (IUCN/UNEP/WWF 1980) emphasised the importance of alleviating rural poverty as an important consideration in conservation planning. From this emerged the concept of 'eco-development'.

In 1982, the government of India set up a task force to recommend measures to gain public support for conservation. Its report submitted in 1983 strongly urged a strategy of zonation in which the PA consisted of a strictly protected core and a buffer with very limited human activities, surrounded by a multiple use area where the majority of human use would be diverted (IBWL 1983). In these multiple use surrounds, it was recommended that eco-development measures be promoted. The assumption was that while a productive wilderness has an enormous direct and indirect advantage to them (the rural poor), it is the abuse and overuse by them that is responsible for its degradation. The primary objective of eco-development was seen to be the diversion of pressures that local communities were putting on the proposed PA, and with the help of appropriate livelihood generation schemes to win the support of these communities in the protection of wildlife. In the words of the task force, "co-operation (of local communities) is forthcoming if rigid enforcement of protection is backed by reasonable alternatives".

Eco-development projects are slated to rise substantially as interest in them has risen not just within the Indian government but also amongst several external aid agencies, notably the World Bank. India is currently negotiating a large grant (30 to 60 million dollars) with the Global Environment Facility for eco-development around eight selected PAs to start with. Another 40 PAs may be targeted soon thereafter (Kishore Rao, Ministry of Environment and Forests).

Some of the recent eco-development

proposals show a substantially greater awareness of the fundamental causes of the people park conflict (IIPA 1994a, Singh 1995) but appear unwilling to tackle these causes. Thus for instance Singh (1995) rightly points to landholding and other inequalities around PAs as being one of the root causes of pressure by poor people on the park, yet his own prescription for eco-development around the Great Himalayan National Park (Himachal Pradesh) contains no stress on land reforms or addressing other resource inequities. The indicative eco-development plans for the eight selected PAs under the GEF project (IIPA 1994a) have virtually no proposal to revive community rights over land/water/forest resources or to reduce exclusive government control over these resources, or to redistribute such controls within stratified communities (except for suggestions like using some excess land of religious institutions to grow biomass for local people). This indicates the prevalence of the same charity approach which characterises official rural development programmes, even though there has been greater consultation with local communities than is the case with these programmes.

Many other shortcomings exist. Most eco-development plans continue to be targeted at people living outside PAs. While independent consulting agencies like the Indian Institute of Public Administration have not advocated displacement of people living inside, they have also not stressed the need for eco-development planning for such people where they are currently residing. This leaves room for the forest department to continue to seek displacement. Secondly, though there is some mention of involving people in PA management (IIPA 1994a), none of the plans discuss how this is to be done. Possibilities of bringing this in during the micro-planning stage of eco-development are remote, as state governments remain unconvinced about the desirability of such involvement. Third, while local traditional knowledge gets passing mention here and there, placing it centrally within the planning process of a PA is nowhere on the agenda. Fourth, the legitimacy of a PA's legal status is rarely questioned, leading to statements like 'all habitation within the PA is now illegal as is all grazing and other human uses or extraction' (for Gir and Nagarhole National Parks) (IIPA 1994a). Given that many of these uses are age-old, and certainly pre-date the creation of the national park, this is a rather insensitive attitude to take.

BIOSPHERE RESERVES: A NON-STARTER?

In an attempt to widen the scope of conservation strategies, UNESCO proposed the creation of Biosphere Reserves (BRs) in the early 1970s. These reserves were set up with the basic objective of conserving and developing a knowledge base about the biodiversity of a region, with the emphasis that humans were an integral part of the ecosystem and that local communities should be involved actively in conservation programmes [Batisse 1993]. This emphasis distinguishes it from national parks and sanctuaries, and provides grounds for a reconciliation of conventional wildlife-human conflicts.

India has established seven BRs since 1979 (though none of them is officially registered with UNESCO). Nokrek (Meghalaya), Nilgiri (Tamil Nadu, Karnataka, and Kerala), Nanda Devi (Uttar Pradesh), Great Nicobar (Andaman and Nicobar Islands), Gulf of Mannar (Tamil Nadu), Manas (Assam), and Sunderbans (West Bengal). These cover about 21,067 sq km of area [Gadgil and Joshi 1994]. Another seven are proposed; together, these 14 will be representative of the 12 major biogeographic zones of India.

However, actual management of these reserves continues to be based on the conventional PA approach, with the forest department designated to be in charge. This mirrors the first decade of BRs worldwide, where countries gave much more emphasis on biodiversity protection and research than on the integration of human uses within the habitat [Batisse 1993]. Scientists of the Indian Institute of Science, in a survey of the seven Indian BRs, note that there is virtually no attempt to reconcile development activities with conservation, to harness the knowledge of local communities, to involve such communities in management, or in other ways to achieve the objectives originally set for BRs by UNESCO [Gadgil and Joshi 1994]. In the case of the Nilgiri BR, declared in 1986, serious lack of co-ordination between the three states involved, between the forest department and other government agencies, and between government and local communities, continues to hamper the fulfilment of objectives. For instance, the plan for the reserve had suggested restoration of a corridor through the Gudalur area; this was not heeded, with the consequence that over the last decade this corridor has been destroyed by private encroachments and the activities of the Tamil Nadu Tea Corporation [Gadgil and Joshi 1994].

Clearly, the response to the people-park conflict will have to go beyond the eco-development approach, into one which places the local communities and their cultures squarely in the centre of the planning process [Kothari and Parajuli 1994]. If properly implemented, BRs could be effective in some areas, especially where extensive areas need conservation. But it is also clear that no one solution is likely to be relevant for the whole country. In many areas local communities have shown that they can on their own protect wildlife habitats, though typically these are small in scale, such as the sacred groves scattered through much of India, or the 'Sonchuri' established by villagers in Rajasthan. Many other areas, large-scale and remote from human habitation, are probably best managed by government with some independent NGO and research support. But increasingly, we feel that neither local communities nor government agencies on their own will be able to conserve PAs and wildlife. Communities lack the resources to tackle threats or ecological issues at a regional scale, and in many places have lost their traditional ethos and institutions; government agencies lack the necessary micro-knowledge, on the-spot manpower, or even often the necessary mandate when other agencies over-rule them. With rare exceptions, neither local community nor the forest department on its own is able to face the onslaught of commercial forces, or able to check the destruction caused by some of their own members. There is therefore a need to explore partnerships in conservation, which will involve local communities and government agencies as core, equal participants, with critical support from NGOs and independent researchers.

The need for such a partnership is now felt all over the tropics, where so far a top-down approach has been practised. The Caracas Declaration, made by 1,500 delegates from around the world at the fourth world congress on National Parks and Protected Areas in Venezuela, February 1992, urged all governments and appropriate national and international bodies:

To support the development of national protected area policies which are sensitive to customs and traditions, safeguard the interests of indigenous people, take full account of the roles and interests of both men and women, and respect the interests of children of this and future generations;

To develop mechanisms that will allow all sectors of society, especially long-standing local populations, to be partners in the planning, establishment, and management of protected areas, and will

ensure they share equitably in the associated costs and benefits;... [IUCN 1993a]

The recently signed convention on biological diversity also commits countries to such action [Kothari 1994b]. In the section on *In-situ* conservation, dealing with protected areas, it states that each signatory country will,

subject to its national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising from the utilisation of such knowledge, innovations and practices.

In several countries of South America and Africa, participatory management is being successfully tried out [West and Brechin 1991, Kemp 1993, Colchester 1994, IUCN 1995]. One of the most cited cases is the 'Campfire' project in Zimbabwe, where communities help in managing large rangelands. In Honduras, cultural preservation areas along with biological reserves are being created so that tribal people are able to maintain their traditional ways of life. In Australia, the Kakadu National Park was established on aboriginal land in co-operation with the tribal council. The discovery of uranium in the area has led to severe conflicts, in which the park has been an important institutional buffer helping to protect aboriginal rights. Other examples of convergence between protected areas establishment and cultural preservation can be found throughout the world: the Kuna Indians in Kuna Yala Biosphere Reserve in Panama; tribal peoples in the Xingu National Park in Brazil and the Eskimos and the Kobuk Valley national Monument in Alaska. In Uganda, the National Parks authority has entered into 'collaborative management' agreements with local tribals, and is considering extending it to all parks. Though a broad worldwide survey of these efforts by Colchester (1994) found several shortcomings, he notes that there was a "continuing need to define a role for the state in securing indigenous territories as conservation areas".

JOINT MANAGEMENT: A NEW DIRECTION

Following up a series of workshops on the issue of people-park conflicts held in India over the last two years [RLEK and PRIA 1993; IPT 1993; LBSNAA 1993], the Indian

Institute of Public Administration (IIPA) organised an exploratory workshop on joint management of PAs in September 1994. After a detailed discussion on the various issues involved, participants, who ranged from local community activists to forest department heads, agreed to further explore the idea on the ground. One of us (AK) had then proposed a tentative definition:

Joint Protected Area Management (JPAM) is the conceptualisation, planning, and management of protected areas and their surrounds, with the objective of conserving natural ecosystems and their wildlife, while ensuring the livelihood security of local traditional communities, through mechanisms which ensure a partnership between these communities, government agencies, and other concerned parties.

This definition, of course, hides a whole series of complications which need resolution at the level of each PA: What are the conservation objectives of the PA? What are the existing livelihood sources, resource rights, and needs of local communities, and their impact on the PA? What are the methods and institutional structures by which joint planning and management can be evolved? What would be the precise sharing of powers and responsibilities between each partner? What were the ways of providing a stake in the PA to local communities?

Critical to the success of any PA management is a clear statement of conservation objectives. Since these would differ from place to place, and since there is a great diversity of conditions, the two categories of PA currently provided for by the WLPA (national parks and sanctuaries) are too limited to cover the very wide range of conditions existing in India: they do not adequately cover the concerns and interests of local traditional communities living inside natural habitat areas, nor do they cover a large number of other kinds of areas protected by government or people (e.g. BRs, sacred groves, wetlands, and tribal reserves).

There is a need, therefore, to explore an expansion of the concept of PAs, and perhaps to add a wider range of categories which could cover the range of human-wildlife interactions; in particular, to explore the potential of biosphere reserves and people-protected areas to reduce the people-wildlife conflicts. The categorisation of PAs developed by the World Conservation Union (IUCN) could be a useful indicator, though there may further be a need for indigenously developed categories.

Even within a single PA, varying management categories may be desirable. The commonly accepted opinion is that

protected areas could contain both no-use and limited or restricted-use areas, and that this could be achieved through appropriate zonation in which a single core or multiple core zones are surrounded by buffer zones where human activity is allowed. Such a concept has been part of PA strategy for long [IBWL 1983]. However, what is new in JPAM is that such zonation must be done in full consultation with local communities, and would take into account their own existing practices and beliefs (e.g. related to sacred groves). Such a process has been recently suggested, for instance, for Rajaji National Park [Poti 1995].

An immediate task then would be to review the existing 500 PAs in India and assign new categories and zonation practices where necessary. For instance, if the area of Nargu Sanctuary of Himachal Pradesh which has 170 villages, is to be given a PA status because of some wildlife value, it could be a multiple-use PA category. In another case concerning the Great Himalayan National Park of Himachal Pradesh, two villages in the Sainj area were to be relocated as per rules of the national park. On the recommendation of researchers [IIPA 1993], the inhabited part of the park has been converted into a sanctuary, so that the villages do not have to be moved out.

One of the most important steps that JPAM would need to take is to revive in local communities a sense of control, or as some anthropologists say in the special context of tribals [Roy Birman 1993], a custodial association. This would mean a share in the management of PAs. There is a need to study the diversity of experiences on how either government or community control had worked towards conservation of natural habitats; further, what could be the respective sharing of ownership, powers, rights, responsibilities, and functions of each partner in a joint management system. We strongly feel that the forest department will have to give up its exclusive control over at least a part of the 23 per cent of India's land which it currently owns, in favour of the communities from whom this land was wrested in the first place. But since many communities, may for various reasons be unable or unwilling to conserve forests on their own, the transfer of power will have to go hand-in-hand with a mandatory responsibility for conservation. The non-fulfilment of this responsibility could lead to an abrogation of rights and control. The collaborative management contract for Uganda's Bwindi National Park, for instance, has built in such checks [MOU 1994]. Similar checks should, of course, apply to the forest

department (or other relevant government agency). Gadgil and Seshagiri Rao (1995) of the Indian Institute of Science have recently proposed a People's Nature, Health and Education Bill, which envisages the creation of natural resource management committees at various levels, and suggests a system of checks and balances to ensure conservation and sustainable use by all concerned parties.

Finally, JPAM would need to enhance the stake of local communities in the PA, by a variety of measures: guaranteed rights to sustainable extraction of biomass from specified zones, conversion of monoculture plantations into multi-species fodder/fuel stands, employment in PA related activities, a share in the decision-making about the revenue from tourism, returns for the use of traditional knowledge and skills on the basis of community intellectual rights, appropriate developmental inputs (including some of the activities being proposed in current eco-development plans), and the provision of alternatives where customary uses are clearly unsustainable. Of these, low-intensity extraction of non-timber forest produce and fodder could be the most widespread benefit from PAs in India; as mentioned above, about two-thirds of surveyed PAs in the mid-1980s already had such dependence. In many cases, the creation of co-operatives or other institutional structures, or the provision of appropriate technological inputs, can make such activities even more beneficial and sustainable. What is most attractive about non-timber forest produce (including, for instance, medicinal plants and honey) is that sustainable returns are possible only if habitat integrity and biodiversity are maintained, thereby becoming a powerful argument for habitat conservation. In the Biligiri Rangaswamy Temple Sanctuary of Karnataka, some NGOs are promoting medicinal plant conservation areas, where local tribals will be involved in protection, *ex situ* conservation and propagation, and medicinal uses of plants [FRLHT 1994]. In such situations, the peerless knowledge of local communities regarding their natural surrounds could be most effectively harnessed. Such approaches are being pioneered in a number of PAs across the tropics [Kemli 1993; West and Brechin 1991; Wild 1994; Colchester 1994].

In a larger context, national and international utilisation of traditional and innovative local knowledge for conservation or resource use purposes, can also be linked to returning benefits in various forms to local communities [Posey 1994; Kothari 1994a]. The debates on biodiversity benefit-sharing are increasingly focusing on the need for the

pharmaceutical and seed industry to give back some of its commercial profits to the habitats and traditional communities from where it has obtained a lot of its raw material, as also for society as a whole to repay its debt to these communities for conserving and maintaining habitat integrity over centuries.

Some conservationists fear that JPAM would mean an opening up of all PAs to human use and that no part of the country will be left inviolate' [Thapar and Manfredi 1995]. On the contrary we stress that a participatory exercise which examines all areas currently uninhabited and unused as also all areas that communities are willing to leave alone could yield much more than the 1 per cent land currently closed off and would mean much more effective protection. No additional area not already under traditional use must be opened up to human use. Rather even areas outside PAs which are currently not in use by local communities (but which may be under commercial use) should become inviolate PAs if considered valuable enough. It is of course critical that the total prohibition of human activity in such areas also extends to tourism for to do otherwise would be hypocritical.

We would even go so far as to argue that with the expansion of the concept of PAs suggested above and the addition of areas currently under corporate or government use a much greater proportion of India's territory could come under conservation-oriented management. There is no reason why the country cannot reach a PA coverage of 10 per cent as advocated by the world conservation strategy [IUCN/UNEP/WWF 1980].

CONSTRAINTS AND OPPORTUNITIES

The September 1994 workshop in New Delhi also identified the major hurdles and opportunities on the path towards JPAM. Perhaps the most critical stumbling block will be the intense distrust and mutual suspicion between the forest department and local communities. The only way to change this would be for the two parties to sit and talk in an open and equal way perhaps with the intervention of NGOs and concerned individuals. The Jungle Jivan Bachao Yatra was precisely one such effort of intervention. The Indian People's Tribunal on Environment and Human Rights (IPT) has initiated such an effort in the controversy-ridden Rajaji National Park in north India [Poti 1995]. In many areas the ice is being broken by forest officials or NGOs e.g. Kaila Devi Sanctuary.

Among the first steps needed to remove traditional distrust and hostility is to address

the adverse effects of PAs on local people. Payment of adequate compensation on time, for instance is a long overdue step. In Rajaji, the IPT report has suggested that a special officer be appointed for this and payment be ensured within 15 days of receipt of complaint [Poti 1995].

However even where there may be a willingness to consult and negotiate there are severe limitations to people's involvement imposed by existing wildlife laws. The WLPA allows very limited scope for local people's involvement in management and for deriving benefits from PAs. The 1991 amendment to the WLPA went a weak step towards obtaining public involvement, by stipulating the involvement of tribals in the State Wildlife Advisory Board, and granting citizens powers within the act to prosecute offenders. It also took an important step in opening up the possibility of villagers' rights continuing inside a sanctuary though not yet for national parks and though still subject to the discretion of the government.

Clearly there is a need to add further clauses to the WLPA, with mandatory involvement of local traditional communities in the planning and management of PAs and more flexible clauses regarding rights and activities which are to be carried out in each category of PA. There is also a need to relate the WLPA with the recent Panchayat Raj legislation in which considerable powers are being devolved to village representative bodies (though somewhat unsatisfactorily especially in the case of tribal areas), and to the proposed new bills on forest and natural resource management [MoEF nd].

Several existing efforts can become important pointers to the right direction. The widespread experiments with Joint Forest Management (JFM) are now being examined for their relevance to PAs [Rathore 1994, Raju 1994, Malhotra 1994], with the caveat that PAs are essentially conservation units whereas other forests currently under JFM are extraction units. Then, there are innumerable community efforts, such as ancient sacred groves all over India, village protected forests recently declared in some parts of Nagaland (Dhrupad Choudhary GB Pant Institute of Environment and Development) or Garhwal Himalaya [Kothari 1994d], the Bhairodev Dakav Sonchuri and others, the experiences of which would be valuable to learn from. The network of BRs could be oriented towards joint management, as has happened in many other countries. In the Sundarbans biosphere reserve, a start has been made by forming village forest protection committees under which local communities are empowered to protect areas

for their own use, and promised 25 per cent of the profits realised from any exploitation that may be taken up later [Gadgil and Joshi 1994]. At the September 1994 workshop at IIPA several tentative proposals for joint management of PAs were also discussed, which need following up [IIPA 1994b].

One major challenge facing JPAM is to define the local community itself, especially in situations of severe local stratification (caste, class, religion), or in cases of populations which have recently moved into an area. Giving benefits to the poor first is crucial but other sections cannot be ignored. There is also the question of how one defines 'traditional' and whether 'traditional' rights can be terminated once community members opt for 'modern' lifestyles? If we as urban dwellers cannot have the right to extract resources from or live inside a PA perhaps the same yardstick could apply to members of the community who aspire to urban lifestyles? These are tricky issues, but even their long term resolution needs a fully consultative process rather than official diktat.

Another constraint is the lack of adequate or accurate information on ecological and social aspects related to PAs and a tendency among government and research organisations to keep information hidden from each other and from the public. There is therefore an urgent need for free flow of information between all people interested in PA conservation for greater ecological research and for respecting and using traditional knowledge of natural habitats and wildlife on par with modern knowledge.

Considerable sums of money are spent in and around PAs by various rural development agencies without any co-ordination with the wildlife authorities, and frequently in violation of conservation objectives. There is a need to harmonise the programmes and objectives of government agencies which have an impact on PAs and their surrounds [Pabla et al 1993, Thapar and Manfredi 1995]. Such co-ordination was achieved some years back for the Melghat Tiger Reserve in Maharashtra by a motivated district official [Pardesi 1994], and in the Harda areas of Madhya Pradesh by a forest official [Rathore 1994, models which could be used in other areas as well].

The most critical need is for an overall land-use policy which strictly limits industrial-urban growth. This calls for a drastic reorientation of the economic development policy which India currently follows. Neither the urban conservation class, nor the government bureaucrat, is capable of achieving this on their own. There is thus a need for the conservation effort to unite with the many mass movements which are challenging 'development' projects and

paths. Indeed, it is the people who lead such movements who have recognised that there is an artificial divide between conservation and human rights interests. For instance, the massive recent protests of India's traditional fisherfolk against the move of the Indian government to introduce trawling ventures, were prompted by concern both for the livelihood of these fisherfolk and the ecological health of the seas [Kocherry 1995]. In a significant development, conservation groups and movements in Bombay recently came out with a joint statement of protest against the denotification of PAs, signatories included members of the Narmada Bachao Andolan, the Kashtakari Sanghatana, the Bharat Jan Andolan and various other movements which are spearheading the fight against unjust and unsustainable development policies and which have conventionally not considered wildlife conservation important enough. Urban conservationists can no longer afford to shy away from such movements.

CONCLUSION: AN EXPLORATORY YATRA

In January-February 1995 about 35 villagers, activists and researchers went on a unique journey through 18 national parks and sanctuaries in western and central India. The Jungle Jivan Bachao Yatra (Save Forest Life Journey) was aimed at initiating a dialogue between various local communities living in and around national parks and sanctuaries, as also between these communities and the forest department. Stressing that India's fast-depleting wildlife habitats need urgent conservation measures, the Yatra intended to explore forms of conservation which ensured the participation and livelihood security of forest-dwelling people. It travelled from place to place holding meetings with villagers, forest officials and NGOs, and experiencing the various threats that PAs faced.

Though the Yatra encountered a large diversity of situations, some common themes stood out at all the PAs. It found a strong readiness amongst local communities to participate in conservation and natural resource management, but an equally strong feeling of alienation, as their traditional access to the forests has been curtailed by the imposition of the WLPA. In many places, the yatra found people pointing to the government's forests (or the sarkari tiger) and expressing their inability or unwillingness to help in their conservation if there is no reciprocal acceptance of their access to forest resources.

At the same time, the yatra found that forest officials are opening up to involving people in the conservation of these areas, some officers were categorical that they could not on their own save wildlife, especially from commercial pressures supported by other government agencies. The yatra concluded that conservation can only be achieved if there is strong and sustained co-

operation between local communities, forest officials, conservation and social action groups, and independent ecologists, based on clear conservation objectives, and a central role for local communities in the planning, protection, and monitoring of protected areas.

While local community response to the yatra was very positive, some urban observers were sceptical. Ironically, the yatra was subtly accused by some as playing up to rabid activist and political interests [Brijnath 1995] and by others as glorifying the forest department [Anon 1995].

Those who tread the path of joint or participatory management are likely to face the scorn of people who favour either of the two extremes: total governmental control or total community control. Regardless of these perils, and of the fact that partnerships are often fragile, JPAM deserves a trial in India with the following basic tenets: (i) The rights of both wildlife and local traditional communities are to be upheld; (ii) These rights are not necessarily antithetical to each other; indeed they are or could mostly be made harmonious; (iii) The relations between wildlife and local communities have largely soured due to factors outside both, especially market forces and government policies; (iv) Neither government agencies nor local people on their own will be able to counter the predominant threat to PAs from commercial forces; (v) There is therefore an urgent need to unite all forces interested in conservation including local communities and mass movements, NGOs, foresters, environmentalists, researchers, political parties and others. In the absence of such a unity, both wildlife habitats and local communities will continue to fall prey to the forces of destruction.

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Of Idealist Questions and Marxist Answers

U Vindhya

THE following comments do not aim to directly respond either to Balagopal's (BG) 'Democracy and the Fight against Communalism' (EPW, January 7, 1995) or to Arun Patnaik's (AP) rejoinder to BG's piece, 'Burden of Marx and Morals' (EPW, May 20, 1995). Rather, my purpose is to raise some questions in the light of BG's article and, more important, in the context of the furore the slightly different Telugu version of BG's article published in the September 1993 issue of *Aruna Tara*, the official organ of the Revolutionary Writers' Association, has created in the political and literary circles of Andhra Pradesh. AP makes an oblique reference to this stormy controversy when he speculates on the possible motive of BG's recent, what he thinks is anti-materialist, anti-Marxist *volle face* "the intemperate language of liberation" and the intolerance of one another shown by the various people's organisations in Andhra, be it peasant, women, or dalit which has pushed people like BG to retreat to the safer and quieter haven of pacifism. While I do not wish to comment on this clue to BG's 'turn around' I do want to mention a related aspect: the thrust of most of the rejoinders to BG's Telugu article that have appeared in *Aruna Tara* to date has been on BG, the man, whose 'sneaking liberalism' and traits of 'cowardice and weak will' in the face of severe state repression which had been ostensibly lying dormant till now have surfaced and propelled BG to denounce the official Marxism and stray into the foggy world of psychic, fraught as it is with "metaphysical pitfalls, abstract ahistoricism and perplexing paradox." Be that as it may, what is of concern here is that, given the political and cultural climate in Andhra, serious questions like the one raised by BG often tend to get hopelessly bogged down in the welter of calumny and personal slander, undermining the status and quality of the debate. Perhaps I would venture to say that the sharply critical and often virulent responses to BG's article stem from the wish to have one, complete, right statement of social reality, an overarching and compelling theory. The point, however, is whether all these responses enhance or sharpen our understanding of society and practice of democratic organisations.

BG in his EPW piece, while pleading for an expansion of democratic space of the Indian state in order to cut off the roots of the fascism of Hindutva, wonders "what it is in human beings that keeps ethnic, religious or communal violence alive as political passions" (p 59). Asserting that the Marxist

explanation has failed so far to account for this phenomenon, leave alone arrest it or prevent it, BG calls for a fresh look and proposes a dichotomy of the materialist and 'moral' spheres, hinting at a need for a deeper examination of this 'moral' sphere than has been attempted so far, at least in the Marxist tradition. Both AP and the Telugu discussants have taken umbrage at this proposed dichotomy saying that BG's formulations are a total departure from Marx's method.

However the point to be emphasised is that what BG is arguing for is nothing new. The notion that the work of Marxism is in some way incomplete has been present in most critical confrontations with orthodox Marxism. As Randhir Singh (1990) says, "Marx's scientific project leaves different areas of human activity, including politics, that are often loosely defined as 'non-economic or non-material', relatively open, and undetermined in a manner as to be not entirely amenable to law-like generalisations, to scientific explanation as it is properly understood" (p 27). The need to recognise the importance of subjectivity or the non-material in directing or influencing the social behaviour of people has cropped up, over the years, in the classical individual-society questions and in the context of 20th century struggles of gender, caste, race and so on. Whether these subjective and material spheres are autonomous (as BG seems to believe) or the one is caused by the other (as AP says) is, I think, to take the debate to the one dating from Descartes to Locke and Kant and the entire rationalism-empiricism debate. While one can endlessly argue over the philosophical assumptions of this divide, it would be more fruitful, in my opinion, to examine whether the politics of subjectivity would be useful to further our understanding of what role the subjective 'moral sphere' vis a vis labour plays in constituting society, why there seems to be a rift between the emancipatory potential of Marxist theory and the repressive actualities of its practice, why there is this tenacious re-emergence of authoritarianism and dominance in social structures even after struggles to overthrow them have taken place, how one explains the eternal, interminable contest between freedom and control, why there is limited scope for dissent in democratic organisations and so on.

At the risk of stating what must be elementary to EPW readers, I may be allowed to reiterate that for classical Marxist theory, society is a totality, a historically produced whole, whose most fundamental relation-

ships are production relations. The whole question of the individual-society relationship turns on labour as the constitutive human activity and productive relations as framing political activity (Marx and Engels 1845-6/1970 58). Individuals are the carriers of abstract historically produced relations - they are the personifications of economic categories, embodiments of particular class relations and class interests" [Marx 1867/1946 21]. It was only in subsequent Marxist theory, feminist theory and other emancipatory discourses that the questions of identity and agency became key points of contention and led to increased interest in the analysis of 'superstructural' phenomena and in processes of cultural reproduction. It is not necessary here to go at length into these issues but briefly in the development of western Marxism theories have tended to cluster around two themes. Gouldner (1983) refers to the two 'Marxisms' as 'scientific' and 'humanist'. Howard (1977) speaks of materialist and idealist strains. As Hall (1981) points out, both approaches developed in reaction to 'economism', the reductionist interpretation of the base-superstructure metaphor into which political Marxism congealed in the early 20th century. This is perhaps what BG refers to when he says, "The elaboration of its technical capabilities by the human species in its struggle to win a livelihood from nature has been given a central place by Marx in the notion of human progress. This elaboration is based on the specific physical structure of human beings, such as the possession of two hands to work with and a brain capable of an elaborate learning process. But this understanding is incomplete, without supplementing it with an understanding of what human beings have done for themselves with their moral potential, and what future that indicates for the species."

Any discussion of subjectivity has to necessarily take us to psychoanalysis which studies the origins and nature of subjective experience. I will restrict myself to Freudian or classical psychoanalysis since both BG and more extensively, his *Aruna Tara* readers have referred to the theory. One is wary and aware that one is treading on unsteady and dangerous ground because of the reckless 'psychologising' that is going on in present times with Freud's ideas often vulgarised beyond recognition on the one hand and, on the other, because the reference to Freud at once brings in the dismissive comment that the attempt is inimical to the Marxist position and therefore needs no further attention. After all these years, Freud certainly needs no defence, nor is there any necessity to refer to all those attempts to reconcile the Marxist and the Freudian positions. But what I do wish to emphasise here is that the social scientist who stresses

the primacy of the causal impact of economic conditions, technological innovations or class struggles need not yield up or abandon these objective influences on human action to substitute, in their place, the irrepressible drives, the persecutions of the superego, the warnings of anxiety, the mechanisms of defence and such of the concepts in the psychoanalytic arsenal and reduce adult historical actors to bundles of persistent and unresolved childhood symptoms. We are not assigning primacy to psychological factors alone, as does mainstream psychology, but only recognising that the psychological processes play a significant, though neither exclusive nor exhaustive, role in human behaviour. If one can reduce the diversity of Freudian thought to a single statement, one can perhaps say, "the most fundamental insight of psychoanalysis is that the wish, the emotion, and the fantasy are as important as the act in man's experience" [Gay 1985:173].

This is not to suggest that society can be understood simply by offering explanations of individual minds at work nor is it to prescribe the proverbial individualism of psychoanalysis as a basis for social change. Undoubtedly, and to put it rather coarsely, human beings, in the Freudian system are instinctual beings, the achievement of pleasure through the expression of those instincts being the aim of life. However, when Freud defined psychoanalysis as the "study of the vicissitudes of the instincts" he was not denying the "plasticity" of human nature. The drives or instincts of psychoanalysis are not fixed dispositions to behave in a particular way; they are utterly subject to social channelling and transformation and could not reveal themselves in behaviour without social moulding. However, although the self for Freud is formed by its culture, he also sees the self as set against the culture, struggling against it, having been from the first reluctant to enter it. Culture, in short, is indispensable and stifling at the same time. What may rescue the individual is paradoxically his or her instinctual urges. Here the Marxists among us may cry a halt and indicate that at this point there is a decisive departure of ways (if at all there was any meeting ground earlier). But let us see further what Freud has to say. Freud's insistence on the drives' unremitting search for pleasure which is anchored in the individual's essential endowment need not be interpreted as a reactionary notion. For it proposes to us that culture is not all-powerful. The resistance to cultural control suggests that somewhere in the human being "there is a hard, irreducible, stubborn core of biological reason which culture cannot reach and which reserves the right, which sooner or later it will exercise, to judge the culture and resist and revise it" [Trilling 1955:48; emphasis mine]. This 'core' could also be formed by the notion or ideal of humanity which people

possess and desire to achieve when they rebel against oppressive circumstances and transcend their present.

This exposition of Freud's conviction about the dialectical interplay between the individual and her/his culture shows that the 'social share' in the individual's mind formed by her/his class, gender or caste status and the vicissitudes of instincts propelling him/her to achieve pleasure could mean, in the context of struggles, that the search for pleasure is a struggle for equality, freedom from oppression and exploitation and so on. That is, this will-to-pleasure need not be disparaged as mere self-indulgence. Any activity directed towards amelioration of others' suffering and oppression or in other words, towards 'socialistic' aims also may in the final analysis be based on an operation of the pleasure principle only since such activities can and do bring about pleasurable fulfilment for those who pursue them and are in consonance with their needs.

Conversely, in Freudian terminology, the instinct to death is manifested in aggression and destruction. However, the two instincts of life and death, according to Freud are found in a fused state in the actuality of behaviour and in the end represent the entire struggle for life. Peter Gay (1985:210), the psychoanalyst-historian says, "historians reluctant to acknowledge the value of psychoanalysis as an auxiliary discipline have found uses for it as they fail to discover rational causes for panics or riots, for outbursts of bigotry or self-destructive behaviour".

Freud's formulation seems to balance precariously between a description of the individual as a biological entity with her/his essence residing in specific drives, and a complex account of the social construction of that individuality through the exposure of the human being to particular social structures. A crucial process by which society operates is to introduce into each individual its own ideological seeds, which then become the generative kernels of emotions, attitudes and modes of relating to others – in other words, of mental or psychic organisation. Which one is causally prior, the psychic or the social, is, I think a belaboured philosophical point and is of limited practical value in the present context.

If as Marx (1845-6/1970) says, history is the continual process of human beings creating, satisfying and recreating their needs, this historical process having three moments: (a) the satisfaction of basic needs, (b) the simultaneous creation of new needs, and (c) the production of new human beings, then labour as the basic ontological category perhaps provides only part of the story.

Marx, with a flourish, could define communism as "the genuine resolution of the conflict between man and nature and between man and man – the true resolution of the strife between existence and essence, between objectification and self-confirmation, between freedom and necessity,

between the individual and the species" [Marx and Engels 1975:296]. Can we expect then that the resolution to this conflict should be able to include not only materialist dynamics centred on economic production but psychological processes as well concerned with the formation of identities and agency? More so, as Marx himself conceptualised theory-as-critique as "the self-clarification of the struggles and wishes of the age".

To recognise then that the problem of subjectivity is an uncharted territory in Marxism and that it is not as 'knowable' as objective conditions is, not in my opinion, an abdication of the Marxist position and retreat to the slippery world of idealism. And what is significant is that Marx himself recognised these empty spaces and held that the levels of base and superstructure in society varied in their amenability to scientific treatment. Making a distinction between the materialist transformation of the economic conditions of production and the "legal political, religious, aesthetic or philosophic – in short, ideological forms in which men become conscious of this conflict and fight it out" Marx does acknowledge that the 'ideological' forms cannot be understood with the precision and certainty of natural science as the economic conditions can be.

I am aware, however, that while an inclusive theory could have some explanatory value and while knowledge and understanding of subjective processes could sensitise us to the needs and irrationalities of the individual, it falls short of spelling out how such an inclusive understanding could bring about change, both individual and social. That is why perhaps even when we ask questions related to human subjectivity or 'idealist' questions we need to come up with Marxist answers. And that is the reason why perhaps attempts like that of Balagopal only shift the horizons without appreciably enlarging them.

[I gratefully acknowledge the comments of Randhir Singh and Praful Bidwai. Any errors of interpretation are of course only mine.]

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- **PAKISTAN: WHY DEVALUATION WILL NOT WORK**
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Working Mothers and Child Survival

There is evidence that in rural India working mothers experience a greater degree of child loss than do non-working mothers. It has been suggested that time is probably the most important factor in this context: other things being equal, a non-working mother can provide more time for child care.

Whether, however, this conflict between work outside the home and time for child care can lead to the observed large difference in child survival needs to be probed further.

2802

Imaging Modernity and Nationhood

The terms of modernity and nationhood, often deemed to be restricted to a dominant elite ideology suppressive of other identities, may actually allow for a greater plurality of voices, if we care to listen to them. An analysis of popular Bombay cinema.

2806

Unemployed and Self-Employment

NSS data provide alternative estimates of employment and unemployment for rural and urban households as well as for male and female labour force, but several interesting aspects, such as the socio-economic background of the employed and the unemployed, job preferences of the unemployed and obstacles to and factors motivating self-employment are not touched upon. An exploration of some of these issues through a sample survey in Trivandrum district of Kerala.

2814

Exporting to Russia

In the context of the economic liberalisation taking place simultaneously in the two countries, the potential for expanding trade between India and Russia is very considerable. A number of complexities and contradictions, however, stand in the way of the growth of India-Russia trade relations on a sound basis.

2780

Unto This Last

The quintessence of Ruskin's and Gandhi's thought is fully reflected in the title of Ruskin's *Unto This Last*. Add to this Gandhi's emphasis on non-violence. Other aspects of their thought are contextual and could be — should be — revised and redesigned to synchronise with the ongoing technological revolution.

2793

Imagined Boundaries

The idea of being a speaker — and, increasingly, a reader and writer — of one language exclusively and associating that language with a national or ethnic identity is a modern phenomenon.

2783

New Agenda

The emergence of a consensus among major opposition forces in Sudan on self-determination as the key to peace has posed a serious challenge to the National Islamic Front regime.

2791

Movements and Method

Subject has always been a problematic in Marxist theory, since contradictions posed by the subject have been understood as having an explanation in the object, and contradictions in the object as the summation of the contradictions in the subject. However object is not a summation of the subjects, since interaction of the subject is not only with the object but also between the subjects.

2827

Lawlessness as Law

The strong nexus between the police and the state government continues to deny justice to the victims of faked 'encounters' in Andhra Pradesh.

2787

Politics, Not Parity

Devaluation by Pakistan will only push up inflation, already high, without necessarily improving the balance of trade. The real obstacle to higher exports today is not the rupee/dollar parity but the anarchic political situation in Karachi.

2789

Anthropological Follies

This year marks the silver anniversary of the English publication of what is arguably the single most significant study of Indian society by a western scholar in this century. Even today Louis Dumont's *Homo Hierarchicus* is capable of generating as much heated academic debate as when it first rolled off the presses.

2785

World Bank on Labour

JAN BREMAN (September 16) criticises the latest *World Development Report* of the World Bank, which deals with labour in the globalising world economy. Most of his criticism is not justified. The report is not a hard-liberal manifesto or manual, but a balanced document. The emphasis on both growth and targeted state intervention for the poor and for the social sectors, like basic (female) education, is maintained. That the role of labour is dealt with mostly in economic terms can be defended given the importance of raising of living standards, for which raising of wages and therefore productivity is essential.

Breman's remark that the Bank's priority for basic education implies neglect of poor adults is very strange, as well as his remark that the Bank promotes 'informalisation' by criticising the elite and inequality strengthening policies of many settled and politicised unions in the south. These normally strengthen the privileges of a small protected group of employees. Even here the Bank gives a number of balancing statements concerning the positive social, political, as well as economic role of many unions.

Breman clearly overlooks the very clear indications that improvement of the position of organised labour results in deterioration of the position of informal labour, often even in an absolute sense. According to Breman, in the World Bank policy unorganised labourers are doomed to stay where they are. How is this statement compatible with the policies towards basic education and health care, towards micro-credit along the lines of Grameen Bank in Bangladesh, and especially towards getting rid of the urban and industrial bias in economic policy? Nothing in the report or other recent Bank documents suggests that the poor should wait for wealth to trickle down.

More than anything else, artificial privileging of organised labour undermines access to this sector, and therefore keeps this sector small. Every policy that imposes western social standards in developing countries does the same, as well as policies that do not take into account the fact that a number of Asian countries have been able to decrease the number of poor by hundreds of millions. These countries have 'two pillar' strategies, in which economic growth is an

essential, but not sufficient condition. Without exception, these countries have integrated in the world economy (sometimes after a period of relative seclusion), as well as massively invested in basic needs such as education.

Neither these policies, in which, admittedly, there is (still) no place for North-West-European welfare standards, nor World Bank policies have anything to do with 'social darwinism' or 'capital mastering over labour'. The idea of capital and labour being inherently conflicting units is very old-fashioned. Productivity growth is the only way to raise incomes permanently, and is therefore good for not only 'capital', but 'labour' as well.

Breman overlooks very moderate remarks in the report, like the one that (higher) minimum wages need not to be at the expense of employment, that, in case of market power of employers, a small increase of the minimum wages can even raise employment and that in a number of cases union action does have increased income equality.

This is part of the analysis; as far as recommendations are concerned, the report states that (for south Asia and China) "the strong tradition of support for income stabilisation in informal and rural labour needs to be maintained and supported, especially in terms of public works and basic safety nets". And indeed, in India the Bank finances a social safety net programme costing hundreds of millions of dollars

targeted to employees of restructuring state enterprises.

According to Breman, the Bank is not interested in distribution of income and assets, at the national or international level. Indeed, in many low income countries there is not much to redistribute. Besides redistribution is politically difficult. The Bank does recommend agrarian reform in sub-Saharan Africa, as "most pressing concern for the majority of poor farmers". The bias disfavouring small and informal business and agriculture should disappear. It is true that in low-income economies growth, rather than redistribution, is considered of the utmost importance, for reasons of simple political realism.

As far as international redistribution is concerned, the only effective way to achieve this is not income transfers, undermining self-respect, savings and taxation more than anything else, and therefore not being effective, but opening of western markets in the first place.

Besides, there is lots of difference between an increasing north-south gap combined with increasing incomes in the south, and an increase of this gap combined with stagnating or declining incomes in the south. Therefore Breman should not overemphasise the importance of only relative magnitudes, and underemphasise the actual growth in the south

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Interest Rates in Disarray

CLOSE on the heels of the instability and uncertainty on the exchange rate front and the sizeable depreciation of the rupee there has occurred greater instability, speculation and shooting up of interest rates in the inter bank call and overnight money market. Reflecting the growing shortage of liquidity in the system, the call rates had been firming up since the middle of September, ruling in the range of 15 to 20 per cent. Towards the end of October, they touched 25 per cent and on November 2 they were quoted at 85 per cent when the RBI refused to inject liquidity, taking the position that there was enough liquidity in the system and that the sharp rise in the rate reflected the panic reaction of bankers who had not done their homework. But the very next day, exactly in the way it reacted on the exchange rate front, the RBI was forced to inject liquidity to the tune of nearly Rs 1,000 crore which brought down the call rate from 85-87 per cent, though only to 40 per cent. It is obvious that on both fronts, RBI intervention has provided only temporary respite. Both markets are now precariously balanced.

The RBI's predicament is of its own making. Rather than using monetary and credit policy instruments to serve the development process with flexibility and with freedom to act as demanded by the occasion, the central bank has opted to give primacy to market forces though the financial markets remain inherently monopolistic, structurally deficient and basically inefficient. The RBI paid no attention to the growing organisational weaknesses of the commercial banking system in particular and the financial system in general and their failure to operate a socially oriented credit delivery regime and instead opted for premature liberalisation of financial policies, putting its faith in competition among banks and financial institutions as the primary instrument for achieving improved efficiency in the system. The end result has been that there is neither competition and efficiency nor a stable financial environment for the productive sectors of the economy.

The inefficiency of the system is nowhere more conspicuously reflected than in the levels, term structure and gyrations of interest rates. Interest rates have soared and their term structure has become distorted and fluctuations in them have become too wide and too frequent. Call money rates of 40 to 80 per cent may apply only to small amounts of marginal funds, but the psychology of bank officials at the credit delivery stage gets influenced by them and those who have to bear the brunt of this turn out to be the weaker segments of the economic system. The rates of interest charged by banks to a majority of borrowers now apparently range from 20 to 25 per cent. What is more, the client classification and credit rating arrangements of banks decidedly favour the big-size and financially rich

companies with little consideration for social priorities and productive nature of the activities. The interest rate instrument has thus become a weapon to widen the hiatus in the productive sectors with the heaviest burden placed on the medium and small and the informal sectors. Two elementary lessons in monetary theory have great relevance for the situation obtaining in India now. First, overwhelming reliance on monetary policy as a stabilising force involves large and rapid changes in interest rates and in consequence a high degree of volatility in bond prices leading to an environment of uncertainty for productive investment. Second, high interest rates favour the unproductive sector, relatively more and work to the advantage of social parasites, thus hurting both equity and growth. There is no doubt that the high interest rates of the past few years have stimulated the money lending activities of the non-banking financial companies and firms, speculators in the capital market, traders and those engaged in real estate speculation.

As with the sudden depreciation of the rupee, there have been immediate factors triggering the call money rates, such as the outflow on account of the Rs 1,500 crore auction of 14 per cent state loans, the Rs 1,100 crore third instalment payable on a government of India loan, Rs 1,800 crore moving out of the banks as allotment for the IDBI issue and approximately Rs 1,200-1,500 crore as the purchase price of the US dollars injected by the RBI to minimise rupee depreciation. The underlying malaise, however, is the shortage of domestic saving which is not of a temporary nature. Aggregate banks deposit growth in the first half of 1995-96 at Rs 9,516 crore or 2.5 per cent has been the lowest for any half-year period. In the corresponding period last year, there was a rise of Rs 18,420 crore or 5.5 per cent. On the other hand, demand for bank credit continues to be brisk. Despite sizeable mobilisation of tax revenue, central government finances remain strained. The use of ad-hocs, which had fallen to around Rs 6,500 crore during a few weeks of September, has again jumped to Rs 10,610 crore as of October 6 or Rs 9,495 crore on October 13, thus again piercing the Rs 9,000 crore limit. Increase in net RBI credit to the central government has also shot up from Rs 8,714 crore as of September 29 to Rs 13,843 crore as of October 13. Subsequently, subscriptions to 91-day treasury bills have been considerably less than the targeted amounts, with Rs 156 crore devolving on the RBI. Likewise, the response to the Rs 7,000 crore disinvestment of PSU equities by the government has been niggardly. All these developments are taking place at a time when government expenditures are growing beyond the budgeted amounts.

When such is the acute shortage of investible resources in the economy, the attempt to ration their use through the blunt

instrument of interest rate alone is bound to be counter productive. A viable option would have been to regulate the structure of interest rates at a realistic level and combine that with rigorous quantitative guidelines on the distribution of bank credit. For some years to come until the financial system acquires competitive strength and the informal sector attains a degree of resilience, the earlier system of prescribing minimum and maximum of lending rates for banks is the only viable one for ensuring that the activities of institutional agencies do not partake the character of the activities of the age old traditional money lenders. The argument that small borrowers anyway pay exorbitant rates of interest to the informal credit agencies and hence can bear high rates of interest on their borrowings from banks and institutions is spurious. Apart from the question of equity which justifies a progressive structure of interest cost, it is pertinent to ask if even the organised sector manufacturing projects could be viable at such exorbitant rates of interest and if not, what economic rationale is there except their weak bargaining strength, for charging such high rates to small and medium manufacturing units?

The same principle of regulation and prescription of a minimum and maximum rates needs to be applied to the inter bank overnight and call money rates. In a competitive and developed financial system such prescriptions would not be necessary and, even if necessary, could have been left to self regulation by the banking industry. Even in many advanced country money markets call rates are either targeted or prescribed from time to time by the monetary authorities. Given the structure of the banking industry here, self-discipline just cannot work. Therefore, it is imperative that the RBI intervene and prescribe a range of, say, 12 to 25 per cent for overnight call money borrowing (linked to some notion of an average cost of deposits to banks at the margin at the one end and the possible ceiling of about 20 per cent on bank advances at the other). The minimum of 12 per cent on call money borrowing is justified on the ground that lending by some of the low deposit base banks needs to be curbed so that serious liability-asset mismatches are not created by resort to excessive dependence on call money. Call money rates beyond 25 per cent should be considered as a sign of the system's weakness and a source of destabilisation.

The instability and distortions in the present interest rates structure are distinctly reflected in the failure of either the RBI or the market to evolve a 'reference rate' around which other rates in the system could be expected to constellate. In its Annual Report for 1992-93 the RBI had hoped that once prescription of interest rates by it was minimised, it could declare one of its interest rates as the 'reference

rate' and a convention developed whereby banks would take cognisance of this reference rate and fix their deposit and lending rates accordingly. In the following year's Annual Report the RBI thought that the cut off yield rate on 364 day treasury bills had already emerged as a benchmark as some of the players were using this rate for fixing other rates. However, very soon with the liquidity situation undergoing a sea change, the cut off yield for the 364 day TBS ceased to have any credibility with very low levels of subscription and only 25 to 30 per cent of the bids being accepted. It has obviously assumed the character of an administered rate. The yield rates on dated government securities even under the auction system or those prescribed under the pre-determined coupon system (at such high levels as 14 per cent for central and state government securities) have turned out to be very high and unsustainable. In the circumstances RBI thinking seems to have now come full circle with the authorities realising that no single rate could yet emerge as a reference rate. The authorities now admit to some difficulties in introducing reference rate as a mechanism for signalling to the market. In many countries the instrument of the bank rate or discount rate provides the signals. While the authorities have recognised that for the bank rate to become operative here it must be a rate at which the central bank operates a refinance or rediscount window on a noticeable scale, they hold that this is not the right time to introduce [an effective refinance mechanism] because we are already concerned with over-expansion of credit.

They evidently think that providing a refinance window would send a wrong signal to the banking system. According to the RBI only when the present pressures diminish could the bank rate be brought in as a reference rate. This is the outcome of the narrow approach of monetary targeting and is faulty on many counts. First, the thinking that a refinance window can only be for influencing the size of aggregate credit expansion is flawed, it can be a more potent instrument for influencing the distribution of credit. In this respect, the recently introduced RBI refinance facility against banks' holdings of government and other approved securities will have limited use except for encouraging banks to hold excess SLR securities. Second, there has been a significant fall in the share of priority sector advances in total bank credit in the recent period and so this is indeed the right time to introduce a refinance/rediscount window against lending in favour of specified priority sectors. If such a credit policy regime does not yield a unique reference rate, so be it. Ensuring adequate credit to the productive sectors should be the overriding objective of the central bank, not evolving some esoteric 'reference rate'.

BJP

Spreading Dissidence

THE national convention of the Bharatiya Janata Party (BJP) in Bombay takes place at a time when the party has been shaken by the recent turn of events. The Waghela episode had its spread effect across all the state units of the party with each unit throwing up its unique pattern of dissidence.

II Shantersinh Waghela targeted the supremacy of the Narendra Modi-Keshubhai Patel faction in Gujarat and Kalvan Singh had his differences with the party leadership over supporting the Mayavati government in Uttar Pradesh; the Maharashtra unit of the party has staged a revolt against the party general secretary Pramod Mahajan, for his dictatorial handling of state affairs. Waghela gave voice to the discontent among the Gujarat unit over the excessive intervention of Narendra Modi, an RSS man, in the state government's decision-making. The protest in Maharashtra in contrast is led by an RSS old timer and an ex-MLC Madhu Deolekar, against the 'five star culture' introduced by Mahajan in the party organisation. Deolekar roughly estimates that fifty sixty thousand rupees are spent per month on the Maharashtra and Bombay units and voices dissatisfaction over the eclipse of the ascetic virtues of the 'sangha samaskar' among the newcomers. The schism in Maharashtra reflects the clout the party fund raisers like Pramod Mahajan, Kunt Somaiya and Prakash Javdekar have gained over the organisational structure, sidelining grass roots party workers like Madhu Deolekar, Wamanrao Parab, Ram Kapse and Madhukar Desai.

But the dissent in Maharashtra also has another dimension. This has to do with perceived capitulation of the state BJP leadership on contentious issues to its coalition partner the Shiv Sena. The release of the TADA detainee and film star, Sanjay Dutt, which has been welcomed by Shiv Sena chief Bal Thackeray, has upset the BJP's student wing, Akhil Bharatiya Vidhyarthi Parishad (ABVP), the Bajrang Dal and the Vishwa Hindu Parishad who were in the forefront of a campaign against the actor. What has further irked them is Pramod Mahajan's open endorsement of the court's decision. The opening of the renegotiation with the Enron is read as another instance of the Shiv Sena gaining the upper hand over its 'junior' partner. This has led to tension between the BJP and the Swadeshi Jagran Manch with the latter threatening to reactivate its stir against the Dahhol power project. The enfeeblement of the state BJP has been underscored by the drubbing it received at the hands of Shiv Sena in the Kalyan and New Bombay municipal polls. Already Thackeray's demand for Lok Sabha seats has risen from 18 to 24, and it is feared that as the polls

approach Thackeray will assume a more virulent posture. Shiv Sena too has its own worries with the Supreme Court judgment in the petition against state chief minister Manohar Joshi due this month. In anticipation, the party's rising star and Bal Thackeray's son, Udhav Thackeray, has announced a prospective restructuring of the party and unbelievably Bal Thackeray has tendered an apology to the Supreme Court in the contempt of court case involving him. Thus faced with its own problems, Shiv Sena is trying to make the most of the setbacks BJP has suffered.

The BJP may put up a brave face in the coming national meet after having succeeded in temporarily quelling the dissidence, but the uneasiness will continue. The jolt received by the party has led to the postponement of organisational elections in Rajasthan, Gujarat, Madhya Pradesh and Uttar Pradesh. Just beneath the surface, the fissile between L. K. Advani and Atal Behari Vajpayee is also on. Though Waghela has declined to lead and speak for the dissidents at the Bombay convention, addressing the growing indiscipline in the party will be uppermost in the mind of the central leadership.

CORRUPTION

Misguided Solidarity

A correspondent writes

THE much advertised strike by the customs officials at the New Delhi airport which fizzled out within four days is an early sign of the growing need to use popular weapons of protest by the privileged sectors of our society to legitimise their unjust demands, even to the extent of justifying their right to take bribes! The strike was triggered off by the arrest of 15 customs officials, including superintendents, inspectors and an examiner by the CBI on October 17 after the recovery of Rs 1.15 lakh unaccounted money, partly from the persons of some of the officials and partly from boxes and office tables where the money was stacked.

The arguments of the advocate employed by the striking customs officials in order to obtain bail for their arrested colleagues, as presented before the special judge handling the case, reflect the smug mood of being able to get away with anything that prevails among these senior officers of the customs department. The advocate contended that the arrested customs officials deserved bail because they were government servants and the amount recovered from them was petty. The obvious implication is that government servants should be considered as a special category of citizens who are above the normal laws applicable to all, and - what is even more distasteful - that they are allowed to take bribes, as long as the amount is 'petty' (a term, which in financial transactions, has a variable connotation, depending

on the class composition of those involved in the transactions) suggesting again that the quantitative aspect of the dispute relating to the amount of money taken as bribes prevails over the qualitative aspect of the behavioural norms and moral values expected to be followed by the customs officials.

These legal arguments on behalf of the striking customs officials are actually buttressed by the social mood that prevails among the Indian urban middle and upper middle classes which sanction certain norms of conduct - bribery, nepotism, embezzlement, defrauding and, on some occasions, even murder - that are recognised as necessary to sustain high living in this society. Following the arrest of the customs officials, one could discover in the Delhi elite circles voices which were sympathetic to the cause of these officials. Their arguments ran on the following line: 'If politicians corrupt and crores through dubious deals with Bofors or notorious Bombay stock brokers, what is wrong with the customs officials making a few thousands or lakhs on the sly?' It seems that bribery, which is elevated to the status of 'commission' or looked down upon as 'cut back', has not only come to stay, but is awaiting endorsement in the form of a legal enactment to be framed in the usual ambiguous terms that mark our legislations.

The customs department in particular has acquired the reputation of offering young unscrupulous employees easy avenues for making a fat buck, with the acquiescence of course of their seniors, as evident from the recent revelations. In the universities of the metropolis in cities like Delhi, students make no bones about their career priorities.

First the customs, followed by the income tax department and the police service, with the IAS as the last option, and are equally unabashed in explaining why they decide to choose these services in that order. Even inside the customs department, there are priorities - the export and import wings of the cargo terminals in the international airports being considered more lucrative than the baggage wing. In these two most sought after wings also, there is a scramble for duty during what is termed as 'prime time' - the afternoon shift when there is the maximum load of clearance of import and export cargo, which understandably offers the maximum opportunity of illegal monetary deals between importers and exporters on the one hand and the customs officials on duty at the airport on the other. In fact, according to the CBI sources in Delhi, it was one of the disgruntled customs officials who was shunted out from such a lucrative post who tipped off the investigative agency about the goings on in the export cargo terminal of the Indra Gandhi International Airport which led to the arrest of the customs officials.

One could have dismissed the case as an isolated instance of aberration and misdemean-

nour by a coterie of customs officials, but for the extraordinary demonstration of solidarity behind them by the rest of their colleagues. It is this which is disturbing. The professional team spirit is being extended to support unprofessional misdeeds. We have seen a similar display of camaraderie among policemen in Jobur when some of their colleagues were prosecuted for blinding prisoners in Bhagalpur which set them on a mini mutiny in protest. The IAS fraternity is no less belligerent whenever it comes to defending any errant colleague of theirs. Even judges are known to have betrayed similar peevishness on occasions when some from among their brotherhood had been criticised for unprofessional behaviour and even to take recourse to the weapon of contempt of court to silence the critics.

Fellow feeling among colleagues in a profession is understandable. But when such solidarity is displayed in support of anti-social activities of the black sheep of the professional community, agitations on their behalf are bound to lose public sympathy, as is evident from the fate of the strike of the customs officials.

EXCHANGE RATE

Market as Alibi

If sources in the commerce ministry are to be believed, the depreciation of the rupee vis-à-vis the US dollar was nothing but contrived. As reported, the commerce ministry was kept informed about the expected decline of the rupee about two weeks before the RBI decided to withdraw temporarily from the market. It is doubtful though that the commerce ministry was made privy to the whole plan even though it had been pre-warned of the impending major depreciation of the rupee.

It is clear now that the major factor behind the rupee's depreciation was none other than the cojection of major demand arising from the government to make its debt service payments in pursuance of the decision to route such payments and those required for the purchase of essential import items like oil, food and fertilisers on government account through the exchange market. The latest *RBI Annual Report* is quite explicit about this decision as being in consonance with the ongoing efforts to reform the exchange markets in India so as to better reflect the demand and supply position of foreign exchange. The point however is whether, with the injection of such demand in the exchange market, particularly the demand arising on account of debt servicing, the volatility of the market is increased or decreased and in which direction. Not that the debt servicing obligations were not being met earlier when the RBI directly covered them at the prevailing exchange rate of course, but out of its holdings of foreign exchange. But then the market stood in-

sulated from periodic ups and downs arising out of irregular demands of this type.

So when the commerce ministry was told that the RBI had 'decided to withdraw temporarily from the market', it was a partial truth in that while a sizeable excess of demand for foreign exchange was being transmitted to the market, the RBI decided not to intervene to ensure that it did not upset the balance and in the process forswore the main objective of exchange reserves, namely, of providing a cushion against temporary fluctuations in demand and supply in the exchange market.

Whether or not the rupee stabilises at Rs 34.50 to a dollar as commerce minister P. Chidambaram assures us or is made to decline further, as is being widely suspected, it is clear that the sizeable exchange reserves accumulated over the past four years will be unavailable for smoothening the volatility of the market once the authorities have decided on a change in the exchange rate. But the market will once again provide the alibi.

CAPITAL FLIGHT

Unstemmed Flow

THAT there was taking place some amount of capital flight through under-invoicing of exports and over-invoicing of imports had been known all along. In fact one of the major arguments for trade liberalisation has been that it will reduce sharply the incentives for resort to such practices. Whether or not this has actually taken place in the wake of the various trade liberalisation measures is a moot question. There can be no doubt, however, that capital flight has persisted, going by the scale of gold imports and of consumer goods smuggled in year after year.

A study by three Florida-based economists of Indo-US trade data for 1993 has shown that (a) the amount of capital flight on account of under-pricing of exports to the US and over-pricing of imports from the US in just one year could have been as high as \$4.4 billion against total recorded turnover of \$7.3 billion, and (b) under-pricing of exports accounted for three-fourths (\$3.3 billion) of the possible capital flight of \$4.4 billion. On the assumption that such practices could not possibly be confined to Indo-US trade only, total capital flight in one year, 1993-94, could have been of the order of \$27 billion against the total recorded trade turnover of \$45 billion in that year.

It should be added here that the same study offers a number of alternative estimates of capital flight via trade with the US and the most conservative of these range between \$370 million and \$1.06 billion. At the rate of even \$370 million for Indo-US trade, total capital flight from India for 1993-94 would work out to \$2.3 billion, whereas at the rate of \$1.06 billion for Indo-US trade the total would work out to \$6.5 billion.

The question to answer is whether capital flight currently taking place is as high as \$27 billion or as low as \$2.3 billion. The only way one can get some answer to this question is to look at the situation with regard to gold imports, which enter the country partly through legal channel and partly illegally. Estimates are that in the past four years total gold import has spurred from 200 tonnes in 1991 to 480 tonnes in 1994, the former figure comprising almost entirely of illegal import and in the latter case the proportion of illegal import being close to 60 per cent. But this distinction between legal and illegal import is of little

significance from the point of view of their financing, because the source of such finance has to be more or less the same. At the rate of 480 tonnes the foreign exchange required would work out to \$5.8 billion at the prevailing world prices. In addition, it is widely believed that large-scale smuggling of consumer items and components continues unabated, for financing which too exchange would have to be found. It is therefore quite possible that capital flight from the country to finance gold imports and illegal smuggling may well be close to \$10 billion. To that has to be added what people accumulate and hold abroad.

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October 19, 1995

DIRECTOR

CURRENT STATISTICS

EPW Research Foundation

The annual inflation rate has remained at the single-digit level now for 29 successive weeks (8.23 per cent for the week ended October 14) though the WPI has experienced an absolute decline only on three occasions. The RBI reference rate for the US dollar moved up from around Rs 33.90 in the first half of October to Rs 35.03 in the second half. Forward premia on the dollar reached new levels, spot/cash touching 20.6 per cent and the six-month forward premia 12.8 per cent. The rise in the havalra rate has been more moderate than that in the official rate. After being relatively stable in the past few months, call money rates shot up to reach a range of 50-85 per cent in the last few days. In the primary floatations, the yields on 91-day TBs have lined up from 12.68 per cent to touch the record high of 12.88 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Oct 14 1995	Variation (Per Cent) Point to Point						1994-95	1991-94	1992-93	1991-92
			Over Month	Over 12 Months		Fiscal Year So Far						
				Latest	Previous	1995-96	1994-95					
All Commodities	100.0	297.2	0.1	8.2	8.9	4.2	6.3	10.4	10.8	7.0	13.6	
Primary Articles	32.3	305.8	0.6	7.3	10.0	4.7	10.0	12.7	11.5	1.0	15.3	
Food Articles	17.4	336.0	-1.1	3.8	9.5	7.0	15.4	11.9	4.4	5.4	20.9	
Non Food Articles	10.1	326.4	0.3	14.8	12.3	0.9	2.3	15.5	24.9	1.1	8.1	
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	5.3	0.1	0.6	2.4	13.1	15.2	13.2	
Manufactured Products	57.0	294.8	0.6	10.6	8.5	4.8	4.9	10.7	9.3	7.9	12.6	
Food Products	10.1	284.1	1.0	4.4	6.6	4.3	7.9	8.1	12.3	6.8	10.7	
Food Index (computed)	27.5	316.9	-0.4	4.0	8.6	6.1	12.8	10.6	7.0	5.8	17.1	
All Commodities (Average Basis) (April-Oct 14 1995)	100.0	293.5		9.8	10.1	9.0	10.8	10.9	8.3	10.1	11.7	

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point							
			Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982-100)	315	0.6 ^R	10.9	10.9	7.5	6.4	9.7	9.9	6.1	13.9
Urban Non Man Emp (1984-85-100)*	244	0.4 ^L	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1405	1.3 ^H	14.1	10.6	8.1	4.8	10.6	11.6	0.7	21.9
* for 1994-95										

* for 1994-95

Money and Banking (Rs crore)	Sept 29 1995	Over Month	Variation				1994-95	1993-94	1992-93
			Fiscal Year So Far						
			1995-96	1994-95					
Money Supply (M ₁)	544786	6995 (1.3)	18984 (3.6)	26679 (5.9)	78617 (17.4)	73307 (19.3)	50916 (15.5)		
Currency with Public	107238	984 (0.9)	6449 (6.4)	3429 (4.2)	18806 (22.9)	14170 (20.9)	7111 (11.7)		
Deposits with Banks	437832	8655 (2.0)	11199 (2.6)	22335 (6.1)	58956 (16.0)	57925 (18.7)	43377 (16.3)		
Net Bank Credit to Govt	235924	-3265 (-1.4)	13508 (6.1)	2514 (1.2)	16325 (7.9)	28315 (15.9)	18657 (11.7)		
Bank Credit to Comm'l Sector	298392	6676 (2.3)	8737 (3.0)	8623 (3.5)	44991 (18.4)	17147 (7.5)	30187 (15.3)		
Net Foreign Exchange Assets	73067	77 (0.1)	2857 (3.8)	15596 (29.6)	23298 (44.3)	27674 (110.9)	3726 (17.6)		
Reserve Money (October 06 1995)	185299	2962 (1.6)	16020 (9.5)	16066 (11.6)	30607 (22.1)	27893 (25.2)	11274 (11.3)		
Net RBI Credit to Centre	112807	718 (-0.6)	13894 (14.0)	4560 (-5.7)	2130 (2.2)	26040 (3)	1257 (4.6)		
Scheduled Commercial Banks (October 13 1995)									
Deposits	396375	9197 (2.4)	9516 (2.5)	18420 (5.5)	53630 (16.1)	52144 (18.6)	39017 (16.1)		
Advances	222180	7323 (3.4)	10620 (5.0)	8132 (4.8)	40638 (23.8)	11566 (7.3)	23757 (17.5)		
Non Food Advances	209529	7817 (3.9)	10244 (5.1)	5817 (3.6)	37797 (23.4)	8875 (5.8)	21684 (16.6)		
Investments	156898	695 (0.4)	7645 (5.1)	11989 (8.9)	13965 (10.3)	28641 (26.4)	16820 (18.7)		

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Weights Production (1980-81=100)	June 1995	Fiscal Year So Far		Average for Full Fiscal Years					
		1995-96	1994-95	1994-95	1991-92	1990-91	1989-90	1988-89	1987-88
		1995-96	1994-95	1994-95	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	251.5	251.8 (13.3)	224.9 (7.2)	250.6 (8.4)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)	180.9 (8.7)
Mining and Quarrying	11.5	240.1	241.2 (14.3)	211.1 (2.0)	245.8 (6.3)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)	199.1 (3.7)
Manufacturing	77.1	241.2	244.6 (13.2)	216.0 (8.2)	241.8 (8.8)	206.2 (-0.8)	207.8 (8.9)	190.7 (8.6)	175.6 (8.7)
Electricity	11.4	332.9	330.0 (12.5)	299.5 (6.9)	314.6 (8.5)	257.0 (8.5)	236.8 (7.8)	219.7 (10.9)	198.2 (9.5)

Capital Market	Oct 27 1995**	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1991-95	1993-94	1992-93	1991-92
				Trough	Peak	Trough	Peak	1991-95	1993-94	1992-93	1991-92
BSI Sensitive Index (1978-79=100)	3409 (21.3)	3493	4329 (60.0)	3015	3557	3233	4604	3261 (13.7)	3779 (65.7)	2281 (-46.8)	
National Index (1983-84=100)	1554 (-23.9)	1586	2043 (57.5)	1482	1691	1572	2176	1606 (12.2)	1830 (79.2)	1021 (-48.1)	
BSE 200 (1989-90=100)	345 (-28.6)	352	483 (54.3)	336	385	360	497	368 (18.2)	450 (92.3)	234 (-60.0)	
NSE (Nov 3 21 1994=100)	75 (-24.2)	77	99 *	72	83	-	79				

** For October 26 1995

* For November 23 1994

Foreign Trade	August 1995	Cumulative for Fiscal Year So Far						1991-95	1993-94	1992-93	1991-92
		1995-96	1994-95	1994-95	1994-95	1994-95	1994-95				
		1995-96	1994-95	1994-95	1994-95	1994-95	1994-95				
Exports Rs crore	8029	38676 (28.2)	30157 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32551 (17.6)			
US \$ mn	2543	12302 (27.9)	9613 (10.6)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)			
Imports Rs crore	9236	44889 (37.4)	32662 (16.4)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)			
US \$ mn	2926	14278 (37.1)	10412 (16.4)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)			
Non-POL US \$ mn	2393	11625 (42.7)	8149 (26.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)			
Balance of Trade Rs crore	-1207	-6213	-2505	-6375	-3259	-9687	3809	10640			
US \$ mn	-382	-1976	-798	-2018	-1039	3345	1545	5930			

Foreign Exchange Reserves (excluding gold)	Oct 20	Oct 21,	Mar 31	Month Ago	Year Ago	Variation Over		1994-95	1993-94	1992-93	1991-92
	1995	1994	1995			Fiscal Year So Far 1995-96	1994-95				
Rs crore	64087	61375	66028	3387	2713	-1941	13749	18402	27430	5385	10223
US \$ mn	18564	19836	20816	-587	-1272	-2252	4660	5640	8724	731	3383

Money Market Rates of Interest

(per cent per annum)

Weekends & Fridays	October 1995						September 1995			August 1995			
Instrument(s)	27(RI)	20	13(LF)	6	29(RF)	22	15(RF)	8	1(RI)	25	18(RI)	11	4(RI)
Call money rate (weekly weighted average RBI)	na	na	15.71	16.70	14.40	13.55	10.81	10.78	10.44	10.84	10.47	11.04	7.64
Call money rate (Range weekly)	0.50	1.50	1.00	14.00	0.75	12.50	1.00	10.50	0.50	10.50	0.25	10.25	0.25
	17.00	19.00	23.00	18.00	22.00	18.50	11.25	11.50	11.75	11.50	11.25	12.00	9.75
Treasury Bills													
91 Day (On tap or <i>ad hoc</i>)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91 Day (RBI Auction)													
Primary	12.88	12.80	12.75	12.6	12.68	1.67	1.53	12.54	12.54	12.58	12.63	12.67	12.67
Secondary DFHI (mid point of bid and offer)	12.60	12.60	12.60	12.60	12.60	12.38	1.78	12.05	1.10	12.10	12.10	12.10	12.10
All SGL trading (Weighted YTM)	12.83	13.12	13.19	1.55	13.02	13.05	1.15	12.35	12.3	12.19	12.10	12.32	11.78
364 Day (RBI Auction)													
Primary	12.94	*	12.93		12.91	*	1.87	*	12.87	*	12.87		13.16
Secondary DFHI (mid point)	11.38	11.38	11.38	11.35	11.38	11.38	11.35	11.40	11.45	11.45	11.45	11.45	11.40
All SGL trading (Weighted YTM)	12.91	12.83	13.01	13.22	13.38	13.76	11.57	12.87	13.03	11.14	11.26	11.71	10.97
State (govt) loan (Coupon rates)													
All SGL trading (Weighted YTM)	11.83	13.66	12.35	14.06	13.11	13.96	13.71	13.55	13.78	13.90	13.74	13.56	13.85
GOL Securities													
Primary Auctions	*	13.50	*	*	13.73	*	14.00	*	13.50	*	13.65	*	*
	(2 year)				(4 year)		(10 year)		(5 year)		(3 year)		
Secondary All SGL trading (Weighted YTM)	13.48	13.47	12.83	13.42	1.23	6.29	3.55	7.97	7.71	11.89	10.71	10.98	11.96
PSU Bonds yield													
Tax free NSI (traded weighted)		11.60	11.59	11.72	11.97	11.43	12.13	11.03	11.41	10.58	11.55	11.52	11.71
NSI (Range weekly)		10.95	11.14	11.11	11.22	10.99	11.17	10.71	10.86	10.65	10.72	9.98	10.68
		11.68	11.99	11.90	12.13	11.46	12.55	11.15	11.45	11.62	11.62	12.52	11.99
Taxable NSI (traded weighted)	17.76	14.98	16.35	16.16	15.93	15.43	15.85	15.91	15.41	16.04	16.27	16.01	16.84
NSI (Range weekly)	15.01	14.97	15.95	15.54	15.78	15.19	15.61	15.91	15.06	15.62	15.88	15.16	16.04
	17.91	15.83	16.43	16.57	16.17	15.61	15.92		15.82	16.25	16.75	16.47	17.59
Commercial Bills													
DFHI (Rediscount rate)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
CP Primary market (90 days)	14.50	14.50	14.50	14.50	13.50	13.50	13.50	13.50	13.50	13.75	13.75	13.75	13.75
	15.50	15.50	15.25	15.25	11.25	14.25	14.00	14.00	14.25	14.25	14.25	14.25	14.25
Secondary DFHI													
(Discount rate)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
Secondary market/NSI	14.55	14.25			15.50	14.27	13.75	13.34	13.50	13.50	13.84	na	14.50
	15.0				16.50		13.80	13.75	13.60				
CDS Primary market (one year)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
	15.75	15.75	15.75	15.75	15.75	15.75	15.25	15.75	15.00	15.00	15.00	15.00	14.25
Secondary DFHI (Discount rate)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Inter corporate deposits (30/90/180 days)	17.50	17.50	17.50	17.50	17.00	17.00	17.00	17.00	16.00	16.00	16.00	16.00	17.00
	23.00	23.00	23.00	23.00	28.00	28.00	23.00	23.00	23.00	24.00	24.00	26.00	28.00
UII 1984 Units (Week end secondary market price in rupees)	15.65	15.65	15.60	15.60	15.55	15.55	15.55	15.55	15.55	na	na	na	na
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items													
(i) Forward premia on the US dollar in the domestic inter bank market (annualised in per cent per annum) (Weekly average) ^(a)													
Spot/Cash	20.58	13.26	16.46	15.29	10.53	9.19	0.68	5.81	3.49	4.23	0.18	1.09	0.58
One month	18.69	10.95	10.46	7.64	5.43	5.25	1.14	0.03	1.31	2.60	1.73	1.62	1.80
Three month	14.43	9.31	8.58	6.94	6.12	5.37	2.45	1.70	2.42	3.62	3.09	2.99	3.48
Six month	12.82	8.86	8.35	7.05	6.54	5.98	4.03	3.64	3.43	4.83	4.53	4.42	4.81
(ii) Hawala Rate. (Rs/US\$) (Dubai)	36.50	36.25	36.35	36.35	36.15	34.95	35.00	34.95	34.95	34.80	34.80	34.70	34.70

no trading * no auction na not available () no floatation YTM = yield to maturity

RF means reporting Friday (or fortnightly reporting of conditions of banking business) and the fortnight serves as the reserve maintenance period
 @ Based on daily quotations supplied by Meeklai Financial and Commercial Services Ltd. Bombay

BAJAJ AUTO

Expansion and Diversification

FOCUSING on the two and three wheeler segment, the Pune-based Bajaj Auto is the third largest producer of two-wheelers in the world. The company started the production of scooters in 1961 with an eye on the Indian middle class which remains its focus of attention. This is borne out by the fact that more than 90 per cent of the company's sales are in the domestic market.

The company closed the financial year ended March 1995 with net sales of Rs 1,789 crore, up by 35 per cent from Rs 1,327 crore in the previous year. Other income rose to Rs 133 crore from Rs 78 crore, an important component being interest income which stood at Rs 44 crore against Rs 22 crore in the previous year. Total income rose to Rs 1,919 crore from Rs 1,401 crore. Interest costs came down from Rs 15 crore to Rs 11 crore. The effect of a fall in the provision for depreciation was nullified by a rise in the tax provision. Nevertheless, the company ended up with a net profit of Rs 305 crore, up from Rs 146 crore, a rise of 109 per cent. A dividend of 80 per cent has been recommended by the directors. A bonus issue in the proportion of 1 bonus share for every share held has also been declared.

In 1994-95 the two-wheeler segment grew by about 25 per cent and the average growth rate is expected to exceed 15 per cent over the next few years. The company's market share has been around 72 per cent in scooters, 30 per cent in motor cycles, 14 per cent in mopeds and 95 per cent in three-wheelers. For the year under review the company registered sales of 1,134,072 two- and three-wheelers, an increase of 24 per cent over the previous year's sale of 9,13,102 units. Sale of spare parts crossed the Rs 100 crore mark. Production at the company's Waluj plant crossed 5,00,000 vehicles, an increase of 33 per cent over 1993-94. Production of scooters exceeded one million. The company proposes to introduce new models to respond to growing competition. While incorporating new styles and designs, the focus will be on meeting the new stringent emission norms.

The company's exports during the year stood at Rs 130 crore, an increase of 86 per cent over the previous year. Exports consisted of 50,947 two- and three-wheelers. Columbia, Bangladesh, Sri Lanka, Peru and Italy continued to be major export markets

for the company. Engine exports to China also contributed to the company's improved export performance. The company is eyeing Africa, Mauritius and Latin American countries as potential export markets. A sum of Rs 125 crore was spent on import of raw materials, machinery spares, capital equipment and other expenditure. Identifying export as a major thrust area, the company hopes to increase exports to 12 to 15 per cent of total production by 1998.

Expansion and diversification plans are on the anvil with a sum of Rs 700 crore proposed to be spent on them. Production capacity is to be increased to 20 lakh units per year by 1998 from the current 12,72,000 units. By the turn of the century the company plans to take its installed capacity to two million. The company is planning a foray into the manufacture of mass market-oriented cars which are fuel efficient, spacious and low cost. The initial capacity has been set at 50,000 per annum which will eventually move to 1 lakh. The company has shortlisted Chrysler, Renault and Fuji as possible joint venture partners.

Bajaj Auto Finance, a company promoted by Bajaj Auto, provides finance against two-wheelers, cars, trucks and other consumer goods. The company entering into mass housing projects targeted at the lower and middle income groups at an estimated cost of Rs 100 crore. Also proposed is a joint venture company for domestic portfolio management.

The company has stepped up its research and development efforts to meet the new emission norms by April 1996. It has increased its R and D staff to 500 from 200 last year. To cut fuel emission and improve fuel efficiency the company has developed a three-port engine for its autorickshaw. A two-wheeler scooter with a three-port engine is also being introduced. The company is also working on a new four-stroke engine for its three-wheelers and scooters to meet the new emission norms.

MUKAND

New Projects

Set up in 1937 with a share capital of Rs 14 lakh, Mukand operated its re-rolling mills and foundry in Lahore and Bombay. In 1939 the company was taken over from Lala Mukand Lal by Jeewanlal Morichand and Jamnalal Bajaj. The company is a leading producer of speciality steel in the country and the second largest manufacturer of steel in the private sector. Its product mix includes billets, wire rods, bars, rods and flats of

various grades of carbon, alloy and stainless steel. The group is a pioneer in introducing new technology such as continuous casting and top and bottom blown oxygen steel making.

Turnover for the year ended March 1995 stood at Rs 821 crore, up by 39 per cent from Rs 590 crore in the previous year. Total income increased from Rs 614 to Rs 834 crore and would have been higher were it not for a fall in other income by 34 per cent. Interest costs came down by 8 per cent. A rise in provision for depreciation by 33 per cent was nullified by a fall in tax provision which came down by 80 per cent and the company ended up comfortably with a net profit of Rs 35 crore, up by 149 per cent from Rs 14 crore in the previous year. Turnover rose because of better capacity utilisation and increased demand for the company's products from the automobile and engineering units. Added to this were higher steel prices and improvements in operations. Profits would have been higher were it not for the higher cost of imported scrap and other inputs which could not be passed on to customers. A dividend of 35 per cent has been recommended by directors against 32.50 per cent given last year.

An improvement in the performance by the automobile and consumer durable industries, which consume the bulk of special steels, led to increased demand for special steel bars and rods. Output of rolled products in 1994-95 was 1,97,651 tonnes against the previous year's 1,49,612 tonnes. Sales of the steel foundry were Rs 33 crore against Rs 62 crore in the previous year. Production of steel and alloy castings was 7,767 tonnes against 11,786 tonnes in the previous year. The value of orders received during the year was Rs 40 million compared to Rs 298 million in the previous year, reflecting the lack of orders from the railways for bogies and couplers. In the face of this situation, the company has turned to exports and to production of specialised higher value products like valve castings.

Sales of the machine building division were Rs 94 crore against Rs 52 crore in the previous year. The company has orders worth Rs 988 million in hand. Major orders include cranes, steel plant equipment and cement plant equipment. The division hopes to perform well on account of higher demand from engineering and infrastructural sectors. The machine tool division saw an improved performance. Sale of this division during the year was higher at Rs 9 crore against Rs 4 crore in the previous year, in spite of competition from imported machinery at lower import duty.

Financial Indicators	Bajaj Auto		Mukand		JCT Limited	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	178690	132662	82078	59034	65606	38648
2 Value of production	178623	132374	82759	60615	65417	39049
3 Other income	13264	7767	505	769	1031	2918
4 Total income	191887	140141	83264	61384	66418	41967
5 Raw materials/Stores and spares consumed	99978	75423	14450	14178	36653	19992
6 Other manufacturing expenses	0	4721	10593	12598	5140	5679
7 Remuneration to employees	17673	10492	4270	3647	4385	3850
8 Other expenses	20818	9562	4739	4073	10171	7684
9 Operating profit	50878	33943	9212	6888	10099	4762
10 Interest	1146	1515	4983	5413	1016	327
11 Gross profit	50739	32988	4885	2455	10016	5168
12 Depreciation	5866	6646	1368	1032	3117	1418
13 Profit before tax	44869	26337	3517	1422	6899	3750
14 Tax provision	14350	11720	2	10	356	1
15 Profit after tax	30518	14617	3515	1412	6543	3749
16 Dividends	6162	3010	746	573	2155	1480
17 Retained profit	24356	11607	2769	839	4388	2269
Liabilities/assets						
18 Paid up capital	7959	3763	2587	1859	12060	7428
19 Reserves and surplus	99146	15211	11944	15264	62575	17134
20 Long term loans	17833	11010	12303	33556	31916	16095
21 Short term loans	2234	9421	0	2000	700	1730
22 Of which bank borrowings	2234	5622	0	0	168	115
23 Gross fixed assets	92198	9234	46930	34862	78999	40050
24 Accumulated depreciation	58739	66461	13693	12569	17148	11298
25 Inventories	25484	16133	17751	19249	19573	11139
26 Total assets/liabilities	187084	109467	91126	75730	128709	74160
Miscellaneous items						
27 Excise duty	35113	27135	8070	4738	11630	5816
28 Gross value added	61066	42403	11872	12467	16179	16096
29 Total foreign exchange income	13820	7326	8417	5240	8328	3951
30 Total foreign exchange outgo	14193	6265	21300	10988	12003	1596
Key financial and performance ratios						
31 Turnover ratio (Sales to total assets) (%)	95.5	212.7	57.2	78.0	51.0	52.1
32 Sales to total net assets (%)	140.5	191.1	122.8	112.1	61.2	60.5
33 Gross value added to gross fixed assets (%)	66.2	459.2	40.1	35.7	20.5	25.2
34 Return on investment (gross profit to total asset) (%)	27.1	30.1	5.2	3.2	7.8	7.0
35 Gross profit to sales (gross margin) (%)	28.4	24.9	6.0	4.2	15.3	13.4
36 Operating profit to sales (%)	28.5	25.6	11.3	11.7	15.4	12.3
37 Profit before tax to sales (%)	25.1	19.9	4.3	2.4	10.5	9.7
38 Tax provision to profit before tax (%)	32.0	41.5	0.1	0.7	5.2	0.0
39 Profit after tax to net worth (return on equity) (%)	28.5	29.9	10.2	8.2	8.8	8.4
40 Dividend (%)	80.00	80.00	35.00	32.50	20.00	20.00
41 Earning per share (Rs)	38.34	38.84	13.59	7.60	5.43	5.06
42 Book value per share (Rs)	134.6	130.2	119.7	71.9	62.1	60.3
43 P/E ratio (based on latest and corresponding last year's price)	21.5	31.9	19.9	43.8	7.4	14.3
44 Debt equity ratio (adjusted for provisions) (%)	16.7	22.5	104.3	251.1	42.8	36.1
45 Short term bank borrowings to inventories (%)	8.8	34.9	0.0	0.0	0.9	1.0
46 Sundry creditors to sundry debtors (%)	200.8	192.7	38.1	42.4	106.2	103.0
47 Total remuneration to employees to gross value added (%)	20.8	24.7	28.8	29.3	27.1	38.1
48 Total remuneration to employees to value of production (%)	7.1	7.9	5.2	6.0	6.7	9.9
49 Gross fixed assets formation (%)	898.5		5.9		97.3	
50 Growth in inventories (%)	57.96		18.19		75.56	

Hitherto exporting engineering goods, the company added steel products to its export portfolio. During the year under review, the company stepped up its efforts to enter the US market for castings. Despite competition from China, Brazil, South America and Spain which offer castings at low prices, export of castings rose to Rs 10 crore in the year from Rs 4.5 crore in the previous year. The company has set a target of Rs 125 crore for export of steel and engineering products in 1995-96.

The company is planning to invest Rs 800 crore in new joint ventures. A maximum of Rs 300 crore as equity is proposed to be invested in the joint venture steel project with the Karnataka State Investment and Industrial Development Corporation with a total outlay of Rs 3000 crore. The initial production capacity of 1.5 million tonnes per annum will be gradually expanded to 3 million tonnes. The company has proposed to develop the Cuddalore port in Tamil Nadu as a turnkey project following the government's decision to involve the private sector in the development of ports. Also on the anvil is a Rs 1000 crore gas and naphtha-based 300 mw power project in Maharashtra. The company is currently executing a Rs 530 crore contract from SAIL to construct a basic oxygen furnace at Roukela. The company is planning to set up a port in Midnapore district in West Bengal. To be called 'New Bengal Port', the port would cost Rs 800 crore. The West Bengal Industrial Development Corporation is the government sector partner in the project. The company also plans to develop its land at Kurla, Bombay into real estate.

The process of modernisation was begun with the commissioning of an ultra high power electric arc furnace at the Kalwe plant in 1987. To get better quality of steel the company has installed electromagnetic stirrer and auto mould level control equipment. To step up output of bright bars and steel required for exports, suitable processing facilities were installed. The company has obtained new technology in steel foundry for manufacturing patterns and mould boxes for specialised items. The new technology of chemically bonded sand system has also been installed. The steel foundry and the stainless steel coils finishing divisions of the company received the certificate of approval under ISO 9002. Efforts are under way to get ISO 9002 certification for the wire rod mill and bar mill.

JCT

Polyester Complex

The flagship company of the Thapar group, JCT was set up in 1946 as a cotton mill. In 1994 JCT Fibres, its subsidiary

manufacturing polyester filament yarn and polyester staple fibre was merged with JCT. The company manufactures nylon, polyester filament yarn, dyed yarn, cotton textile products, and produces steel wire and tape.

The company closed the financial year ended March 1995 with net sales of Rs 656 crore, up by 70 per cent against Rs 368 crore last year. Other income fell from Rs 29 crore to Rs 10 crore. Total income rose by 58 per cent from Rs 420 crore to Rs 664 crore. Interest costs rose by 211 per cent. Provision for depreciation and tax rose appreciably, leaving the company with a net profit of Rs 65 crore, up by 75 per cent from Rs 37 crore achieved in the previous year. A dividend of 20 per cent has been recommended.

Turnover of the textile division increased from Rs 172 crore to Rs 215 crore despite the high cost of both cotton and fibres. According to company reports, this was possible because of the timely purchase of raw material and diversification to value added fabrics and polyester blended fabrics. The company spread its marketing network with emphasis on making supplies to institutional buyers.

The turnover of the synthetic fibres division inclusive of staple fibre, rose from Rs 170 crore to Rs 447 crore. The total production capacity increased to 30,000 tonnes from 20,000 tonnes in the previous year. Capacity expansion of fibres and filament yarns is going on as a result of which the total capacity of fibres and filament will increase to 64,000 tonnes.

The turnover of the steel division increased from Rs 59 crore in 1993-94 to Rs 68 crore in the year 1994-95, an increase of 16 per cent.

Exports of fabrics increased from Rs 43 crore to Rs 53 crore. Total exports of the company including polyester staple fibres, filament yarn and steel wire showed a substantial growth from Rs 40 crore to Rs 84 crore. In a bid to further improve its export turnover in the current year, the company is working on various other products for the export market. Imports moved up from Rs 14 crore in the previous year to Rs 119 crore.

With the aim of cost reduction, the company is gradually shifting from spindles and looms to high technology machines. The company would be investing Rs 200 crore to expand and modernise its textile division. Of the Rs 200 crore, Rs 150 crore would be utilised for the modernisation of the unit at Phagwara while Rs 50 crore would be utilised for its operations at Sree Ganganagar. The long-term objective of the company is to improve the quality of yarn and start a new venture for processing and

dyeing. The company is setting up a 6,500 spindles worsted fabric plant soon at an estimated cost of Rs 100 crore and is on the lookout for a suitable partner for this joint venture. The company which exports 20 per cent of its cotton and blended fabrics plans to take it to 40 per cent after the modernisation programme is through.

JCT is entering into a joint venture with Giordano, the international ready to wear retail chain. The two will have an equal stake in the new company and will sell their branded products through franchisees. Giordano sells a range of casual ready to wear which includes T-shirts, trousers, and jeans.

The company has entered into a joint venture with a South Korean company, Korea Act Corporation to set up a steel wire rope manufacturing facility in its steel division at Hoshiarpur. The agreement covers import of plant and machinery, technical know-how and services and includes a buyback arrangement by the Korean partner for exports. The total investment envisaged in this venture is about Rs 20 crore.

The company is negotiating with Du Pont of America and Zimmer of Germany for technology to set up a grass roots polyester complex at a cost of Rs 700 crore. The new unit would increase the company's polyester staple fibre (PSF) and polyester filament yarn (PFY) capacities by 1 lakh tonnes per annum. These projects are expected to be completed between January 1995 and July 1996 and will raise JCT's turnover from Rs 482 crore to Rs 1,500 crore in 1997-98. The company's synthetic fibre business is currently ranked second, behind industry leader Reliance. The company enjoys a dominant position in northern India which has the largest market for synthetic fibres and is the prime cotton growing region of the country.

The company has financed its expansion plans with the proceeds of the GDR issue in July 1994. The company floated GDRs of \$ 16.96 each, worth 10 shares. The machinery acquired for modernisation and expansion has reached the site and has been either installed or is under erection.

UNITED WESTERN BANK

Rights Issue

United Western Bank, a leading private sector bank in Maharashtra, is offering 1,80,00,000 equity shares of Rs 10 each at a premium of Rs 30 per share aggregating Rs 72 crore to the shareholders of the bank on rights basis in the ratio of three shares for every two shares held. The object of the issue is to increase the capital base of

the bank and to comply with capital adequacy norms as stipulated by the Reserve Bank. After the present issue the net worth of the bank will cross Rs 100 crore. Domestic private sector banks have been asked by the Reserve Bank to achieve 4 per cent capital to risk asset ratio by March 1993 and 8 per cent by March 1996. United Western Bank has been steadily moving to achieve the laid down norm of capital adequacy. The bank had enlarged its equity base from Rs 3 crore to Rs 9 crore with a 2:1 rights issue in October 1992. The bank went public in January 1994 and fresh equity of Rs 3 crore was issued at a premium of Rs 10 per share. The public issue, which was oversubscribed by more than 10 times, raised the equity base to Rs 12 crore. The present rights issue will enable the bank to achieve 8 per cent capital adequacy by March 1996. The issue opened for subscription on October 16 and will remain open for one month.

United Western Bank's deposit growth in 1994-95 was 8 percentage points higher than that of the banking system. Its advances rose by 42 per cent and net profit after meeting all provisioning requirements, by 165 per cent to Rs 10.23 crore. Export credit formed 13.71 per cent of total advances against the norm of 10 per cent laid down by the Reserve Bank. The bank's foreign exchange turnover crossed Rs 3,000 crore in 1994-95 registering a growth of more than 300 per cent over the previous year. Merchant banking activity too was in high gear and 179 issues were underwritten by the bank. In 146 issues the bank acted as bankers and it was the lead manager for six issues. The directors have proposed a dividend of 22 per cent for the year, 2 percentage points higher than that for the previous year. During the current year the bank plans to expand its network of branches from 197 to 202. Deposits are expected to cross the Rs 1,800 mark and advances will rise to Rs 900 crore by the end of March 1996. 1996-97 is the bank's diamond jubilee year and the bank will enter the year with a solid capital base of more than Rs 100 crore.

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India's Exports to Russia Complexities and Contradictions

R G. Gadadhuri

In the context of the economic liberalisation taking place simultaneously in the two countries, the potential for expanding trade between India and Russia is very considerable. There are however a number of complexities and contradictions among them: the multiplicity of trade channels, the lack of transparency in the release of debt repayment rupee funds through so-called tenders, the uncertainties and irrationalities of Russia's import regulations and tax structure and the activities of fly-by-night operators out to make quick profits – which come in the way of the growth of India-Russia trade relations on a sound basis.

INDO RUSSIAN trade seems to be poised for substantial growth in 1995. The target trade turnover of Rs 5 000 crore set during the Indo Russian Joint Commission meeting held in July between Pranab Mukherjee, India's minister for external relations, and Yury Yarov, deputy prime minister of the Russian Federation, seems quite attainable given the latest trend in trade performance. This is evident from the fact that during the April-June quarter, Indo-Russian trade turnover was about Rs 1 505 crore which shows a nearly two fold increase over the level of Rs 797 crore reached in the corresponding period in 1994. Furthermore, the Russian side had given an indication of importing in 1995 30 000 tonnes of tea, 20 000 tonnes of tobacco, 10 000 tonnes of soya meal and \$ 100 million worth of medicines. These four items form a special category for which the Russian government calls for tenders in Russia and for which a part of the yearly accumulations of debt repayment amount of Rs 3 000 crore will be used. Both Indian and Russian policy makers may feel satisfied with this improved performance in trade volume as compared to the steep decline in trade in 1992-93 to only Rs 1 700 crore consequent upon the disintegration of the USSR. But this should not lead to complacency on the two sides if the trade relations between India and Russia are to be developed on rational and normal commercial basis from the viewpoint of the long term benefit of both countries.

In fact, under the process of economic liberalisation that is taking place simultaneously in the two countries, there should be greater possibilities for expanding trade between the two countries. But there are several complexities and contradictions in fully exploiting India's potentialities for increasing exports to Russia.

A major complexity in exports to Russia is the multiplicity of trade channels. At present there are four identifiable routes or

channels each with sub routes all operating simultaneously. They are (a) Debt Repayment Rupee Account (DRA), (b) Escrow Account, (c) Hard Currency Account, and (d) the unofficial or semi-legal trade channel.

Under DRA of Rs 3 000 crore per year, there are two sub routes. Under the first sub route there are four commodities falling under special category as already mentioned above. For importing these commodities the Russian government makes some allocation of funds which are finally disbursed through tenders. There is another sub route which is available for importing from India any other commodity with due permission from the Russian government, whereby a registered firm in Russia can procure rupee funds after paying the equivalent amount of roubles through designated Russian agencies or banks. For getting access to rupee funds from Russian banks under DRA, any registered firm in Russia has to deposit upfront money of 30 per cent in roubles in eight days and the rest of amount in 60-90 days or provide rouble cover by a bank guarantee. Hence there seems to be some advantage for the four commodities under the special category since the Russian government makes some budgetary allocation to the respective ministries for imports from India which is in a sense similar to the system which had prevailed under the Soviet regime. But even for this, rouble payment is required. Upfront money is to be paid to a Russian bank which has procured rupee funds from Foreign Economic Bank of Russia known as VEB.

A great advantage for the use of DRA account is that rupee funds are offered at a discount of 20-40 per cent (known in Russian parlance as a coefficient of about 0.7 per cent which is reminiscent of the Soviet past when all foreign currencies were calculated in roubles at varying coefficients which was different from the so-called official exchange

rates reflecting shadow value of rouble). For instance, officially \$ 1 = 4,500 roubles. But a Russian firm has to deposit about 3,550 roubles for getting the equivalent of \$ 1 for importing goods from India. In other words, one can get Rs 38-41 per US dollar against official exchange rate of Rs 31.32. This difference makes imports from India profitable. But this also amounts to devaluing the Indian rupee in the Russian market. Thirty per cent discount is given if payment is made in 60 days and 20 per cent discount for 90 days.

It appears that many trading firms prefer to pay upfront money in cash since bank credit and guarantee are available at very high interest rates of 5-10 per cent per month. The payment of such high interest cuts the profit margin for the trading firm. Hence in many cases arrangements are made in advance and deals are finalised by trading firms so that letters of credit are opened by Russian importing agencies when goods are being shipped so that time for delivery is reduced and transaction completed within the stipulated period. But this involves a lot of problems and risks.

The second channel is Escrow account. India can export goods to Russia under the Escrow account funds held by a Russian enterprise or organisation which has accumulated these funds against previous exports to India. For instance, these are mainly defence related units such as Aviaexport which supplied defence equipment to India in the past, the receipts of which were kept in Escrow account. An Escrow account may be operated in dollars or in rupees depending upon the nature of funds held by the Russian organisation. The rupee Escrow account was more prominent in the past and will be significant for some more time. But dollar Escrow account is gaining importance. The use of these funds depends upon the concerned organisations and there seems to be substantial freedom and flexibility in terms of the items to be imported into Russia or the destination of supplies, etc.

The third channel is the hard currency trade account for which there are hardly any restrictions for exports to Russia. Lastly, the unofficial or partly legal trade channel is a new phenomenon after the Soviet disintegration. This form of trade is carried out mainly by 'fly-by-night' operators from India and also by shuttlers (known as Chelnokniki in Russian) from the Russian side.

It is interesting to note that exports of certain goods such as tea or medicines may go simultaneously through more than one route or channel by same or different agencies which adds to the complexity of trading with Russia.

There is a general opinion among the officials in Russia and India that it may not be possible to know the precise volume of Indo-Russian trade. This means that the

available data on trade may not reflect the actual volume of trade not only due to the multiplicity of trade channels including the semi-legal channel but also due to the fact that some trade may take place through non-Russian ports such as Nikolaevsk in Ukraine with the goods actually reaching Russia. According to one banking expert in Russia, the share of hard currency exports could be about 5-7 per cent while the shares of trade through debt repayment and Escrow account might be nearly equal, i.e. about 40 per cent each. The quantum of unofficial or semi-legal trade is highly uncertain and hence speculative but it is flourishing under prevailing conditions in both the countries.

As stated by one authentic source under the debt repayment account the Central Bank of Russia (CBR) releases rupee funds for imports as and when required to supplement the federal budgetary needs. Hence there is no regularity and certainty as to when and for what amount tenders will be issued. This is in contrast to the Soviet past when the amount or quantity of import was predetermined by the two governments in advance.

Moreover there is lack of transparency in the release of rupee allocation for import of even special category goods since only designated Russian banks participate in the tender. Hence so far there is no effective and transparent mechanism for use of rupee funds. Bannerjee of Ranbaxy Lab's office in Moscow stated in this context that every Indian pharmaceutical firm is kept guessing as to which Russian organisation has got the rupee allocation from the Russian government so that upfront rouble cover is not required. The fact is that many ministries are involved—ministry of finance, ministry of health and ministry of foreign economic relations. Contacting Russian agencies with all uncertainties has become a task and hence many backdoor dealings with kickbacks etc. continue which affect healthy competition. He further observed that exports through debt repayment channel is more profitable and the volume of orders is large.

Besides this, there are other hassles affecting India's exports of specific products such as pharmaceutical items to Russia. The registration of medicines for imports into Russia takes about five-six months so far as India is concerned, whereas for the US it takes only one or two weeks. Moreover, since 1994, for medicines originating from the Asian continent (India being the main country) every lot of imports in Russia has to undergo random checking in Russian laboratories, whereas there is no need for quality checking for medicines imported from the US and even European countries are exempt from this checking. These conditions add to the cost and delays in India's exports of medicines to Russia.

Russian banks, a majority of which are single branch banks, are far from being developed and hence not able to handle various foreign trade operations. In fact, Russia's banking sector is undergoing crisis

since many of them carry out speculative and unhealthy banking practices and there is lack of strict implementation of control by the CBR. One Moscow based Indian trading firm had deposited the money with a Russian bank for payment for imports from India. This bank was closed down due to bankruptcy in the last week of August 1995 in the wake of the Russian government policy of extending the period of 'corridor' for exchange rate of rouble to the dollar.

One of the factors that has added to the complexity in India's exports to Russia is the irrationality in certain custom and import regulations. As stated by Umapati president of a trading firm dealing in import of Indian goods, there were instances when the Russian authorities insisted on applying revised rates of value added tax (VAT) even for the transactions which were already finalised and settled and for which shipments were already made on the basis of the then prevailing VAT rate. This affected the deal and cut down earning. There was also a specific case in 1994 when one consignment of goods was imported from India and for which all duties and taxes including VAT were paid and they were kept in the godown in Moscow. After a few months when these goods were to be sold to a Russian organisation, it was insisted that VAT was to be paid again (despite showing the proof of payment of VAT) and if necessary an application could be made for refund. It appears that getting refund in Russia is a near impossibility.

In Russia taxes on imports are very high and tax laws and regulations are complicated and are changed very frequently. It appears that there are also several irrationalities in the prevailing tax and duty structure. For instance it is cheaper to import readily packed tea in small packs from India ready for sale rather than import tea in bulk and get it processed and packed in Russia. This may be one of the reasons why the Tata joint venture project in tea in Russia could not take off. It was also pointed out by the representative of a Dubai-based shipping and clearing firm operating in Russia that import duties are charged in Russia on the weight of goods rather than on value of goods. Under the circumstances those who can manage to import goods by avoiding or bypassing payment of all taxes through bribery, etc. are benefited. Now there has been a realisation of these irrationalities and efforts are being made for introducing tax reforms. But this may take several months if not years.

It is ironical that although India was a major supplier of certain traditional goods such as tea to the former USSR and Indian goods were well known in Russia, the image of Indian goods has been sagging in the Russian market. As observed by an Indian trade representative in Moscow, during the last two-three years non-specialists have entered the Russian market even for specialised products such as medicines. Some of them are also 'brief-case-traders' who are

prepared to deal in any product since they do not have any long term interest in cultivating the Russian market. They join hands with unscrupulous and often fake firms in Russia for making instant and maximum profit by selling goods disregarding quality or standards. The image of India in Russia is also being dimmed by 'shuttle-traders' from Moscow who buy cheap and substandard goods in India and sell them at high prices back in their country. Considerable damage is being done by these elements. In the interest of promoting sound commercial relation between India and Russia there is an urgent need for undertaking effective measures by policy makers in both countries to control this damage caused to India's exports to Russia.

One of the contradictions in Indo-Russian trade is that although the Soviet Union has disintegrated, some of the former network of importing organisations of the Soviet era continue. For instance there are about 25 organisations such as Mashinexport, Energiomash, Sovelektro, Rosvneshtorg, Legprom etc. which are directly nominated by the Russian government for whom quota is given for use of debt repayment rupee resources. They however get what is known as 'tshevie dengi' (object oriented money) for importing specific goods from India. They act as specialised intermediate organisations for arranging imports and they carry names very much resembling the monopoly state agencies of the Soviet past. They however do not possess any funds themselves but can only negotiate on behalf of the final buyers in Russia. Actual funds are available with these organisations or enterprises which are required to pay upfront money to a Russian bank out of their budget funds or provide for corresponding bank guarantees. It appears that some of these intermediate organisations continue to act in a monopolistic fashion and try to get maximum cuts and kickbacks for their services which possibly increases the cost of Indian goods to the Russian buyer.

In general most of the Russian enterprises or organisations are facing financial constraints and although they may be in need of goods some of which India can offer they are unable to provide upfront money and wait for two-three months for the delivery of goods. Therefore Indian trading firms are at times expected to provide upfront money which is an added risk and uncertainty for them to get back their payment in the final analysis.

Another major contradiction is that in the post Soviet scenario when a large number of private firms from foreign countries such as Siemens, Panasonic, Daewoo, Philips and so on have entered the Russian market for exporting their products and for establishing joint ventures in Russia, some Indian firms which had set up their representative offices in Moscow in the past are withdrawing from Russia. It is reliably learnt that HMT has closed its office in Moscow and Tata Tea has discontinued its joint venture project for

at a processing and packaging unit in Russia. Some of the engineering firms such as Thermax and Bharat Forge are making all efforts to survive and carry on their business in Russia against all odds. The position of relatively smaller firms dealing in garments and knitwear is no different despite the fact that they have been trading with Russia (and the former Soviet Union) for the last several years.

The seriousness of this issue lies in the fact that in the past, capacities were created in India for producing many of these products—consumer goods, machinery and equipment, pharmaceutical products and so on—for meeting the needs of the former Soviet market. At present the policy makers in both the countries do not seem to be much concerned about them. In this regard the selection of only four items for special allocation for use of debt repayment funds seems to be highly unsatisfactory. The selection seems to be based more on political considerations than on economic interests and realities in both the countries. For instance, the inclusion of tobacco has so far hardly served the purpose. In 1994-95 India's export of tobacco was only Rs 15 crore, which was just about 1.5 per cent of total exports from India to Russia. The amount of \$ 100 mn earmarked for import of medicines from India is far too low as compared to the volume of imports in the past. Despite being price-wise competitive, Indian pharmaceutical firms have to struggle hard to export to Russia due to several other constraints.

It appears that there is demand for certain items of machinery and equipment such as boilers, forging equipment, crankshafts etc. by Russian enterprises. If debt repayment rupee credits are made available to them as in the past, India's exports of such items may increase significantly for the benefit of Russian enterprises.

Hence there is need for reconsideration of the issue by the policy makers in both the countries and the solution should be based on the long-term economic interests of both the countries. One possible solution could be recasting the list for budgetary allocation by incorporating all major items which were important in the export list from India to the former Soviet Union in 1991. The Russian government should also facilitate use of rupee credits for importing goods from India by adopting a more flexible policy, for instance, by not insisting on the payment of upfront money to the CBR.

Both Indian and Russian governments have agreed to consider joint venture proposals for which part of the Rs 3,000 crore of debt repayment funds could be utilised. In this regard there is an urgent need to set up an Indo-Russian joint venture in the banking and finance sector to promote mutual trade and joint industrial ventures in both the countries. While the State Bank of India has got its office in Moscow, its activities are confined mainly to settlements and not commercial transactions. It was reported in

the Indian press that Canara Bank was to open a branch in St Petersburg. The EXIM Bank of India evinced interest in promoting India's trade with Russia and other CIS and east European countries. Serious efforts should be made jointly by some of these Indian banking institutions to set up a joint Indo-Russian bank. To build up initial capital, Indian banks should consider buying up Rs 1,000 crore per year for a period of five to seven years from the Russian government (Central Bank of Russia) out of the debt repayment rupee funds held by Russia by paying equivalent amount in dollars (or roubles) at a discount of about 40 per cent, i.e., paying Rs 45-50 per dollar. The Russian government is already offering discount of 30 per cent to traders. The Russian partner organisation in this banking joint venture could put up its contribution to the initial capital so that this bank can function on a purely commercial basis with due approval and permission of both the governments. Genuine exporters on both sides can benefit from such a banking institution. It appears Vietnam has already set up a joint venture bank in Russia with a view to promoting economic relations between the two countries. Hence this proposal seems to be viable.

In conclusion, it may be observed that India's exports to Russia seem to be picking up after a sharp decline in 1992-93. This improvement in trade performance could be partly attributed to the efforts made by governments in both the countries during the last two years.

However, there should be no room for complacency since there are many

complexities and contradictions which seem to affect the promotion of Indo-Russian trade relations on a rational basis. They are multiplicity of trade channels, lack of transparency in the release of debt repayment rupee funds through 'tenders', uncertainties and irrationalities in Russia's import regulations and tax structure, its underdeveloped banking sector, lack of specialised Indian agencies for exporting specialised products to Russia, withdrawal of established Indian firms and agencies from Moscow after the Soviet disintegration, and the activities of emerging unscrupulous elements out to make quick profits rather than cultivate the Russian market with long-term interest.

These complexities need to be resolved for further promoting trade and economic relations between India and Russia. It is necessary to reconsider the list of goods for export from India for which special allocation is being made from the debt repayment funds. There is need for introducing transparency in the release of debt repayment funds. Irrationalities in Russia's tax and duty structures may be eliminated through the proposed tax reforms. Considering the potentialities of the huge Russian market, India's leading companies should give due importance to this country for promoting trade and joint ventures. This may also help in boosting India's image in Russia. In this regard India and Russia should consider setting up a joint venture in banking and finance for promoting Indo-Russian economic relations for which a part of the debt repayment funds could be utilised.

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Western Cultural Boundary of Assam

Sanjib Baruah

The idea of being a speaker (and, increasingly, a reader and writer) of one language exclusively and associating that language with national or ethnic identity is a modern phenomenon. The hard boundaries that we now like to draw, of course, leave out dialects – particularly numerous in areas like Assam. We address this difficulty by assuming that dialects are related exclusively to one or the other of the languages. The relationship between language and dialect is however more problematical than that.

IN the classic account of the Assamese language Banikanta Kakati wrote: 'It was under the patronage of kings outside the western limit of modern Assam – under the patronage of the kings of Kamatapur, 14 miles south west of Koch Bihar – that the earliest Assamese books were written.' He was, of course, referring to the hospitality that the Koch king Naranarayan had extended to Assam's Vishnuvaśmita and cultural and literary pioneer Sankardev in the 16th century. This fact raises an interesting question: 'What is, and was in the past, the western boundary of Assamese culture?'

There is, of course, significant overlap today between the cultures and dialects of western Assam and northern Bengal. Kakati noted that the spoken language of north Bengal and western Assam – of undivided Kamrup and Goalpara – was 'substantially the same as seems to form one dialect group'. The Rajbangsi dialect – spoken in parts of Siliguri, Jalpaiguri and Koch Bihar in West Bengal, Goalpara in Assam and Rangpur in Bangladesh – has close affinity with Kamrupi.¹

Despite these visible cultural similarities, the fact that some of the earliest Assamese books were written in Koch Bihar – in present day West Bengal – outside the political boundaries of modern Assam may still seem perplexing. Our surprise is partly because our conception of language and its relationship to ethnic, national and subnational identity has changed rather profoundly since those days. We now think of a language as belonging to a particular group of people, somewhat exclusively. Speakers of a language, we think, can be clearly differentiated, and can be counted and located on a map with precision. This modern habit, however, may distort our understanding of the ways of our ancestors.

A starting point for appreciating the ways of our ancestors may be the fact that in those parts of the world where generalised literacy is not taken for granted, people cannot be

said to have a language; their linguistic repertoires routinely include two or more dialects or languages. In these conditions of naturally evolved multi-lingualism, people decide which language or dialect to use, depending on the demands of an occasion. That many tribal people in Assam are at least bi-lingual and that the number of speakers of these languages have changed rather dramatically from census to census – depending on answers they give to the questions of census enumerators – illustrates my point. Multilingualism, it can be surmised, was a fairly general condition in the world before the push for generalised literacy. The idea of being a speaker (and, increasingly, a reader and writer) of one language exclusively and associating that language with national or ethnic identity is a modern phenomenon.

It is because of this modern habit that we tend to divide the world into neatly bounded countries or provinces, with one language, supposedly spoken in one area and the other in the next. Hence, the surprise about early Assamese books being written outside Assam. The hard boundaries that we now like to draw, of course, leave out dialects – particularly numerous in areas like Assam. We address this difficulty by assuming that dialects are related exclusively to one or the other of the languages. But this is hardly a foolproof solution. I am not sure that it is especially illuminating to describe Rajbangsi or Kamrupi as a dialect of Assamese or of Bengali. Linguist Sudhiti Kumar Chatterjee had reminded us: 'Dialects are *independent* of literary speech; as such, East Bengali dialects, North Bengali dialects (with which Assamese is to be associated) and West Bengali dialects are not only independent of one another, but also they are not, as it is popularly believed in Bengal, derived from literary Bengali, the *radhu bhasa*.'²

The relationship between language and dialect is more problematical than it had traditionally been assumed. The layman's

view is that languages have scripts and literatures and dialects don't. The supposed characteristics of dialects, of course, can change. Indeed, in north east India there are a number of examples of dialects acquiring scripts and literatures during this century. And if dialects can be independent of neighbouring languages, how does a particular relationship develop between a dialect and a particular language, how do speakers of a dialect decide which literary speech to adopt?

I believe that in order to answer such questions, we have to understand what is essentially a social and political process, a transition from pervasive multilingualism towards monolingualism and standardisation. This push occurred at various moments in the past in different areas, but has acquired particular momentum in modern times. And, of course, this push meets with resistance. Nevertheless, during this transition, some dialects become literary speech or language and inhabitants of a large area adopt one of the dialects that they speak. In many cases, people have to learn what is almost a new speech, one that they barely spoke earlier, as literary speech. Thus, what appears to be a language at one time may have been a dialect at an earlier time. It has been said that a language is simply the dialect of a people with an army. Because of the prestige associated with being the speech of those in power, or simply the utility of understanding the speech of people in power, a dialect of certain strategic areas – perhaps a place where a royal court is located and/or is a centre of high culture – becomes accepted as standard.

The advent of the printed book, the emergence of mass literacy, the growth of the modern state that makes relentless use of the written word and seeks direct communication with citizens or even with imperial subjects as in the case of colonial states of recent times, and the rise of nationalism are among the factors that have given this push toward standardisation unprecedented momentum in modern times. Pre-literate peoples who managed fine with a repertoire of dialects and languages, switching between them, now have to make decisions that would prove profoundly transformative. Decisions on the language to be used in schools – modern schools based on a philosophy of universal education – the language of official business or the language of newspapers and early books and pamphlets that become available in an area after the printing press appears on the scene, put historically multilingual areas on the road to linguistic standardisation. This process

can be a highly contested one under some conditions – what script should a hitherto unwritten language adopt and what should be the language of education or official business not surprisingly figure prominently in the demands of some of the tribal movements in Assam

In Sankardev's time I would hypothesise, there was no hard cultural boundary between the adjacent Ahom and Koch kingdoms. While the people of these contiguous kingdoms spoke numerous languages and dialects there were shared conventions on what language or combination of languages to use say for literary spiritual or diplomatic discourse – and those conventions were probably rather context specific. The Koch court that gave patronage to Sankardev was at that time the centre of a thriving independent political formation that encompassed western Assam and northern Bengal. After the death of Sankardev's host, king Naranaray in the Koch kingdom was partitioned into Koch Bihar and Koch Hajo or Kanirup. The western portion included Koch Bihar and parts of Dinajpur Jalpaiguri and Rangpur and the eastern portion known as Koch Hajo or Kamrup was spread from the east of the Sankosh river up to Bar Nadi. Koch Hajo or Kamrup consisted mostly of the present day Assamese (undivided) districts of Goalpara Barpeta Kamrup and Darrang.

After the division the two parts followed somewhat different historical paths. Koch Bihar's history became more closely tied to the Mughals and to Bengal and Kamrup's history came to be tied to Assam. However this did not happen overnight – in the 17th century things went back and forth for a while. Nevertheless when in 1826 the Ahom kingdom became part of British India, Koch Bihar was already a part of the empire indeed even major parts of contemporary Assam's border district of Goalpara (undivided) became part of the British empire well before the rest of Assam. Thus, during the Burmese invasion of Assam that eventually brought the British to Assam the Ahom aristocracy could flee and seek refuge in what was then British Goalpara.

The partition of the Koch kingdom proved fatal to the linguistic and cultural development of the two areas. When in the early 19th century Bengali national identity was being formed the novel idea of a *matribhasha* (mother tongue) came to be widely accepted. As Ranajit Guha describes a new assumption entered the scene that Bengali was 'the natural language of the Bengali people' and it was "made into an ideological marker by which the literate part

of the population identified all native speakers as constituting a nation and distinguished them from their English-speaking rulers' 'However, 'natural language', 'the Bengali people' and 'native speakers', it deserves to be emphasised were all rather new concepts, even though they soon became part of our common sense. It was during this process it can be surmised the speakers of various dialects of Koch Bihar became 'Bengalis'. The reasons were entirely contingent and not any natural relationship between those dialects and Bengali. The developments in Koch Hajo or Kamrup were more ambiguous. While Kanirup and Goalpara speakers adopted Assamese as their literary speech – not without some hesitation in the latter case – there has been growing resistance in recent years to adopting Assamese on the part of the speakers of many tribal dialects. The Bodo movement in Assam, whose base is western Assam articulates an aspiration of differentiation and autonomy *vis a vis* Assamese while the Bodos of north Bengal by and large have not expressed a similar will *vis a vis* Bengali. This in some ways is the legacy of the partition of the Koch kingdom and the differential capacity of Calcutta based literary Bengali and of Silchar based literary Assamese to absorb

speeches within their spheres of influence. There was nothing inevitable about the particular course that history took. It may be fruitful to imagine various counter-factual scenarios. For instance, had the Koch kingdom managed to reconstitute itself as a political-cultural centre, we would have by now become just as used to a third cultural formation between Bengal and Assam.

Notes

- 1 Banikanta Kakati *Assamese: Its Formation and Development – A Scientific Treatise on the History and Philosophy of Assamese Language* 2nd edition Lawyer's Book Stall Guwahati 1962 (originally published in 1941) p 6
- 2 Ibid
- 3 Upendranath Goswami *The Language of North Bengal and Western Assam* *Journal of the University of Gauhati* Vols 21-23 [1] 1974 pp 62-70
- 4 Sunil Kumar Chatterji *The Origin and Development of the Bengali Language* (Volume 1) George Allen and Unwin London 1970 (first published by Calcutta University Press 1926) p 108 emphasis added
- 5 Ranajit Guha *An Indian Historiography of India: A Nineteenth Century Agenda and Its Implications* Centre for Studies in Social Sciences Calcutta 1988 p 42

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Dumont or Not Dumont

The Anthropological Follies

David S Phillip

Contestations between modern-day anthropologists reflect power relation between the east and the west, giving credence to the hierarchic notion of man

To assert himself and exert his authority everyone tries to bring out in the sciences something new which often consists merely in his over throwing what was hitherto regarded correct in order to put in its place his own stuff and humbug. Occasionally this succeeds for a time and then a return is made to the old and correct theory. Those modern writers are not serious about anything in the world except their own precious persons: it is this that they wish to assert.

—Schopenhauer

THIS year marks the silver anniversary of the English publication of what is arguably the single most significant scholarly study of Indian society by a western author in this century. Even today, Louis Dumont's *Homo Hierarchicus* is capable of generating as much heated academic debate as when it first rolled off the presses. And love it or hate it, it remains a work that no serious student of Indian society can choose to ignore.

Wisely, Dumont has seldom seen fit to dignify his critics with a response. Instead he has, as promised, continued to construct the grand sociological edifice for which Indian society provided the initial inspiration. This is evident even in his most recent *The German Ideology*, a collection of mostly previously published papers on the differences between French and German societies. As it stands, the Dumontian worldview posits Indian society as a living example of a traditional hierarchic society, the obverse of the modern egalitarian democracies of the west. The Indian status hierarchy of caste is founded on the indigenous distinction between purity and impurity and there is a radical disjunction between status and power as respectively represented by the brahman and kshatriya. Such, in brief, is the Dumontian position. It is, however, not our purpose to support or contradict these arguments on their merits or lack of them but rather to show how the very response to Dumont's ideas substantiates the premise of hierarchy in an unexpected fashion.

Dumont's most vocal opposition has come from precisely that quarter one could expect. McKim Marriott, professor of anthropology at the University of Chicago, an institution which established a well deserved reputation for excellence in south Asian studies in the

1950s and 1960s. In an exhaustive review of the French edition of *Homo Hierarchicus* published in a 1969 issue of *The American Anthropologist*, Marriott meticulously attempts to deny every facet of Dumont's argument, finally dismissing it as little more than an intellectual exercise. In the 1970s, Marriott went on to construct the main rival to Dumont's ideas in the shape of what has become known as Chicago 'jati' theory. Again, this is not the place to either endorse or refute Marriott's 'ethnoscology'. Let us just cite the opinion of one of Marriott's students who was, as it were, present at the creation. Rutgers University professor of anthropology Michael Moffett, writes in a 1990 *Contributions to Indian Sociology* article that Marriott's ideas were formed 'in response to the challenge presented by Louis Dumont's grand theory of Indian civilisation'. Further on he expressly states,

Marriott's theory was set up *contra* Dumont.

The formulation of another Chicago alumnus, University of Minnesota professor of anthropology Gloria Goodwin Raheja betrays a similar inspiration. Raheja's recently published *The Poison in the Gift* valiantly struggles to offer a systematic alternative to the Dumontian *idée maitresse*. Briefly, she maintains that caste is founded on something called ritual centrality. Indigenous notions of auspiciousness are more important than purity/impurity in daily inter-caste transactions which have more to do with mutuality than hierarchy. Indeed, at one point she declares that she could find no evidence of hierarchic inter-caste relations in the north Indian village of Pahansu she studied. Here, of course, we come full circle to the integrative functions of caste long ago noticed by other scholars like the Wisers.

But as tightly argued and persuasive as Raheja's thesis may at first appear, we must pinch ourselves and ask a simple question: can caste really be about equality? What, one wonders, would the victims of the Tsundur massacre have to say about Raheja's mutuality?

This is the worst kind of academic wheel-spinning. But the real motive for Raheja's theory, which has so far failed to make the big impression its author so clearly intended, is not far to seek. Jonathan Parry of the

London School of Economics discerns in Raheja's distinction between sin and impurity 'an artefact of the requirements of an anti-Dumontian polemic'. Likewise, Akos Ostor and Lina Iruzzetti have written that 'Raheja seems to construct her work around an explicit refutation of Dumont's principle of hierarchy'. Simply put, the Dumontian thesis of hierarchy and no less importantly, its controversial success determines Raheja's antithesis of equality and mutuality. If Dumont says apples Raheja will say oranges, even though as it is well known Dumont makes allowance for the co-operative aspects of caste through the principle of complementarity. He also recognises a real measure of equality between members of the same caste.

It is indeed difficult to understand the amount of attention given to Dumont's ideas (symposiums for instance in *The Journal of Asian Studies* and *Current Anthropology*) without taking account of the principle of hierarchy itself. As early as 670 AD for instance, the Chinese pilgrim Hsüan Tsang noted the Hindu emphasis on purity and its opposite.

Now the first and chief difference between India of the five regions and other nations is the peculiar distinction between purity and impurity.

Dumont's French predecessor Bouglé repeatedly mentions the principle of hierarchy in his discussion of caste. Why then the fuss about Dumont? The situation resembles the cult of academic celebrity built around another thinker whose work has had profound implications for the study of Indian society. Edward Said. Much of Said's critique of *Orientalism* can be found in the earlier work of the Egyptian scholar Anwar Abdel Malek but with the publication of Said's *Orientalism* all mention of this academic trailblazer vanished in the rush to put Said on a pedestal.

Dumont himself has complained at length about precisely this kind of response to his work and of the enervating effects of intellectual one-upmanship like the kind practised by Raheja on the anthropological enterprise. Ironically Dumont says his ideas have been the victim of the very individualism which his work posits as a defining characteristic of western societies in contrast to India's corporate orientation. In an interview with Jean-Claude Calley he remarks:

I have suffered under the paradoxical situation that my work when it was felt to be original or challenging was interpreted to be 'personal' or personally oriented while in actual fact it was essentially oriented to the assumed community of researchers to a degree that made it anachronistic in our very individual-oriented world. I was given 10 understand along two decades that my

work would finally attain some recognition, not as it was intended as a contribution to the collective construction of a theory or system but willy nilly as a 'personal' contribution. This is the rub: the conditions in which our craft is practised are such that one is compelled to retreat from the collective orientation that is that of science, to the more personal orientation of the philosopher, writer or artist to admit that the products of the craft are not cumulative: that the scientific community hardly exists at all, or at any rate to recoil upon oneself and choose one's subject matter accordingly.

As a consequence, instead of an ordered progress in which everyone would have a place, we witness individual successes or failures and a chronic instability in the major interest or interests of the profession.

As Karl Popper once complained, the social sciences are really total ideologies, or putting it differently, some social scientists are unable and ever unwilling to speak a common language.

Let's face facts. Anthropology, that is, social scientific writing of foreign authorship on India, long ago exhausted its practical *raison d'être*. There are no strange customs to catalogue and no issues of substance to resolve. But it would be asking too much of human nature to expect anthropologists themselves to disassemble the system of status and prestige, the sabbaticals and tenured chairs that they've constructed. After all, why pluck the feathers of the goose that laid the golden egg? Instead, now all is opinion and wrangling without end. The continuing controversy surrounding Dumont's work is hardly an isolated case. Witness the current contretemps, exposed for all to see in a recent issue of *The New York Times Magazine*, between the doyenne of American cultural anthropology, Clifford Geertz, and the man who would be king, City University of New York professor of anthropology, Vincent Crapanzano.

Marriott's eminent Chicago colleague, Marshal Sahlins, has been engaged in a similar undignified exercise in academic shin-kicking with Princeton University anthropologist Gananath Obeyesekere, carried on in part on the pages of *The Times Literary Supplement*.

What does all this tell us about the nature of man, which is properly anthropology's subject? Here we see a strange kind of congruence between anthropology and the institution of caste itself. Dumont makes the case clear in an appendix to *Homo Hierarchicus*.

Hierarchy is a universal necessity: it will become manifest in some way, in covert, ignominious or pathological forms in relation to the opposed ideals in force.

The dichotomy between man in India as hierarchic and man in western society as egalitarian falls by the wayside. Man, as we hardly need to be told, is everywhere.

hierarchic and characterised by the will to dominate. Needless to say, this conclusion can be adduced from the behaviour of anthropologists themselves.

What other conclusion can intelligent minds reach than that the entire project of anthropologising India is riddled with a large amount of cultural condescension to Indian beliefs and institutions? What's more, the practice of anthropology itself is evidence of a continuing relation of power between India and the west. As the literary critic George Steiner once cautioned:

The notion of travelling to far places in order to study alien peoples and cultures is unique to western man: no primitive peoples have ever come to study us. The western obsession with inquiry with analysis is itself a mode of subjugation and technical mastery.

In recent years, anthropology has sought a way around this unpalatable truth by

inducting so-called native anthropologists into its ranks. These mostly well-born Indians travel to the west to obtain doctorates in anthropology. Then, as is currently the fashion, sententiously denounce the evils of colonialism and orientalism. If the welfare of India and Indians is their real concern, why are these persons not in India, where their talents might make a difference? The answer is obvious: India no longer provides sufficient scope for their gargantuan social aspirations. They will have their cake and eat it too, trading on their supposed insider's knowledge of India in the west and basking in the deference paid to foreign academics when they deign to visit India. One of whom we speak, Arjun Appadurai, now himself a Chicago professor of anthropology, once wrote a review of Dumont's ideas, entitled 'Is Homo Hierarchicus?' If he is not, why bother asking?

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'Encounter' Killings in Andhra Pradesh

P Srikrishna Deva Rao

The strong nexus between the police and the state government continues to deny justice to the victims of faked encounters in Andhra Pradesh

Though footsteps may touch this spot for a thousand years, they will not erase the blood of those who here have fallen. And the hour that you fell will not be extinguished through thousand of years cross this silence.

—Pablo Neruda

THREE years ago Narasamma, the mother of an encounter victim, Shankaraiah, lost her eyesight when the police beat her on the head. Her crime: deposing the facts about her son's death before the subdivisional magistrate Nagarkurnool of Andhra Pradesh during the enquiry into an alleged encounter death. Recently, she re-narrated the facts before the National Human Rights Commission (NHRC) which is currently probing into encounter deaths in Andhra Pradesh.

To date the police who murdered Shankaraiah and who beat Narasamma are still free but there may be justice on the horizon. Last month the NHRC began a hearing into six encounter deaths in Andhra Pradesh. The hearing, which began on August 21, 1995 on the basis of a complaint filed by Andhra Pradesh Civil Liberties Committee (APCLC), will examine six out of 492 alleged encounters between police and suspected naxalite activists between 1991 and 1993. The final hearing is to be held on September 21, 1995.

Narasamma is one of those hundreds of mothers whose children have been killed or disappeared in state-sponsored terrorism in Andhra Pradesh for the last two and-a-half decades. She has seen the torturers, kidnappers and assassins escape punishment and reap rewards for their actions in the form of promotions. Narasamma is not seeking revenge for her son's death and her blindness; she simply wants those responsible for these and other crimes to be punished. Narasamma's case is not an isolated incident. In fact it is just the tip of the iceberg. Hundreds of political activists have been killed while in state custody. Thousands have emerged from detention physically and psychologically maimed.

ENCOUNTER DEATHS AND LEGAL VACUUM

Extrajudicial executions in Andhra Pradesh date back to the days of the Telangana peasants struggle of the late 1940s. At least 2,500 people were shot dead in the name of 'police action' under the cover of the Madras Suppression of Disturbances Act,

1948. It is also the first major deployment of the army to suppress a political movement in India.

Though there has been a long history of brutal state repression since the birth of the Indian nation, the term 'encounter death' officially entered the human rights vocabulary in the late 1960s. In UN parlance it means extrajudicial execution. In the colloquial language an encounter is essentially an armed confrontation during which an exchange of fire takes place and suspected insurgents are killed. Fair and square. Or is it? The hallmark of an encounter death is that it is a stage-managed extermination of an individual or a group by brutal means. Victims are often tortured by the police, shot and then dumped at the alleged site of the encounter. The police routinely circulate stories of 'armed encounters' between suspected insurgents and the police, during which the police say they fired in self defence.

The killing of political activists began in earnest in the late 1960s with the emergence of the naxalite movement. The movement was born in the district of Naxalbari in West Bengal. The naxalite struggle raised the issue of land rights, labour rights and challenged the existing political and economic structures. The movement spread from the land of its origin to Srikakulam, the tribal belt of Andhra Pradesh and found fertile ground in the plains of central India, where generations of oppressed agricultural workers had been living under the feudal control of the landowners.

Promised land reforms never came into effect. Instead local politicians in league with the police responded with an iron hand to eliminate activists and supporters of the movement in so-called 'encounters'. More than 1,300 people have been killed in encounters in Andhra Pradesh since 1968. Not one member of the police force or any other security force has been questioned, let alone convicted. In the first half of the 1990s there have been 605 encounter deaths, three times the number recorded by the APCLC in the 1970s or the 1980s.

The largest encounter took place in January 1992 during which 13 naxalites were killed while travelling through the Khammam forest of Andhra Pradesh. The police stopped their van and shot all 13 passengers. The latest

addition to the list is of Madhusudhan Raj who was killed in the heart of Hyderabad city on the night of July 26. Madhusudhan Raj, a mechanical engineer, is the secretary of the state committee of Communist Party of India (Marxist and Leninist) led by Phani Bagchi and was also the general secretary of state committee of Indian Federation of Trade Unions from 1978 to 1987. The blood stains, broken teeth and glasses, the bullet marks on the doors and walls are the living testimony of another encounter death.

In every case the police version of the incident is identical. The police generally states, 'on receiving information about the movements of naxalites, the police party took up combing operations. During the combing operations the police encountered the naxalites and opened fire in self defence in which an unidentified naxalite was killed.'

What the law says and what actually happens are two very different scenarios. Section 176 of the Criminal Procedure Code makes it mandatory for the executive magistrate to conduct the enquiry into all the extrajudicial executions. It is also the mandatory that police inform the concerned district or sub-divisional magistrate and his superior officials of the encounter.

The sordid story is that the police do not even file a first information report after an alleged encounter, making it easy to bury the evidence later on. No investigations are conducted into the encounter or if conducted they are done by the same policemen who were involved in the incident. No account of the ammunition used during the encounter is maintained. No proper post mortem examinations are done. There have been reports that the doctor is forced to conduct the post mortem examination at the site of the alleged encounter away from the facilities of the laboratory. The police are known to dictate the contents of the inquest and post-mortem reports. Because these reports are privileged documents, they are not available to the public.

The police's failure to investigate extrajudicial executions is a major obstacle to justice in the state. The law regarding the investigation and prosecution of extrajudicial executions is silent on many key points, leaving it open to interpretation. The failure to conduct adequate investigations into alleged encounters as well as the failure to prosecute suspects has effectively condoned the actions of the police and contributed to the escalation of violence in Andhra Pradesh.

INTERNATIONAL STANDARDS AND BHARGAVA COMMISSION

Recognising the legal vacuum that exists in many countries, the UN and the international community expressed its concern at the occurrence of the extrajudicial

executions. On December 15, 1980 the UN general assembly adopted a specific resolution on arbitrary and summary executions. The UN general assembly, bearing in mind the results of the Sixth United Nations Congress on the Prevention of Crime and Treatment of Offenders, condemned the practice of summary and arbitrary executions in 1981, and in 1982 a Special Rapporteur on Summary and Arbitrary Executions was appointed by the Economic and Social Council.

The UN and the international community began to formulate a set of principles and medico-legal standards for investigation and prevention of extra-legal, arbitrary and summary executions. The work dates back to the beginning of the 1980s and resulted in the preparation of Principles on the Effective Prevention and Investigation of Extra-Legal and Arbitrary and Summary Executions. The principles were adopted by the Economic and Social Council and endorsed by the UN general assembly in December 1989. To supplement the Principles, the Minnesota Lawyers International Human Rights Committee prepared a manual in 1991 for thorough, prompt and impartial investigation of all suspected cases of extra-legal, arbitrary and summary executions. It is meant to explain the unexplained deaths and to help in identifying the perpetrator to be tried by a competent court of law by increasing confidence in the rule of law. But the principles have not been adopted so far by many countries in the world including India.

The first incident of police killings in Andhra Pradesh in post-independence was reported on March 3, 1968 at Pedakharja in Srikakulam. The police, in league with goons of the landlord, fired on two tribals. The stories of encounter deaths began proliferating on the front pages of the newspapers in 1969 with the murders of Panchadi Krishna Murthy in May 1969 and Subbarao Panigrahi in December 1969. It reached its peak during the emergency when all fundamental rights, including the right to life, were denied.

Since the 1970s, the killing of political activists in the name of encounters had become the *modus operandi* of murder in cold blood by the police. The declaration of the emergency on June 26, 1975 was the official licence to the police to systematically liquidate the political dissenters. Jayaprakash Narayan, as the president of the Citizens' Committee for Democracy set up a committee in April 1977 headed by V M Tarkunde to investigate into the deaths. The civil rights committee headed by Tarkunde investigated the matter and demanded the central government to appoint a judicial commission. The central government appointed the Bhargava Commission after

the emergency in June 1977 to investigate into the deaths of naxalites during 1968-77.

The Bhargava Commission began its investigations in August 1977 and its term was extended in December 1977 for six more months. The commission could not complete its work due to the non co-operation of the state government which had intimidated the witnesses, refused to produce relevant documents and finally decided the proceedings of the commission behind closed doors. The Bhargava Commission's term expired and the state government chose not to extend it. In the end the commission never got around to submitting a preliminary report. The fate of the Bhargava Commission proves that a state government can easily thwart the activities of an unwanted official investigation.

The killings in Andhra Pradesh continued more vigorously after the emergency. The encounters were revived in 1980 after a short reprieve of three years. Some parts of Telangana were declared 'disturbed area' and the killings resumed under the cover of the National Security Act.

JUDICIAL ESCAPISM

Encouraged by the post-emergency judicial activism of the Supreme Court, the APCLC made another attempt to seek justice. It knocked at the door of the Supreme Court, the supposed 'protector and guarantor of fundamental rights'. The scene had shifted to the arena of court halls.

The APCLC filed a writ petition in the Supreme Court in 1982 requesting that the court set up an independent enquiry to investigate encounter killings between 1980 and 1981. Over the next four years the committee approached the Supreme Court with fresh affidavits concerning further encounter killings. The court admitted the petition in September 1985 but threw it out in April 1989, along with another two petitions on the alleged extrajudicial executions in Tamil Nadu and Uttar Pradesh.

The Supreme Court gave a remarkable piece of advice: "aggrieved parties, if any, should file private complaints before the local magistrates against the police." Thus, the Supreme Court abdicated its duty to enforce the fundamental rights and acted as the enforcer of the Criminal Procedure Code rather than the Constitution. In 1989 the Supreme Court's further advised the APCLC to submit a memorandum to the state of Andhra Pradesh and directed the government to report to the court about the action taken. Pursuant to the Supreme Court's order, the APCLC submitted a detailed list of all the encounter killings in Andhra Pradesh after the lifting of the emergency. The petition of APCLC has been pending before the AP state government since 1989.

The brazenness of the killings perceptibly increased after the Supreme Court dismissed the petition on encounter killings. The encounter killings, which had earlier been confined to deep forests, now shifted to the town: to high school grounds, deserted temples, empty water tanks and drainage canals.

The APCLC did not lose hope but continued to struggle for justice for the victims of encounter killings. This time using the 'democratic space' of the National Human Rights Commission. The APCLC filed the complaint in March 1994 on the 496 encounter killings in the state during 1991-93. The NHRC took note of 74 encounter deaths listed in the complaint and sought a response from the government of Andhra Pradesh. The NHRC also visited the state in August 1994 to gather information from a cross section of citizens. The police attempted to sidetrack the proceedings of the commission's investigation in Andhra Pradesh. During the commission's official visit the police intimidated and terrorised anyone who tried to denounce police violence. The Andhra police were determined to sabotage the NHRC's fact finding tour. Even the state government would not co-operate with the NHRC enquiry.

It is in this context that the present hearing of the NHRC, due to wrap up on September 21, assumes significance. Let us redeem the hope of justice for the unforgotten victims of state violence in Andhra Pradesh. Let us hope that the NHRC enquiry will shed light on the facts and uphold the value of human life which has, so far, been dismissed by the state.

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Why Devaluation Won't Help

S Akbar Zaidi

Devaluation will push up inflation, already high without necessarily improving the balance of trade. The real obstacle to higher exports today is not the rupee/dollar parity, but the anarchic political situation in Karachi.

BUSINESS and banking circles are abuzz with the prospects of an imminent devaluation. Exporters and importers are hedging their bets as they believe that the government of Pakistan is about to devalue the rupee substantially. Leading currency analysts in the city are predicting a massive devaluation of the rupee against the US dollar before the end of the year. These devaluation rumours have been sweeping across the market for many weeks and have been intensified recently resulting in a near panic buying of dollars along with a sharp increase in imports as the importers want to capitalise on the higher existing exchange rate before imported items become more expensive. Even federal commerce minister Chaudhry Ahmed Mukhtar joined in the lory a few days ago and revealed that the government intends to devalue the rupee by 3 per cent by the end of the year. In all this ruckus the only institution which has consistently taken a different stance is in fact the institution which is actually supposed to announce changes in the value of the rupee—the State Bank of Pakistan.

Governor of State Bank Yaqub has repeatedly and strongly denied all the rumours and speculations about devaluation massive or otherwise. From statements attributed to the governor which range from no devaluation in the offing and that he has ruled out devaluation to the stronger dismissal of the commerce minister's statement on devaluation since the beginning of the current fiscal year on July 1, the governor of the State Bank has consistently held on to his claim that devaluation will not take place. Furthermore, he has warned

those involved in 'gambling' on a probable devaluation of the rupee to do so at their own risk and has reminded them of a similar warning issued to them by him at the time the government had decided to make the rupee convertible in June 1994. The currency analysts and market players at that time as today were expecting a massive downward movement in the rupee and again as today had indulged in a pre 1994 budget buying spree to make windfall profits. However, the rupee depreciated and adjusted by only 9.3 per cent after the partial convertibility on July 1, 1994. Despite the claims and warnings by the governor that no devaluation is in sight, however, the rupee since the budget was announced on June 14 has seen as many as nine downward adjustments.

The spot buying rate of the rupee was pegged to the US dollar at Rs 30.97 prior to the budget. The first post budget downward movement occurred on June 28

when it lost 4 paise and settled at Rs 31.01. In the 14 weeks since the mid-June budget to the end of September, the nine downward adjustments have resulted in a depreciation of the value of the rupee by 58 paise (down by 1.87 per cent) and at the end of September the spot buying rate of the rupee with respect to the dollar was Rs 31.55. The governor of the State Bank has called this drop a corrective adjustment and not a devaluation.

Bankers and currency analysts have forecast substantial devaluation before the year ends and their prediction ranges from a December rupee/dollar parity of a very minimum Rs 32 to the dollar but with more closer to the Rs 33 mark. One analyst believes that the most real value for the rupee before the year is out is a massive Rs 35 to one US dollar. A senior banker in a leading US bank says that his bank feels that the rupee will depreciate by 10-15 per cent by early November. This means that this bank is advising its clients that the dollar would be worth Rs 36.2 in a few weeks well before the end of the year.

Most analysts have given four reasons for the impending devaluation, three of which relate to what are called fundamentals. They believe that there is need for devaluation due to the continued widening of the trade gap, the fall in foreign exchange reserves and the mounting inflationary pressures. The fourth reason is said to be the recent adjustment/devaluation of the Indian rupee. Let us examine some of these claims.

TABLE 2 RECENT TRENDS IN THE RUPEE/DOLLAR RATE

	Jun 6 1994	Jan 5 1995	June 14 1995 (1995-96 Budget)	July 1 1995 (Fiscal Year 1995-96 begins)	Sept 30 1995
Rupees to one dollar	30.19	30.80	30.97	31.01	31.55
Change in paise		61	17	4	54
Per cent change Jan 6 1994 to Jan 5 1995		2.02			
Per cent change July 1 1995 to Sept 30 1995					1.87
Per cent change Jan 5 1995 to Sept 30 1995					2.43

TABLE 1 VALUE AND DEPRECIATION OF PAKISTANI RUPEE IN TERMS OF US DOLLAR

	April 1972	May 1972	February 1973	1981 82	1982 83	1983 84	1984 85	1985 86	1986 87	1987 88	1988 89	1989 90	1990 91	1991 92	1992 93	1993 94	1994 95	1995 96
Rupees to one dollar	4.76	11.00	9.90	9.90	10.10	13.08	14.74	16.00	16.26	17.39	17.99	20.90	21.90	24.36	25.08	27.07	30.73	31.05
Per cent change each year	-	-	-	-	2.02	29.50	12.69	8.55	1.63	6.95	3.45	16.18	4.78	11.23	2.96	7.93	13.52	1.04
Per cent change since 1982 when the man- aged float began	-	-	-	-	2.02	32.12	48.89	61.62	64.24	75.66	81.72	111.11	121.21	146.06	153.33	173.43	210.40	213.64

Note: The rupee rate is the average for the year.

The trade and current account deficits have both been falling over the last few years, not widening. The trade deficit in the last financial year 1994-95 as a percentage of GDP was the lowest since 1980. The current account deficit (as a percentage of GDP) for the last year was the lowest since 1987 with the exception of 1991-92. Hence the trend for the two deficits which are very closely related to the exchange rate has been falling. On the other hand, foreign exchange reserves have been rising consistently since 1990, and at the end of the last financial year were \$2.74 billion, the highest ever. On two counts which reveal important trends related to the exchange rate, currency analysts have got the direction of the movement wrong.

Inflation is the only fundamental on which the analysts are right, but for the wrong reasons. Inflation has been on the rise and has affected what is known as the real exchange rate, which compares the inflation rate in exporting and importing countries. A high inflation in one trading country vis-à-vis the other implies a deteriorating real exchange rate and hence the need to devalue the nominal exchange rate to make our goods more competitive. It is true that Pakistan's inflation rate is higher than its trading partners, but a devaluation on these grounds would only add fuel to fire. Devaluation for Pakistan would prove to be inflationary and worsen further an already explosive price situation.

The main reason given in favour of devaluation is that it will make exports more competitive, i.e. cheaper, and hence increase the volume of exports and foreign exchange earnings. However, even at a theoretical level this is a questionable proposition. Firstly, exports may not be price sensitive and they may respond to non-price factors, and thus lowering the price of exports may not affect volume and increase demand – this phenomenon was observed in Pakistan after Moeen Quraishi's devaluation two years ago. There is often a J curve effect seen where the balance of trade (the value of exports minus the value of imports), first deteriorates before any improvement is seen – this often sees the knee jerk reaction of further devaluation and adds further problems. Also, if exports do indeed increase, the price of imports also rises and under numerous conditions the effect of a devaluation may substantially worsen the balance of trade and negate the entire exercise. Furthermore, after the utter devastation of the Mexican economy following a bungled devaluation nine months ago, foreign investors have become a little bit more cautious about such interventions in emerging markets, and local governments are aware of these concerns.

The fourth reason why Pakistan should devalue is the weakest. The argument doing the rounds suggests that since the value of the Indian rupee has fallen, i.e. depreciated,

Pakistan must devalue immediately. Newspaper articles are clamouring that the 'Indian move is an economic invasion to knock out Pakistan exports in the world market'. There are numerous inconsistencies in this claim.

Firstly, Indian goods are not strictly comparable to Pakistani exports and nor are all of them perfect substitutes. Secondly, export orders and contracts are usually signed well in advance and are based on numerous non-price considerations which include political factors, long term dealings, practices and ties, institutional factors, tradition and cultural factors and a host of others. Thirdly, Indian exports generate almost four times the foreign exchange that Pakistan exports are able to bring, implying that the Indian market is already well established compared to Pakistan's. Fourthly, the devaluation seen in the Indian rupee was in the kashmir market where the rupee fell to Rs 35 per US dollar for a short while, but then stabilised at around 33.80. The official Indian rupee was not changed. Finally, Indian exports have seen a surge this year where they have risen by 29 per cent since April compared to last year. A very healthy trend indeed. Essentially then, a devaluation in the Indian rupee by a few percentage points should not cause concern to our exporters. What matters for us is the US dollar.

Strangely enough, while all currency analysts and traders have been giving arguments for devaluation, they have not given enough weight to what happens to the US dollar. Pakistan follows a managed float and although there is a basket of currencies to which the rupee is linked, the US dollar is the key currency for the rupee. The dollar

fell to an all-time low of one dollar to 1 Japanese yen this April, and after a 15-month high is now around 100 yen. The US dollar started its upward movement in July and the changes in the dollar/Pakistan rupee rate need to be seen in that context. A stronger US dollar would put pressure on the Pakistan rupee and hence the need for the 'technical adjustments'. The key determinant in the next few months for the Pakistani rupee will be the value of the US dollar, not the Indian rupee. Once the dollar stabilises, so should the rupee. Furthermore, as the Tables show, so far this year there has been very little adjustment, mainly because the dollar was weaker, and based on past trends, there is considerable room to manoeuvre.

At the moment, the government's most immediate task is to deal with rising inflation, which was 14.8 per cent in August on a year-on-year basis. Devaluation would only increase that inflation without necessarily improving the balance of trade position. Exports have shown a healthy trend last year, growing by 15.7 per cent, with a value of \$7.8 billion. The target for the current fiscal year 1995-96 is \$9.2 billion, and if the cotton crop is good, it is very probable one can expect an increase in exports. The stumbling block for high exports is not the rupee/dollar parity rate, but the anarchic and devastating political situation in Karachi. All attempts at improving the economy and expanding exports must be predicated on finding a quick and just solution to the politics of Karachi. The business community should be pressurising the government to come to terms with the concerns of the people of this city. In comparison, devaluation is a trivial issue.

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Sudan: Opposition's Agenda

Ninan Koshy

The Sudanese regime will attempt to exploit the weak points in the consensus of the opposition parties. But it cannot afford to ignore their newly attained strength. The government's chief advantage seems to be the increasing complexity of the situation in the South compounded by lack of unity and cohesiveness among the Southern movements.

THE emergence of a consensus among major opposition forces in Sudan on self-determination as the key to peace has posed a serious challenge to the National Islamic Front regime. While the leadership given by the former prime minister Sadiq al-Mahdi in championing the right to self-determination and building the consensus annoyed the government and led to his fifth detention since 1989 – when the military overthrew his democratically elected government – his release at the end of August indicates the narrowing of options for the government. While there has been international pressure to release Sadiq al-Mahdi, the government is keen to see whether the consensus among the opposition parties on self-determination can be broken.

Four days after the arrest of Sadiq al-Mahdi in mid May, the government stated that the former prime minister had been arrested for his part in the agreement at Chukkudum in South Sudan in December 1994, between his Umma Party and the Sudan People's Liberation Army (SPLA). While in detention the government could add another reason, viz, that of authorising his party to sign the National Democratic Alliance Agreement in Asmara, Eritrea. If the Chukkudum agreement was only between the Umma Party and the SPLA, the Asmara agreement was among a broad alliance of Sudanese parties and movements which can claim to represent the vast majority of the people of Sudan. Together these agreements constitute the most important development in Sudanese opposition in the last six years.

Sadiq al-Mahdi's arrest came six months after the Chukkudum agreement, the alleged reason for his detention. What apparently provoked the government was a scathing attack the former prime minister made on the policies of the regime at the Ansar Mosque in Wad Nubawi, Omdurman, on the occasion of Eid El Adha, the pilgrimage feast on May 10. Pointing out that the regime's policies had been a miserable failure and were full of contradictions, he predicted the imminent fall of the government.

In fact al-Mahdi was building on criticisms he had made at the end of Ramadan in March. In that he endorsed strongly the right

of the people of South Sudan to self-determination upheld in the agreement at Chukkudum. In a wide-ranging political speech Sadiq al-Mahdi said that the Southern Sudanese should decide in a free and fair referendum whether to remain part of a united Sudan or become independent. If the people of the South voted for independence he could see no sense in trying to maintain unity by force.

Sadiq al-Mahdi has often used religious occasions to make important declarations on political issues. This is true of many Sudanese political leaders. Such occasions provide the only avenues for political expression, under the Islamic military government to the Umma Party leader, also the leader of the powerful Ansar sect, to express his opposition to the regime's policies.

Using religious terminology, the Umma Party leader called for a 'civil jihad' against the regime. Sadiq al-Mahdi has occasionally spoken of a 'civil jihad' although he has never fully explained what he meant by this.

By speaking out strongly al-Mahdi dispelled the rumours that he and his party were negotiating with the regime. Throughout the period of Ramadan, there were persistent rumours that al-Mahdi himself or some other leaders of his party were engaged in serious reconciliation talks with the regime.

The formal agreement between the Umma Party and the SPLA, on December 17, 1994 committing themselves "to political co-operation, working for the restoration of freedom and democracy and recognising the right of the South to self-determination" came after difficult negotiations over a period of 13 months. The Umma Party showed great courage in breaking away from the traditional positions held by parties in the North on unity and territorial integrity of Sudan.

The two parties differed on a number of issues. Chief among them is the question of self-determination for the Ngok Dinka people of Abyei, and the people of Nuba mountains and Ingessini hills. The British had placed these in the northern administrative region and so the Umma Party is reluctant to concede the right to self-determination to the people of Abyei and opposed to any such claims by the Nubas.

Most South Sudanese have always regarded Abyei as part of South Sudan and have never accepted the division of the Dinka people putting the Ngok Dinka of Abyei in the North. Nuban people and Ingessini people are non-Arabs who by accident of history have found themselves under the rule of the Arabs. They have been subject to discrimination and persecution. They joined the SPLA's struggle and proved themselves to be valiant fighters. It would be difficult for the SPLA to consider them different or agree to the denial of the right of self-determination to them.

The preliminary agreement among the opposition parties in late December and the Declaration by the extraordinary conference of the National Democratic Alliance (NDA) in June were built on the Chukkudum agreement and would not have been possible but for the principled stand of the Umma Party.

Already the December meeting acknowledged that the civil war is of 'national origin' rather than a Southern problem. This was a major political victory for the SPLA. It also placed the agreement in a regional framework. Its opening statement referred to the "consequences of the policies of the regime on the security and stability of the region".

It further linked the agreement to the stalled peace initiative of the Inter-Governmental Authority for Drought and Development (IGADD) consisting of Kenya, Ethiopia, Eritrea, Sudan and Uganda. IGADD holds the view that any peace in Sudan should be a just and lasting one and not merely a temporary accommodation with the NIF regime. Its peace committee analysed the political causes to the conflict and based its solution on two principles. It recognised Sudan as a richly diverse country which has to be governed by a democratic political system free of the involvement of any religion. Also it recognised that the people of the South, Nuba mountains and the Ingessini hills must be accorded and granted their right to self-determination.

The Sudanese regime was opposed to the two principles of democracy and self-determination as the basis of IGADD peace initiative. It strongly criticised the findings of IGADD Committee and questioned the legitimacy of some of the member governments. It actively attempted to subvert the governments of Eritrea and Uganda. As a consequence they broke off diplomatic relations with Sudan. This gave the chance to the Sudanese government to claim that neither Uganda nor Eritrea was neutral with regard to Sudanese matters and therefore should not continue as members. It further alleged that the lack of neutrality had

obviously affected the Committee's findings in the first place.

The Asmara Special Conference of the NDA came at a time when many were writing off the Alliance as an exercise in irrelevance. For six years the opposition parties had failed to address the political issues with a united voice and had lacked a clear agenda.

In Asmara the NDA fully endorsed the IGADD peace process and its proposals on democracy and self-determination. NDA recognised self-determination as the key to conflict resolution and peace in Sudan.

The conference of the NDA on the 'Fundamental issues of the Nation' was held from June 15 to 23 this year. The conference was attended by leaders and delegates representing the Democratic Unionist Party, the Umma Party, the Sudanese Communist Party, Union of Sudan African Parties, Sudan Peoples Liberation Army and Sudan Peoples Liberation Front, Legitimate Command, Sudanese Alliance Forces, the Beja Congress, Sudan Trades Union and a number of independent national personalities.

Together they can claim a very wide spectrum of public opinion and representation of the majority of the people of Sudan. The participation of the two groups of opposition armed forces was particularly significant.

It is admitted that the army in Sudan is restive. The government's fear of the army was underlined by the sacking of some 60 senior officers in December and 169 middle ranking and 137 non-commissioned officers in February.

Recruitment to the army opposition organisation, the Sudanese Alliance Forces, is reported to be growing significantly. The group led by Brig Abd-al-Aziz Khalid Osman was formed by officers unhappy with the inactivity of the opposition Legitimate Command of the Sudan Armed Forces.

The Asmara Communiqué addressed the basic issues of the right to self-determination, relationship between religion and politics and the system of administration during the interim period. The conference recognised that the exercise of the right of self-determination constituted a solution to the problem of ending the agonising civil war and facilitating the restoration of democracy in Sudan.

With regard to this crucial issue the conference drew a distinction among the South (pre-1956 borders), the Abyei district and the Nuba mountains and Ingesseni hills. While the conference decided that the people of South Sudan shall exercise the right of self-determination, before the expiration of the interim period, it proposed a separate procedure for the people of Abyei district.

"Their wish to either remain within the administrative set up of Southern Kordofan region or join Bahrel-Ghazal region (North) shall be ascertained in a referendum to be held within the interim period but before the exercise of the right of self-determination for the South. If the majority wish to join the 'South' they shall exercise the right of self-determination as part of the people of South Sudan".

The NDA did not concede the right of self-determination to the people of Nuba mountains and Ingesseni hills. The communiqué says that "a political solution to redress the injustices suffered by the people of these areas shall be sought by the interim government and that a referendum to ascertain their wishes on their political and administrative future shall be organised and carried out within the interim period". Obviously what is envisaged is within Sudan and in the North and not as part of what might evolve in the South. The distinctions made among the different areas are bound to create problems for the SPLA especially in view of the fact that break-away groups from SPLA are quite powerful.

It was agreed that the options to be presented in the referendum in the South shall be (a) unity (confederation/federation) and (b) independent statehood.

There is an apparent dichotomy in the provision that "the Central authority shall within the interim period devise and implement the necessary confidence-building measures and the appropriate restructuring of the state and socio-economic institutions and processes so that the exercise of the right of self-determination could have the best chance of upholding the unity option" because the same interim period will be utilised by movements in the South for campaign for the option of independent statehood.

It is therefore not surprising that the duration of the interim period was a matter of contention from the time of negotiations between the Umma Party and the SPLA. The SPLA argued that the interim period should not be more than two years. It fears that a longer period will be misused by the central authority and may be tempting to the army to stage a *coup d'état*. The Umma Party wanted a longer interim period of six years to maximise chances of building confidence for the South to stay within a unified Sudan under a new dispensation. In the end they agreed on a flexible interim period of a minimum of two years and a maximum of four years.

The issue of religion is central to politics in Sudan. The present regime is described as 'fundamentalist Islamic'. One of the main causes of the civil war was the introduction

of Sharia in 1983. The two major parties Umma and DUP have large followings of religious groups.

The Alliance agreed on principles that would guarantee equality of all religions before law and promote religious pluralism. There shall be no discrimination on religious grounds and no political party shall be established on religious basis. These are provisions obviously agreed upon by Northern parties to strengthen the unity option. But they will find it hard to sell them if the South opts for independence.

The programmes adopted by the NDA conference on the basis of a consensus include "the removal of the present regime, the ending of the civil war and realisation of peace, the restoration of democracy and the creation of a conducive atmosphere for the establishment of the new Sudan".

If the international community, to which the communiqué appeals for support, has not been enthusiastic about the NDA in the past, it was not only because the alliance was ineffective and it had no credible programme but also because its members including the Umma Party had been responsible for fuelling the civil war before the *coup d'état* of 1989.

It is not forgotten that the National Islamic front which became the chief beneficiary of the coup was actually brought into the government by Sadiq al-Mahdi. It was he who scuttled the agreement between the Democratic Unionist Party (DUP) and the SPLA during his premiership. Going back further in history when Sadiq al-Mahdi was prime minister in the mid-60s he failed to honour an agreement on modest proposals on Southernisation of administration and instead embarked on a policy of repression. However there is every reason to think that today he sincerely believes in the right of self-determination for the South as the only solution.

While the DUP also is a signatory to the Asmara agreement it has been ambivalent regarding self-determination. It is not forgotten that it publicly criticised the agreement between SPLA and the Umma Party on the issue of self-determination. Traditionally the DUP has been close to Egypt which has not favoured self-determination in Sudan. In fact African rulers are generally opposed to self-determination as they believe that it will lead to secession.

The Sudanese regime will attempt to exploit the weak points in the consensus of the opposition parties. But it cannot afford to ignore their newly attained strength. The government's chief advantage seems to be the increasing complexity of the situation in the South compounded by lack of unity and cohesiveness among the Southern movements.

Gandhiji and Ruskin's *Unto This Last*

M L Dantwala

The author here examines the influence of Ruskin's book Unto This Last on Gandhiji's views on the economic system he advocated, his theory of Trusteeship, economic equality, relationship between the employers and the employees and the use of modern technology. While the author shares some of Ruskin's and Gandhiji's concern, he differs from both on the issue of use of technology for economic development, while commending the search for alternatives which could avoid its harmful effects. He shares Alvin Toffler's futuristic view about the possibility of a synthesis between the low stream traditional and high stream modern technologies

AT the outset I should narrate the background under which this article has been written. A friend from Ahmedabad, Chittaranjan Vora, was translating into Gujarati Ruskin's well known book *Unto This Last*. He requested me to write a Foreword to his book. Without much thought I agreed to do so not realising how difficult the task would be.

The primary reason for my prompt acceptance of Chittaranjan's offer was the association in my mind between Ruskin's and Gandhiji's views, both moral and intellectual, and particularly Gandhiji's avowal that after reading *Unto This Last* "I determined to change my life in accordance with the ideals of the book", and added, "Out of the few books I read, the one which brought about an instantaneous and practical transformation in my life was *Unto This Last*" [Gandhi 1968 445]. At another place he says "I stand by what is implied in the phrase 'Unto This Last'. I saw clearly that if mankind was to progress and realise the ideal of equality and brotherhood, it must adopt and act on the principle of 'Unto This Last'" (*Harijan* August 25, 1946, p 281).

I read *Unto This Last* twice and a few more books on Ruskin, which emboldened me to devise a framework of the Foreword. I decided that I shall analyse Ruskin's economic and social philosophy in a broader academic frame. The textbook for my undergraduate course of "A History of Economic Doctrines" by Gide and Rist (1928) brackets Ruskin, Tolstoy and in some respects Thomas Carlyle, who preceded both, in a special category, strangely termed as 'The Mystics'. I also felt that it would be interesting to deduce the influence of this trio on Gandhiji's thought.

All the three along with Gandhiji shared the disapproval and denunciation of the

dominant economic thought and practice as represented by the classical economists. Both Ruskin and Tolstoy "condemn the Hedonistic principle and denounce money as an instrument of tyranny" which they felt had resulted in setting up a new system of slavery, hence they both advocate a return to manual labour as the only power that can free the individual and regenerate social life" [Gide and Rist 1928 510]. They, however, differ in their perception of the future society. To Ruskin the future society should be aristocratic, chivalrous and heroic besides being aesthetic, to Tolstoy it was to be egalitarian, communal and above all ethical. Thus Gandhiji's stress on manual labour (charkha) owes its inspiration to both Ruskin and Tolstoy, his strong and all pervasive accent on ethics, truth and non-violence seems to be derived from Tolstoy. Gide and Rist (1928) summarise Ruskin's programme of social regeneration as follows:

"(1) Manual labour should be compulsory for everybody to live upon the fruits of dead labour of others is surely absurd and contradictory. Machinery of all kinds must be renounced, except that which may be driven by wind and water - natural forces which, unlike coal do not defile, but purify. Ruskin wanted labour to be artistic, and he longed to see that the artisan again became an artist. Tolstoy on the other hand, does not strive for artistic effect. His heart is set on rural work, which he magnificently describes as 'bread work' and which seemed to him sufficiently noble without any embellishment of any kind" [Gide and Rist 1928 512].

Gandhiji adopted the essence of the above from both Ruskin and Tolstoy and synthesised the two in the Indian context.

"(2) Work for everyone is the natural complement and the necessary corrective of

the preceding rule of no idleness and no unemployment. In society as at present organised everybody is not obliged to work while some individuals are obliged to be idle. This monstrous inequality must be remedied."

"(3) Labour would no longer be paid according to the exigencies of demand and supply, which tend to reduce manual work to the level of a mere commodity. It would be remunerated according to the eternal principles of justice, which would not of necessity imply an appeal to any written law." Ruskin elsewhere elaborates what he considers as just payment.

"(4) Natural sources of wealth - land, mines and waterfalls - and the means of communication should be nationalised. Ruskin speaks of himself as an out-and-out communist, but with a touch of the aristocrat and the aesthete. Tolstoy is a much more thoroughgoing communist and was violently opposed to that low bestial instinct which men call the right to private property. His cry was 'Back to the land' and the practice of co-operation. Everyone ought to produce his own food." In between the aristocratic and aesthetic Communism of Ruskin and the Spartan Communism of Tolstoy where should we place Gandhiji? Gandhiji claims "I was a socialist long before those I know in India had avowed their creed" (*Harijan* April 20, 1940).

(5) A social hierarchy graded according to the character of services rendered should be established. Chivalry is as necessary in an industrial as in a military service.

(6) Above all else must come education - not mere instruction. What needs developing above everything is a sense of greatness, a love of beauty, respect for authority, and a passion for self-sacrifice. Carlyle's (who preceded Ruskin) economic ideas are akin to Ruskin's. He was possibly the strongest adversary of the old classical school. It was he who spoke of political economy as the 'dismal science'. "He is equally fierce in his denunciation of *laissez-faire* as a social philosophy" [Gide and Rist 1928].

Proceeding further from Ruskin's academic status in the history of economic thought, we come specifically to his 'Unto This Last'. We shall discuss here only two issues which figure prominently both in Ruskin's and Gandhiji's thoughts, justice to which Gandhiji added non-violence as a foundation of a civil society and rejection of machinery or industrialisation in general. Justice is universally accepted as a basic value encompassing all human activities, yet perceptions as to what constitutes justice differ. Under capitalism, 'free market' is

upheld as the most arbitrator in this matter! Its motto is 'each according to his ability and the devil take the hindmost'. Ruskin and Gandhi accept the importance of ability in acquiring wealth, but not in its use which should be governed by the principle of 'each according to his need'. Hence the principle of Trusteeship evolved by Ruskin and perfected by Gandhi. Communism, on the other hand, propounds that emergence of inequality should be nipped in its bud through socialisation of all means of production and abolition of private property. By adopting the 'middle path', Ruskin partially and Gandhi wholly rejected both the amoral acquisitive base of capitalism and the Communist's usurpation of individual freedom, initiative and creativity by the state which virtually meant political dictatorship with bureaucracy as its tool. With the collapse of Communism, Capitalism with its aggressive acquisitiveness remains the only dominant ideology today. In this context, Ruskin and Gandhi's ideology which leaves scope for individual entrepreneurship and hence acquisition of wealth but social use is perhaps the only alternative. I am aware that under the prevailing ethos of consumerism, such a radical change in the value system is not possible, yet ideals like 'satya', 'ahimsa' and 'aparigraha' are too precious for the health and survival of the civilisation and should not be discarded as a lost dream.

But it is on the question of equality that I see some difference in emphasis in Ruskin and Gandhi's writings. While Ruskin along with his insistence that the rich and the wise should use their richness and wisdom for the good of all, also emphasised 'the impossibility of equality', Gandhiji's statements on equality/inequality are apparently confusing. For example, his advice to the rich was "Earn your crores by all means but understand that your wealth is not yours, it belongs to the people" (*Harijan*, February 1, 1942).² But thereafter he states: "Strictly speaking all amassing or hoarding of wealth, above and beyond one's legitimate requirement is theft" (*Harijan* August 11, 1946). And the gulf that separates the rich and the poor today is appalling. It has to be bridged. He was equally aware of the exploitation involved in accumulation of wealth. When served milk and fruit in gold bowls and plates by a zamindar host, Gandhiji expressed his reaction in following words: "Where did he get these golden plates from?" The answer, from the substance of the riots. At the same time he says: "I do not grudge the prince his palace and the millionaire his mansion, but it is my earnest request to them to do something to bridge the gulf that separates them from the peasant" (*Young India* October 7, 1928). Gandhi in his

should be fixed for maximum income that could be allowed to any person. The difference between the minimum (decent living wage) and maximum income should be reasonable and equitable and variable from time to time so much so that the tendency would be towards *obliteration of the difference*" (emphasis added). Economic equality constitutes an integral part of his constructive programme.

"This last is the master key to non-violent independence. Working for economic equality means abolishing the eternal conflict between capital and labour. It means the levelling down of the few rich in whose hands is concentrated the bulk of the nation's wealth on the one hand, and the levelling up of the semi starved naked millions on the other. A non-violent system of government is clearly an impossibility so long as the wide gulf between the rich and the hungry millions persists. The contrast between the palaces of New Delhi and the miserable hovels of the poor labouring class nearby cannot last for one day in a free India in which the poor will enjoy the same power as the richest in the land. A violent and bloody revolution is a certainty one day unless there is a voluntary abdication of riches and the power that riches give and sharing them for the common good."

Why is one man richer than the other? Ruskin's answer is, "Because he is more industrious, more persevering and more sagacious". He further added: "My continuing aim has been to show the eternal superiority of some men to other. Sometimes even of one man to all others; and to show also the advisability of appointing such persons to guide, to lead, or on occasion even to compel and subdue their inferiors according to their better knowledge and wiser will". To the poor, an employee, for example, he preached 'loyalty and duty, obedience and submission'. He told the poor "claim your crumbs from the table, if you will but claim them as children not as dogs, claim your right to be fed but claim more loudly your right to be holy, perfect and pure."

Gandhiji was sometimes equally paternalistic, yet as the above passage indicates, he did not subscribe to submission of some to the 'eternal superiorities of some'. "Millionaires no less than other business and commercial firms ought to take a parental interest in the welfare of their employees. The relations between the employer and employee have been upto now merely of the master and servant; they should be father and children" (*Young India* May 3, 1928, p 248). The employer should become father to the employees working under him. A touch of feudalism or romantic medievalism!

lists have acquired wealth and possess organising power, it is their responsibility to guide labour. He exhorted the wealthy people of England that by the strength of their possession they should direct the acts, command the energies, inform the ignorance. Ruskin and Gandhi wanted the rich men to use their capital and wisdom as a Trust for the good of all. Ruskin's emphasis was on just payment to the worker and elaborates what he meant by just payment of wages. Gandhi was more strict on the behaviour of the Trustee. He did not rule out state regulation to ensure that the Trustee "does not hold or use his wealth for selfish satisfaction or disregard the interest of the society" (see the Trusteeship Formula, Clause 4).

On Ruskin and Gandhiji's views on machine and technology I should like to be more elaborate and forthwith. On Ruskin's part I see it as a reaction to the egregious excesses of adolescent industrialisation. "Spinners at the age of seven worked in worsted factories from five in the morning until eight in the night with only one break of thirty minutes at noon under overseers who strapped them when they grew tired, young girls in mills at the busy season slaved from three in the morning until ten at night and arrived home so exhausted that they fell asleep with their poor food unmasticated in their mouth" [Lion Derrich, *Ruskin: The Great Victorian* quoted by Hasan 1985:11]. For Ruskin and Gandhi more importantly, industrialisation was the culprit who destroyed their idyll of peaceful self-sufficient rural society, in which workers bought their own raw materials spun and wove them and sold their finished good to the rural community, it destroyed craftsmanship and dignity of labour. They shrank from the idea (or vision) of skilled craftsmen turning into 'hands in factory'. For Gandhi there was an additional factor. To us in India industrialisation was associated with imperialism. India was encouraged and forced to cultivate raw cotton in preference to foodgrains which was our dire need, railways were built to transport cotton from the hinterland to port-towns for export to Great Britain, which was spun and woven in the factories in Manchester and Lancashire and the cloth so made was exported back to India. This process not only destroyed India's dispersed spinning and weaving industry, the charkha and the handloom, but the very source of livelihood of millions of craftsmen and drove them back to agriculture as landless labourers.

Yet, this revulsion towards the ugliness of industrialisation and machineries was contextual, their total rejection is to raise it to an inalienable principle. The latter proposition is unacceptable to me. Could

India have sustained her rapidly rising population with a wooden plough and rainfed agriculture or defended herself against a modern war with no better weapons than a sword! Historically the civilisation has evolved from the stone age till say Ruskin and Gandhiji's era through initially slow but persistent improvement in technology. Like time technology cannot be stopped or frozen at a point of history.

Several kinds of refutations can be advanced against this poser. One can say, do not mix up technology with machinery and industrialisation. Bio-technology for example, can be used for development. Besides no one is against machinery, it is its craze to which Gandhiji was opposed. We can pick and choose "appropriate" technology. To which we can ask: where does desirability stop and craze begin! One can cite extremes such as destruction of environment or unrestricted pollution as unacceptable. But it is difficult to fix a border line. We can pin-point what is inappropriate but cannot precisely define what is appropriate, under fast changing situations.

It is beyond the scope of this article to provide precise answers to questions raised above. Frankly, we ourselves cannot provide any convincing answers. All that we can say is that in several fields we have no choice. A glaring case is that of defence equipment. Can we reject the radar or missile technology, tanks and fighter planes, or do without satellites and remote sensing, fax machines, if you want to be a global partner? One can retort, we do not want to be global, we demand swadeshi, self-reliance if not self-sufficiency. I fully accept the principle of self-reliance in regard to essential commodities like foodgrains. But even in this regard, we had to compromise even with almost stagnant foodgrains production. We had to import large quantities of foodgrains till the high-yielding varieties of wheat and rice seeds – initially imported from Mexico and the Philippines – boosted our food production, and enabled us to discontinue imports. This is what I would like to term as 'dependency to end dependency' through indigenisation. As a matter of fact our entire industrial development from the early textile factories, and steel mills right up to automobile industry, communication technology, is derived from initial imports and technology but gradually we are becoming self-reliant in all these areas of economy.

In the mid-1960s domestic food production was stagnant creating an acute food scarcity. Rapid and fast growth of food production was the essence and hence the need of the time, a situation which I call contextual. With food self-sufficiency, we can opt for

a different technology, environment friendly. Likewise if the whole world accepts Gandhiji's non-violence as a governing principle of the polity, we can dispense with armaments. I too would prefer organic and natural farming over the current practice. But I am convinced that for at least a decade or two it will not be able to fully replace the current farming technology and feed our galloping population with organic farming, which should be our ultimate aim. As mentioned earlier, I am unable to resolve the dilemma of the compulsion of hi-tech for defence and food security and the charm of a simple life, unpolluted rivers and green mountains.

Is it possible to synthesise hi-tech with the simplicity of traditional or neo-traditional technology? Alvin Toffler, the author of *Future Shock* and the *Third Wave* says, yes. This is how Toffler sees the future. Most recent technological developments in energy, agriculture, for example, bio-technology, and micro chips suggest the possibility of whole new societies based on the fusion of the past and the future, of the First Wave (industrialisation) and the Third Wave. "One can begin to picture a transformation strategy based on the development of both low-stream, village oriented and certain carefully selected high-stream technologies, with an economy zoned to protect and promote both" [Toffler 1981]. "Indeed linking of the two economic activities (the market and producers sectors) more intelligently to one another may be the missing key to the survival of the millions." Toffler gives one of his chapters the title 'Gandhi with Satellites'.

The quintessence of Ruskin's and Gandhiji's thought is fully reflected in the title of Ruskin's *Unto This Last*. The empathy for the most disadvantaged individuals and groups should mould our economic and social philosophy, politics, social behaviour and provide the basic values for their formulation. The major flaw of the capitalistic system and its economic policies is its value neutrality. The market, guided by the quest for profitability, determines the fate of the people. The excesses of the early rugged capitalism are vividly narrated in *Unto This Last*. In due course capitalism realised the imperfections of the market, and misery it inflicted on a large section of the population. It took some steps to correct the distortions; enact labour laws and introduce several 'welfare' measures. The capitalist west now talks of development with a human face, after having built its own prosperity on the most inhuman exploitation of its own native population and conquest of colonies through unspeakable brutality, in addition to the plunder of the environment.

The fact that there is less poverty and deprivation in capitalist economies than in

less developed countries and ex-communist regimes is no proof of any basic change in its value system – 'The devil take the hindmost'.

Karl Marx launched a severe attack on Capitalism, and Communism charmed the intellectuals all over the world with its egalitarian appeal. But that appeal did not emanate from the empathy for the disadvantaged. In fact, sentiments like love, compassion, charity were shunned as bourgeois morality. It was this amoral attitude of its philosophy which provided a fertile ground for the emergence of Stalinism – tyranny, suppression of freedom of the individual and scant respect for his dignity. Ultimately, it was this total disregard of human values that led to its economic and political policies which culminated in the collapse of Communism in spite of its good record in the field of literacy, health, employment and removal of hard-core poverty.

It is this concern for the downtrodden – the 'daridranarayan' – that gives Ruskin and Gandhi's thought its universal relevance in all climes and climate. Add to this Gandhi's emphasis on non-violence. Other aspects of their thought are, as we have stated, contextual and could be – should be – revised and re-designed to synchronise with the ongoing technological revolution.

Sooner or later, perhaps much later, the mankind will realise that whatever the technological progress, there is no alternative to *Unto This Last*, in which non-violence, limitations of wants and sharing constitute the ethos of a civilised society.

Notes

- 1 This is a revised version of the foreword to Shri Chittaranjan Vora's Gujarati translation of *Unto This Last*. His book has been published by Vicharadhara Prakashan.
- 2 All quotations from Gandhiji's writings are from his *My Theory of Trusteeship* edited and published by Anand Hingorani, Bharatiya Vidya Bhavan, Bombay, 1970.

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INTERNATIONAL CENTRE FOR PEACE INITIATIVES (ICPI) VISION 2022 INITIATIVE

1. CALL FOR PAPERS (for all)

As India approaches the 50th anniversary of its independence, it needs a vision to move forward and the course of action to translate such a vision into reality. Such a vision cannot come from the government alone. Besides political leaders and civil servants, thinkers and practitioners in other fields must also contribute ideas for India of 2022 AD and suggestions for action from 1997 to 2022 to turn India into a prosperous and just economy, clean and efficient polity and a peaceful society. ICPI's Vision 2022 Initiative proposes to collect input to prepare a draft blueprint of strategies for India of 2022. The blueprint will be thrown open for a nationwide debate. The contributors of the most interesting papers will be invited to participate in international conferences and TV discussions. Those who wish to know more about the initiative may please contact ICPI at the address given below.

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Indian Industry and Industrial Policy at the Crossroads

Murali Patibandla

Indian Industry: Policies and Performance edited by Dilip Mookherjee; Oxford University Press, New Delhi, 1995; pp 378, Rs 495.

DURING the last few years we have heard and read quite a bit about how the past industrial and trade policies stifled Indian industry and the recent policy reforms would release the caged tiger. Sometimes the excess obsession with the restrictive nature of the previous policies appears to make many researchers blind to several other important aspects of the industrial structure and its evolution; in the process, they fail to identify the important gaps and shortcomings of the present policy reforms. One simple example is that one has heard several times how the industrial licensing had been a major source of entry barrier and long run market power which, in turn, made Indian oligopoly firms highly X-inefficient. But one rarely comes across a serious analysis of other important sources of entry barriers like capital market imperfections and high domestic market transaction costs, which persist even in the post-liberalisation period.

Edited by Dilip Mookherjee and consisting of nine papers by different economists, this book is one more addition to the literature on the assessment of the past industrial policies and performance of Indian industry. As the editor notes in his introduction, "one needs to understand how Indian industry performed under the policy regime in place till the 1980s, in order to evaluate the impact of the new policy approach, and what issues ought to concern researchers and policy-makers in the near future". This book succeeds in this endeavour, though only partially. It is intended to concentrate on the issue of productivity and competitiveness and the nine papers refer to different aspects of industrial performance and policy factors with a rather loose common link. The topics range from industrial organisation and its link with poverty, pricing behaviour at macro level, technology, natural monopolies, competitiveness, industrial sickness, and public sector firms to issues regarding small-scale industries. The reader has to make an effort to find out how to assess the present policies for their long-term effects by filling in several conceptual gaps.

Some of the papers, for example the one by Sankar, are quite refreshing and contextual. Sankar's discussion of conceptual aspects of pricing policies for

natural monopolies is very relevant in the context of opening up of the public utilities like the power sector to the private (multinational) corporations. The controversy associated with the Enron power project is rather inevitable because there has not been any serious analysis or discussion of the issues regarding the pricing policies for natural monopolies by Indian economists or policy-makers in the past or more importantly in the context of market reforms, which might have been a fallout of the excessive obsession with negating the past policies. The issues on the regulation of natural monopolies were analysed and debated in advanced capitalist economies because government plays a very important and pervasive regulatory role. So far, market reforms in India have been propagated in terms of removing government controls and opening up of industries to domestic and multinational capital by ignoring one important aspect of a market economy—that it is sustainable only in the presence of institutions that could define and regulate unfair (anti-competitive) practices and conduct. Sankar's paper brings out highly germane issues regarding a particular aspect of regulation. Let us hope our policy-makers and leading economists take these issues (on competition policy) for further research and policy implementation seriously before the Indian industrial structure gets caught into zero-sum games once again.

Basu's paper on 'Industrial Organisation Theory and Development Economics' attempts to present a glimpse of the scope for the application of the recent theoretical developments in industrial organisation—mostly in game theoretic terms—to the issues of poverty and economic development in the Indian context and also to provide an agenda for research. He proceeds to present a few theoretical models. One gets the impression that most of it is repackaging of textbook topics like (perfectly) discriminating monopoly.¹ Basu's model of extortionist monopolist is simply perfectly price discriminating monopolist (with a continuum of agents with different income levels). Perfectly discriminating monopolist is argued to be Pareto efficient by the neoclassicists (and also by Basu), because each monopolist

would be on his least cost expansion path and would discriminate perfectly among consumers, selling each additional unit to each consumer at exactly the maximum price which that consumer would be willing to pay until, at the margin, price would equal marginal cost [De Alessi 1983]. Under the neoclassical paradigm, one might be able to argue rationally that slavery is efficient and Pareto optimal. Maybe, it is common sense that efficiency is not for efficiency's sake. Perfect price discrimination, in which the producer includes both richer and poorer consumers and takes away all the surplus, could be justified for public agencies (like rice being sold at lower price in fair price shops for poorer consumers) with distributional objectives but not for private monopolists.

The application of game theory to economic issues has brought out some very powerful concepts (possible economic outcomes) like the prisoner's dilemma. At the same time, most models tend to be highly special cases because of millions of possible game theoretic outcomes. Basu observes that there is tremendous scope for the application of game theory to the issue of interaction between government agents and producers (babus and boxwallas) in the Indian context. The question, here is whether the application of these tools to some of the well analysed issues like the collusion between government agents and other powerful economic actors in political economy terms in the Indian context (by economists like Pranab Bardhan) will give us better insights. Let us hope it will provide better insights rather than just new packages. Basu advises that theories should be developed in the context of Indian institutions. Theories, developed to fit our institutions, should shed some light on how these institutions themselves change and evolve. For example, the interlocking of capital and labour markets which persisted a few years ago has ceased to exist in places like coastal Andhra with increased commercialisation of agriculture and increased awareness and ideological movements.

Balakrishnan's paper on 'The Short Run Behaviour of Prices and Quantities in Indian Industry' empirically examines the link between movements in the mark-up (over cost) component of prices and industrial output between 1950 and 1980. This link has implications for the effect of stabilisation policies on inflation. Stabilisation policies are supposed to reduce inflation so that a free market price mechanism can throw the right kind of price signals for resource allocation. But these policies, especially in the short run, may lead to reduction in output by increasing supply side bottlenecks. Micro-

economic textbooks show that if one reduces sales or output (under monopoly or oligopoly) on a given demand curve, one can realise a higher price. This is the point that comes out of Balakrishnan's paper. He shows that price-cost mark-up moves counter-cyclically with respect to output movements: the mark-ups increase when output levels decrease. If mark-ups are major components of price, the stabilisation policies might lead to an increase, instead of a decline, in prices, by reducing output in the short run. In this framework, the effect of reduction of government expenditure is a reduction in industrial output (increasing costs of production) through increase in supply bottlenecks than a downward shift in the (aggregate) demand curve. Only way prices go up as a result of decline in output owing to reduction in government expenditure is that the demand curve remains, more or less, unchanged.³ The supply side and demand side effect of changes in government expenditure do not come out very sharply in this paper owing to specification problems in the aggregate demand and supply functions. Based on the empirical finding of counter-cyclical relation between mark-ups and industrial output Balakrishnan observes that if stabilisation policies of aggregate demand management are not supported by supply side management of reducing costs of production, they may step up inflation. Apart from this, if stabilisation policies lead to increase in costs of production for certain essential goods, they will cause a cumulatively large increase in prices.

One of the drawbacks of this paper is that the data refers to the period prior to the policy reforms. The mark-up behaviour of firms may be related to the prevalent market structure. In a more competitive environment (oligopoly) firms may have to take a cut in their profit margins (mark-ups). In other words, if the market reforms increase competitive conditions, they should reduce the mark-up component of prices. Secondly, firms will have to be more flexible in their prices to changing supply and demand conditions. In other words, it will be interesting to examine whether the counter-cyclical relation between mark-ups and output holds in the post reforms period.

Kathuria's paper on 'Competitiveness of Indian Industry' comes out with quite an incompetent definition of competitiveness. He observes: "One way to look at competitiveness is to define those activities where exports are profitable as well as competitive".⁴ In the beginning itself, a reader may wonder whose competitiveness is it all about. This approach gives him enough room to go all over the time and space of Indian industries without any focus and in several instances contradicting his own arguments. Any student working on the

issue of competitiveness of Indian industry is better off taking Michael Porter's approach of competitive advantage as a reference point rather going Kathuria's way. As a matter of fact, a recent book by Jacobsson and Alam (1994) uses Porter's approach quite effectively in analysing the process of acquiring competitive advantages on the basis of a rigorous comparative case study of a few South Korean and Indian industries. On the positive side, this paper puts together some useful data.

Let us take one example from Kathuria's paper to show how one can confuse the issues when one attempts to draw strong conclusions on the basis of crude observations of empirical data. He observes that the argument of domestic market size and its implications for economies of scale and exports are exaggerated. He goes on to give the example of exports of Maruti small cars and marginal exports by the Indian bicycle industry which has a large home market. A basic reading of the neo-technology trade theories by Linder (1961) and others shows that immediate access to a large domestic market provides firms incentive to invest in generating new products and technologies and scope for realisation of economies of scale by facilitating spreading of fixed costs of R and D and production over a large volume of output.⁵ Immediate access to a large domestic market also reduces the high risk element of R and D expenditure. For many high technology industries in which the fixed cost element of R and D and production is very dominant, firms which have immediate access to large domestic markets will have an advantage in costs and lower risks over firms with access to small domestic market in the international market. But for exports to take place it is necessary that the differentiated goods produced for the domestic market should find demand in export markets which is determined by similarity in income levels (demand pattern) between trading countries.⁶ This is observed to be the main reason for volume of trade to be very high between the rich western countries with similar factor endowments and income levels (but unequal domestic market sizes) [Patibandla 1994]. Price elastic products like bicycles are produced for lower income groups and income elastic goods like Maruti cars are produced for higher income groups in the Indian market. Maruti cars could find a larger part of the world market dominated by high income countries. A large domestic market will facilitate both static and dynamic scale advantage to firms producing income elastic goods towards competing in the world market.⁷

One way the domestic production with a small domestic market could still be export competitive is that advantages in cheap

skilled labour are more dominant than the fixed costs element (economies of scale) in production. If the advantage of large domestic market size is combined with inexpensive skilled labour, it will certainly lead to high levels of export competitiveness. Fixed costs in production for manufactured products like luxury cars are very high. When they are produced in developing countries, given the small size of the domestic market, the scale of production will be suboptimal compared to world standards.⁸ If multinationals start producing these products, it could be mostly to capture the protected domestic market.⁹ Secondly, while one is talking of exports of Maruti cars, one has to make a distinction between subsidising exports with the excess profits made in the domestic market and exports made possible by pure cost competitiveness.

Margit and Singh's paper presents a survey of literature on technology in general and in the context of Indian industry. These two components are highly disjointed and several other issues of relating technological change to demand and market structure conditions are ignored. For example, they discuss learning by doing economies in the conceptual part but do not look at the application of this concept to Indian industry. They should have done it at least in the case of the machine tools industry as the learning effects are generally observed to be significant in the capital goods industry and generate positive externalities to other industries. The discussion on the learning economies ignores its link with industrial growth and demand factors under Kaldor-Verdoorn law.

Anant and Goswami's paper on sickness in industry is quite impressive in tracing out the institutional aspect of the credit policy and its effect on the firm's behaviour and incidence of sickness in Indian industry. The study of institutions and the underlying factors governing the functioning and changes in institutional conditions from a systematic economic historian's perspective could be very useful in the context of the present reforms in shaping the complementary institutional reform policies. One of the notable observations the authors make is that, by 1989, outstanding credit locked up in sick private sector units had shot up to Rs 9,353 crore and 75 per cent of it was locked up in large and medium scale firms. This observation debunks the view that it is the small-scale sector that has been pampered by an easy credit policy. Secondly, Anant and Goswami observe that "except in some states, there is no widespread evidence of labour presenting insuperable hurdles to private sector restructuring". The labour policies in a state like Gujarat led to textile mills declaring lock-outs to escape the barriers imposed on retrenchment. Between 1983 and 1994, 50,000 odd workers

lost their jobs because of the closure or privately owned textile mills in Ahmedabad city. As Roy Chowdhury (1995) shows most of these workers failed to receive due benefits which were due to them. The instrumentalities adopted by the Textile Labour Association to get compensation or alternative employment from the central government for these workers have been largely ineffective. This clearly shows the failure of the present policy regime which propagates the so-called structural adjustment without building up the minimum necessary institutional conditions to cope with the extremely unequitable outcomes of the market reforms [Patibandla 1994a].⁹

Ira Gang's paper on small firms in India is quite refreshing as it presents a balanced assessment of the role of the small-scale sector in the Indian economy. There is a large body of literature on small firms in India and very rarely does it ask right questions and, in several instances, the views or assessments are based on preconceived notions. One heard a lot about how the small-scale sector in India has been pampered by micro level incentives like fiscal concessions and reservation policies. But this view ignores that in pursuit of heavy industrialisation the macro policies have favoured large-scale capital intensive production. The micro level incentives were provided to compensate for this bias against the small scale sector, which might have made things worse. Despite the inimical macro policies and capital markets the contribution of small firms to employment generation, output, and exports has been quite remarkable. For example, in 1989-90 57.4 per cent of industrial production was accounted for by small firms. 134 lakh persons were employed by this sector by 1992-93, and it accounted for 33.34 per cent of total exports. The arguments for removal of micro level incentives to small firms have to be followed by a reduction in macro policy bias against them. Capital market imperfections and the high transaction cost nature of the Indian economy work systematically against small firms' growth and mobility. The present policy reforms are not expected to be employment-generating in the organised manufacturing sector. In this context and given the importance of SSI sector in employment generation, there is need to design an effective alternative institutional support mechanism for small-scale firms. We might be able to learn a lot from the Taiwanese experience.

The large body of conceptual and empirical literature on industrial economics shows that industrial policy has to continuously watch out for trade-offs and has to be based on a coherent conceptual definition of structural factors and outcomes. For example, the highly talked about result of MRTP and

licensing policies is that it led to suboptimal scales and entry barriers. But the reforms of industrial delicensing could lead to the same result of suboptimal scales. For example Jacobsson and Alam (1994) in comparing the Indian and South Korean hydraulic excavators industry observe that while the Indian government liberalised its licensing policy in the 1980s to allow for a greater level of domestic competition, the Korean policy meant a restriction in the field to only two producers. Second, while in the case of India the protection from imports seemed indefinite the Korean government clearly set a limit on the protection. "Restriction of entry allowed South Korean firms to realise economies of scale advantage in exports and the threat of import competition made them to make systematic technological efforts to remain highly competitive. In other words, the South Korean policy was able to combine trade and industrial policies quite effectively. It was able to use import protection levels as an effective strategic signalling towards disciplining domestic producers. From this observation one can clearly see that the industrial policy in India led to the opposite results: the delicensing led to excess entry and to suboptimal scales and the policy signal of indefinite import protection to inefficiency [Patibandla 1995a]. They also point out one of the fall-outs of the liberalisation: three of the Indian producers are large and competent enough to undertake product development. Not only this, one of them had developed a design and planned to produce it but once technology imports were liberalised the firms completely abandoned product development activities."

In the context of the present reforms if policy intends to be neutral to structure in terms of concentration levels, it has to define systematically possible anti-competitive conduct by dominant firms. A simple example is prices going down because of economies of scale or efficiency gains versus prices set low as predatory pricing strategies towards eliminating rival firms. Secondly, absence of entry barriers implies that an absolute new entrant with a viable project could raise capital without any relative disadvantage and contest incumbent firms. But in Indian industry severe capital market imperfections and institutions that led to high transactions costs work in favour of dominant incumbents and multinationals with large purses [Patibandla 1995].

For the market reforms to be true to their spirit, it requires effective institutions that could define and implement effective regulatory policies (competition policy) which means that market reforms have to be supported by complementary institutional reforms. In the absence of effective complementary institutions the regulatory

institutions themselves could be captured by powerful coalition groups. North (1990) observes that the US government intervention into markets through effective anti-trust laws emerged because of severe competition among American capitalists. Following from this observation if the dominant firms in Indian industry get into implicit collusion, emergence of effective regulatory mechanisms will be thwarted.¹⁰

This book is a good beginning at bringing in some amount of rigour to issues on industrial economics in the Indian context. It is rather overpriced especially as it intends to cater to students in a developing country.

Notes

- 1 Basu argues that it is in the interest of a monopolist to exclude the poor from the market. A monopolist has no interest in poverty. She simply takes an exogenously given demand curve determined by incomes and number of consumers in a market and maximises her profits. The profit maximising price is higher than that in perfect competition, so she serves lesser number of people. As a matter of fact it is in the interest of a monopolist to see that poverty is reduced or incomes go up because that could shift the demand curve outwards and increase total profits. A monopolist might be interested in causing poverty if she is a price setter in the input markets. This point is quite obvious to Marxist economists.
- 2 If transaction costs of implementing perfect price discrimination are higher than the surplus, a perfectly discriminating outcome will not be Pareto superior to a simple monopoly equilibrium.
- 3 If the reduction in government expenditure shifts the demand curve downwards, prices do not have to increase.
- 4 Furthermore, he makes the observation that the exchange rate determines competitiveness (which is another word for productivity in this paper). Basic economics textbooks show that it is productivity that determines the exchange rate. The US dollar is more expensive than the Indian rupee because American labour is supposed to be more productive. If policy interferes in the determination of exchange rate, it will have implications on the relative prices and profitability of domestic sales versus exports. Devaluation is a means for adjusting the exchange rate to the productivity level of domestic labour or, in other words, telling us you are less competitive or productive and you should give more (value for) goods in exchange for lesser (value for) goods produced abroad.
- 5 Eminent economic historian Rosenberg observes that the isolationist policy of the US prior to the second world war led to high levels of productivity in American industry by giving it sole access to a large (homogeneous middle class) domestic market.
- 6 Linder calls it a representative demand in trade.
- 7 One can come with the counter example of South Korea where firms were able to become internationally competitive with a small domestic market. But one has to be careful about Korea's case because the institutional mechanism was quite different where firms

- were made to export right from the infant stage by a 'carrot and stick' policy mechanism
- 8 One way multinational firms could overcome this disadvantage of small volume of production in the Indian market is by importing major part of components of a car and assembling them in India. But even this strategy might be mostly to capture the protected domestic market rather than for exports. If import protection in these final goods industries is removed, foreign direct investment in these industries may not come in at all. This author is grateful to Pankaj Chandra for pointing this out.
- 9 The World Bank and IMF-sponsored structural adjustment and stabilisation policies are basically standardised package deals applied to the developing countries without regard for the specific institutional conditions of different countries. Recent times, there has been growing recognition that institutional conditions matter a lot more than just getting prices right. See Williamson (1995).
- 10 To put in terms of Williamson's (1995) language, we have to get our institutions 'right' rather than just the prices.

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Sociology of Religion in New Social Movements

S M Michael

A Future for Religion? New Paradigms for Social Analysis by William H Swatos, Jr (ed); Sage Focus Edition, California, 1993; pp xviii + 210.

NEW religious movements in contemporary world have demonstrated that the traditional theories on sociology of religion are inadequate to explain the new wave of religious activity. Hence, this book attempts to reorient the sociology of religion to new paradigms in social scientific inquiry. The book contains 11 research articles and they explore a variety of trends in social analysis of religion in contemporary world. Each article surveys existing literature, offers a substantial contribution and also proposes concrete research agendas.

The editor, William H Swatos, in his 'Introduction' points out that in the new paradigm of the sociology of religion one must radically redefine 'secularisation'. It is because modernity arouses expectations that it cannot satisfy without stimulating the

religious imagination. According to him the concept secularisation proposes ways of knowing how the world works, and also it challenges the widely accepted epistemological assumptions. Hence, secularisation is primarily a concept for the sociology of knowledge, and only secondarily for the sociology of religion.

The resurgence of religion in contemporary times makes us realise that social science is not the application of timeless truths but the development of explanatory and predictive constructs that tell us how to go on in varying forms of human life. In formulating theories we need to be attentive to the life world, i.e., to the problematics that constitute existence in our time and the implications for the future. The editor stresses the importance of departing from the anti-religious bias of the

'old sociology' to move to study religious experiences in the light of the newly emerging world.

The first article, 'New Social Movement Theory and the Sociology of Religion: Synergies and Syntheses' by John A Hannigan approaches the sociology of religion from a new social movement perspective. According to him this approach has the particular advantage of combining structural and cultural elements in social experience which transcends the traditional functionalist-conflict debates in sociological theory and thus really take us beyond the classics. For example, the ecology movement has a spiritual potential to transform modern societies. Similarly, the feminist spirituality in combination with the ecology movement has the capacity to replace socialism as the first genuinely modern form of religion. Ecofeminism equates the suppression and domination of nature with the domination of women and encourages a more spiritual approach to the natural world. Deep Ecology is an ecophilosophy that stresses the fundamental interrelatedness and value of all living things. It encourages a renewed sense of harmony with nature, even if this means that humans have to scale back their material demands and live a simpler life. In this century, nature religion has found form in the green movement, in the spirituality of North American native peoples, and in various New Age movements. The 'Creation Centred Spirituality' of the Catholic theologians is related to this eco-spirituality of women.

Global fundamentalism is another area of research in the sociology of religion. This has been studied by Frank J Lechner. It seems fundamentalism is a form of antimodernism aimed at restoring meaningful order on the basis of sacred tradition. The changing global condition not only becomes a context and target of fundamentalism, but also it tries to restore a sacred tradition as a basis for a meaningful social order. Studying fundamentalism, then, becomes a matter of examining how the tensions produced by the clash between universalising global culture and particular local conditions take place.

In his article, 'Religion, Class Conflict and Social Justice', Eugen Schoenfeld points out that religion is one mechanism by which different classes seek to legitimate their point of view and the social order that they seek to maintain or change. The poorer classes stress the ideology of justice and equality and the primacy of the collectivity. These values reflect their class interests. Thus, for example, the liberation theology, a theology associated with the underclass in South American countries stress the importance of economic and social justice which has emerged from the third world countries.

Justice addresses the idea of distributive equality, namely, it emphasises the rights of all to have access to those conditions that determine people's life chances like income and health care. The developed capitalistic countries like the US, for example, stress the values of freedom, individualism and self-determinism.

Individual freedom is an important Protestant virtue. It proposes the right of each person to maximise his or her own economic interests. Individualism is reflected in the legal concept of contract and is associated with the principles of freedom, as the right of the individual to control his or her own property. Equality, in contrast to freedom, justifies and places primacy not on individual rights, but on collective rights. While freedom argues for each person's right to control goods and services, to maximise self-interest, equality calls for the sharing not only of power but also of goods and services. Both values, freedom and equality, thus become legitimators of class interests.

Justice as a moral principle prescribes both individual and collective commitment to ensure the life chances of others. Freedom, in contrast, stresses the sanctity of human uniqueness and the right of every person to differ from collective in respect to thought and preference for a given way of life. If so, according to Schoenfeld, the important questions to examine are: Do the religious values of justice and freedom reflect class interests, and does religion hence become the means by which moral teachings become the legitimator of class interests?

In 'Religion in Capitalist East Asia' Joseph B Tamney maintains that folk religions have been the most popular ones in this region. As this region is in the grip of modernisation, the folk religions of the Chinese, Japanese, and Korean peoples are increasingly less acceptable as worldviews to people of east Asia. As folk systems dissolve in the process of modernisation, many east Asians remain without religious affiliation. That may be the reason that this region contains the highest percentage of religiously non-affiliated people.

Tamney studies the major religions of east Asia, namely, Buddhism, Japanese New Religions, Christianity and State Ideologies. Although Buddhism is described as the dominant religion in the region, actually relatively few people are committed to pure, non-syncretic Buddhism. Buddhism has co-existed with animism; the latter belonged to the masses, while Buddhism was the religion of the elite. Throughout the east Asian region, efforts are being made to purify Buddhism by disentangling it from folk religions. According to Tamney, Buddhism certainly has a future. All the same, today the Buddhist meditation has been secularised. Meditations

are practised for relaxation, mental power, or worldly success. A person need not become a Buddhist to benefit from meditation. Hence, in the view of Tamney, it is not clear that in future Buddhism will be a dominant worldview of east Asia.

The Japanese groups are syncretic blendings of elements from folk religion, Buddhism, Confucianism, and Shintoism. So new religions flourish in Japan. In 1980, 22 per cent of the population belonged to the new religions. The new religions are reactions to the corruption of Buddhism and the failure of Buddhist and Taoist priests to reach out to people dislocated physically and culturally. The new religions develop organisations to give counselling and fellowship to uprooted and lonely people, and within them women are allowed a greater role than in all other social institutions. The new religions flourish because they are bridges between tradition and modernity.

Christians are a significant part of the population in South Korea, Singapore, and Taiwan. Generally, Christianity has been able to grow in east Asia because liberal Christianity which emphasises the struggle for social justice has played an important role in Asia, especially in Korea and Taiwan. Christianity, like the new religions, has been able to co-opt elements of folk religions while retaining a modern image. As a result, the co-option of folk-elements has increased the popularity of Christianity. In addition, charismatics, more than others, offer rewards formerly associated with family life, namely, personal counselling and a sense of community.

Confucianism functions in east Asia as a quasi-religion and its approach is linked with nationalism. It has also significantly influenced education in the region. Tamney stresses the importance of research to determine the relative significance of secular and religious ideologies in the context of folk religions losing their usefulness, legitimacy and integrity in east Asia.

W E Hewitt in his article 'Liberation Theology in Latin America and Beyond' deals with liberation theology which emerged as a subject of considerable interest and controversy, since the Latin American Bishops' meeting in Medellin, Colombia in 1968. It is believed that liberation theology offers insight into the causes of poverty and injustice in the world and promotes work with the less privileged in their struggle for a better life.

In spite of criticisms, there can be little question that the strong political language and abiding concern for a just social order voiced by liberation theology has found a home within the Church. An example of this tone is evident in the following excerpt of a 'Pastoral Letter' written by 16 Roman Catholic bishops of third world: "It is not

true that God wishes there to be rich men enjoying the good things of this world by exploiting the poor: it is not true that God wishes there to be people always wretched. Religion is not the opium of the people. Religion is the force that exalts the humble and casts down the mighty from their seats that gives bread to the hungry and reduces to hunger the overeaters."

While underdeveloped Brazil is clearly the leader where the institutional commitment to social justice is concerned, Canada with a much higher standard of living has also moved significantly in this direction. Interestingly as well, Canada is more progressive in this regard than the US, despite the fact that the two countries are nearly identical in terms of economic performance.

In 'Religion and the New Immigrants' Peter Kivisto states that since second world war, both western Europe and North America have experienced the creation of substantial immigrant communities. One consequence has been the emergence of a 'race problem'. Until recently, it was taken for granted that different racial and cultural groups will be Americanised in the melting-pot of America culture. But today this approach seems to be too limited in the complex reality of America. Hence, the task of ethnic studies becomes vital to understand the processes in American society. In this context it is important to know how different racial and cultural groups with their respective religious affiliations adopt themselves to the American way of life. But unfortunately, less research has been done on religion than on the issue related to the economics and politics of immigration communities. Hence, according to Kivisto, the review of recent research shows that for some ethnic groups the religious dimension is a virtually untapped topic.

In the next article, James V Spickard pleads 'For a Sociology of Religious Experience'. More than 30 per cent of Americans claim to have some kind of religious experience. Yet, according to Spickard, sociologists have not comprehended religious experience well. Since the pioneering work of William James, *The Varieties of Religious Experience* in 1902, no progress has been made in the field of religious studies. James grounded religious experiences in feelings, which he treated as private. Treating experiences as private, however, removes them from the social sphere. So, since James, the sociology of religion has focused on religious institutions and religious ideas. Sociology of religion has neglected religion's experiential side. Now with the emergence of New Religious Movements and New Age groups it is becoming clear that religious experiences are fully social phenomena and they require scientific study.

The eighth article is by Daniele Hervieu-Leger on 'Present-Day Emotional Renewals

The End of Secularisation or the End of Religion'. The classic approach to religion stressed the increasing autonomy of man over nature and the gradual secularisation of religion from human life. The rise of secularisation and the varying degrees of separation between church and state were the legal and institutional symptoms of the declining hold that the religious institutions had over society. However, now, perturbed by economic crisis and international disequilibrium there is a return of a religious quest. The increasing religious renewals and new religious movements tend to suggest the possibility of a massive return of the sacred on the verge of the 21st century.

Some see the 'return of religion' as a regression, an irrational reaction to uncertainty and unrest. Others hail it as proof of the invincible religious dimension of man, over and above the illusory triumphs of rationality and positivism. In the midst of this ideological differences, it is important to rethink on the concept of secularisation for further advancement of sociology of religion in contemporary times.

'Religion and Body: Sociological Themes and Prospects' by John H Simpson traces the very origin of sociology to the social changes and conflicts that occurred in the west with the rise of industrial capitalism, mass democracy, science and technology. In its understanding and developing sociological theories, sociology drew upon certain intellectual resources and rejected others. The primary dualism of western culture between body and mind, matter and spirit, nature and culture, desire and reason influenced the development of sociological theories. Accordingly, the founders of sociology pushed the body outside the domain of sociological discourse. All modes of production, however, with the exception of communism, according to Marx, dehumanise the body by exploiting it. Capitalism reduces the body to the status of a labouring machine.

Not only capitalism but also the development of scientifically based medicine also tended to disembodify the human actor by progressively isolating the physical body as an object of study and control. Thus, the body came to be viewed as a mechanism or system that could be regulated and repaired, if necessary, like any machine.

In post-modernism, western industrialised societies have moved into the period of 'late capitalism' and the mind is considered to be complementing the body. Thus, in late capitalism the problem of social control is relocated from the body to the mind. The question no longer is: "How can the mind be used to control the body?" The question now is: "How can the body be used to control the mind?" In the medical field, western medicine based on science and the clinic

may be supplemented or replaced by alternative forms of body care.

There has been in recent years a remarkable explosion of healing practices and alternative therapies that move away from the modern notion of the body as an object that can be cured only by science. These conditions lead to several questions with respect to the role of religion in the relationship between body and mind.

The 10th article is by Mary Jo Neitz on 'Inequality and Difference: Feminist Research in the Sociology of Religion'. For a long time religion has been a major institution for social control of women. It has been the focus of feminist attacks on institutionalised religion and its treatment of women. Yet women have also found ways of using religious ideologies to argue for egalitarian treatment or demand that men change their behaviour. The women's spirituality movement embraces a number of women-centred ritual groups that do offer ideologies explicitly supportive of women's authority. Rituals offer settings in which women who have been marginalised and alienated can be healed.

The last article, 'Back to the Future: Applying Sociology of Religion', by William H Swatos Jr highlights how sociology of religion can be an applied field of research. Actually, from its beginning sociology of religion had an applied part. Both, the *American Journal of Sociology* and the *Social Forces*, in their early years carried a large number of articles on religion of an applied nature. This was not the case in the US, however. The German sociologist Max Weber, in fact throughout his life had a commitment to applied concerns, particularly with respect to religion. The French sociologist Emile Durkheim also saw sociology as leading

toward a sociology of morals by providing a base for a covenant that would bind men and women together in a meaningful social order apart from the harsh pragmatism of contractual existence.

The breakdown of the sociology-and-religion alliance is attributed to William F Ogburn's presidential address to the American Sociological Society in 1929 in which he stated that sociology "is not interested in making the world a better place to live". Religionists were particularly singled out for criticism as relics of a bygone era. From this influence, researches on sociology of religion began to be a private affair of the seminaries and other religious institutions.

Swatos highlights the uniqueness of human beings to create symbols. As symbol creators, human actors are able to construct ideals within their social relations of how life ought to be. This dimension of human creativity in religion has been too much neglected by the social sciences and need to be reclaimed.

As a conclusion it may be observed that the editor has shown clearly the new dimensions in sociology of religion which the classical schools neglected as personal and private concerns and do not fit into the positivistic approach to the study of religion. This book introduces new paradigms in the study of sociology of religion to be developed in the context of new religious movements. The merit of this book might have been further enhanced by taking also into consideration the new nationalistic aspirations of people using religion as a means to acquire power as in the case of Ireland, Bosnia, India and Sri Lanka. All the same, this book is a valuable addition to the field of sociology of religion and new social movements.

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Working Mothers and Child Survival in Rural India

Insights from Spatial Patterns

N Krishnaji

This paper analyses the levels and gender differentials in child mortality across the rural parts of the Indian states in relation to the work status and work participation rates among women and two other correlates of mortality, viz, fertility and female literacy. Since states are large and some of them contain sub-regions which vary considerably with respect to both agro-economic and cultural factors, the correlations are examined in more detail at the district and sub-regional levels as they are observed in Andhra Pradesh. The paper concludes with a discussion of the main issues.

I Introduction

THERE is some evidence to show that in rural India working mothers experience a greater degree of child loss than do non-working mothers. However, although the mortality rates among children of working women are relatively higher, the gender differentials in them are distinctly narrower [Basu and Basu 1991].

These correlations, observed to hold in terms of the levels and gender differences in child mortality in different data sets (including those based on the 1981 Census), are not perfect. In any case, inter-regional variations in child survival chances merit analysis since the underlying economic and cultural factors have well known regional patterns within India. For example, the gender bias against females in general and female children in particular is much stronger in the north and the north-west than in the south where, coincidentally, employment levels among women are higher. The apparent conflict between women's work and child survival needs to be understood in terms of the causal links because it is not immediately obvious why higher rates of child mortality should be associated with working mothers. Basu and Basu (1991) and Basu (1992) examine the mechanisms and intermediate variables that are likely to bring about the observed correlations. They suggest that time is probably the most important factor in this context: other things being equal, a non-working mother can provide more time for child care.

Whether, however, this conflict between work outside home and time for child care can lead to the observed large differences in child survival needs to be probed further. This paper argues that an alternative explanation of the empirical findings is possible: Working mothers in rural areas generally belong to poor labour or peasant

families; the extreme poverty in such families may explain the higher death rates; and, to the extent that the conditions of poverty apply equally to girls and boys, the narrow gender differentials in survival may also be a reflection of these conditions.

The paper begins with a statistical analysis of the levels and gender differentials in child mortality across the rural parts of the Indian states in relation to the work status and work participation rates among women and a couple of other correlates of mortality, viz, fertility and female literacy. Since states are large and some of them contain subregions which vary considerably with respect to both agro-economic and cultural factors, the correlations are examined in more detail at the district and subregional levels as they are observed in Andhra Pradesh, one of the bigger states.

A brief discussion of the main issues appears at the end.

II State-Level Variations

Levels of child mortality vary considerably across the different parts of the country. The spatial variation remains despite a general improvement in child survival rates during the last four decades or so. Estimates based on the 1981 Census show that for rural India as a whole the mortality rates of children in the age group 0-4 years were 147 and 157 (per 1,000 live births) for males and females, respectively, implying an excess female child mortality (over that of males) of about 7.4 per cent. The extent of regional variation is illustrated by the contrast between Kerala and Uttar Pradesh. In Kerala, the child death rates are the lowest in the country, those for females being lower (at 78) than for males (at 88), whereas in Uttar Pradesh the levels are extremely high and, besides, there is a significant excess female mortality of about

20 per cent (the male and the female death rates being 187 and 224, respectively).

The state-level data on child mortality rates by gender and by the work status of mothers are presented in Table 1 in which the states are arranged in descending order of excess female mortality among children. Before we discuss these data, a word about gender differentials. It is well known that other things remaining the same, girl children are better equipped in a physiological sense to survive early childhood and for this reason a somewhat higher mortality among male children is normally expected. Indeed, the sex ratio at birth generally has an excess of males (about 105-106 males to 100 females), but female advantage of survival produces balanced sex ratios among children of age one year and above. This means that consistent and large female deficits among older children are a sure indication of a gender bias - induced culturally or otherwise - against female children.

At the top of Table 1 are the states in the western and north-western parts of the country where death rates among female children exceed those among males very significantly. In contrast, all the states in the south have narrow differences slightly favouring female survival, Kerala being the only state where female survival rates exceed male ones by over 10 per cent. The states in the east (Orissa and Bihar) and Maharashtra and Madhya Pradesh are dispersed along the array. To some extent, these data are consistent with our knowledge about the geographical distribution of gender biases and the associated cultural practices.

Let us now look at the levels and differentials in death rates among working and non-working mothers. We should note first that the census enumeration of workers among women excludes large numbers of women engaged in various unpaid productive activities and are therefore biased downwards. To the extent that the conflict

between work and child care can exist irrespective of whether the work is paid or unpaid, the bias has serious implications. However, as the Basus suggest, the conflict can be expected to be more acute in the case of women who work for wages. Nevertheless, these data are of some use in cross-sectional comparisons since the rates of undercounting of women workers may be fairly uniform across space.

For what they are worth, the data show the following patterns:

(1) In all the states, working mothers experience a greater child loss than do non-working mothers in respect of both male and female children. Thus in Kerala, where the levels of child mortality rates are the lowest in the country, the death rate for male children among working women is 109 and that among non-working women is 77; the corresponding rates for female children are 95 and 69 respectively.

(2) In the southern states and West Bengal, Maharashtra and Orissa, where, as we have seen, the gender differentials in survival are in general narrow, while work status influences the level of mortality, it does so uniformly as between boys and girls, both experience roughly the same order of excess mortality that is associated with working mothers. This again is understandable in terms of the north-south divide in respect of gender biases and associated cultures. (See Table 2 in which the data are recast to show excess female mortality among children of working and non-working mothers separately.)

(3) In the north and the north-west, the work status of women has a greater impact on male children than on girls. This is because in general there is a strong bias against girls, and the male children of non-working mothers are the best protected among all categories, so that the withdrawal of this protection by working mothers – if what is observed can be described so – has a greater impact for boys. We should also remember that biological factors favour female child survival. To put it differently, the northern pattern of child survival is characterised by more prominent gender differentials, especially among non-workers.

The mechanisms that produce this type of regional variations are discussed in Basu and Basu (1991) and will be reviewed further in a later section of this paper. For the moment, however, let us see to what extent the 'inter-state' variations can be statistically explained by work participation rates among women (in the rural population as a whole) and two other correlates of child mortality often discussed in the literature, viz., female literacy (and education) and fertility.

A word about these correlates. Mortality levels in any region depend of course on a number of factors including living standards

and public provisioning of health care, etc. At the household level, however, factors such as the number of children in the family and whether the mother is working or not also play a part.

Since the focus of this paper is on how women's employment influences the level and gender differentials in child survival, we concentrate on a few relevant variables: work participation rates, fertility (measured in a rough sense the child burden women bear), and female literacy. There is no attempt here to fully 'explain' the observed inter-state differences.

Table 3 presents the relevant data, where again we have ordered the states in a descending order of gender differentials in child mortality. One can see that, although the correlations are not perfect, the states in the north are associated with low levels of female work participation and relatively higher levels of fertility (as measured by the children everborn to women in age group 45-49). The variation in literacy rates, however, has no discernible regional pattern (more on this later).

Table 4 presents some regression results to explain inter-state differences in child mortality. These regressions are exploratory in nature, aimed to capture the north-south differences in the context of women's employment. (In respect of the mortality rates, probit and logit regressions – more appropriate than linear ones – were employed, but the results are not very different. In the case of gender differences in mortality, there is no simple way of making the probit and logit transformations.)

In the regression equations, a dummy variable to capture the unexplained north-south differences is included. It is unity (1) for Haryana, Uttar Pradesh, Punjab, Rajasthan, Gujarat and Madhya Pradesh

TABLE 2 EXCESS FEMALE CHILD MORTALITY BY WORK STATUS OF MOTHERS – RURAL AREAS, 1981

State	Excess Female over Male Child Mortality (Per Cent)		
	Workers	Non-Workers	All Women
Haryana	9.5	22.1	25.6
Bihar	10.0	20.0	22.9
Uttar Pradesh	10.5	21.4	19.8
Punjab	8.8	14.9	14.6
Rajasthan	8.6	12.5	11.7
Gujarat	4.9	9.6	8.2
Madhya Pradesh	0.0	10.2	3.8
West Bengal	0.0	1.5	0.7
Maharashtra	0.0	-1.5	-0.5
Karnataka	0.6	2.1	-1.3
Tamil Nadu	0.6	-0.8	1.4
Orissa	-3.5	-2.2	2.7
Andhra Pradesh	-3.6	-6.8	-5.1
Kerala	-12.8	-10.4	11.4

Source: Same as for Table 1.

TABLE 3 FERTILITY, WORK PARTICIPATION AND LITERACY RATES AMONG WOMEN – RURAL

State	Work Participation Rate (Per Cent)	Literacy Rate (Per Cent)	Children Ever Born Per Woman Aged 45-59
Haryana	5.04	15.34	6.56
Bihar	9.81	10.16	4.61
Uttar Pradesh	6.54	9.85	5.31
Punjab	2.53	28.35	5.45
Rajasthan	10.70	5.41	5.99
Gujarat	14.89	24.12	5.36
Madhya Pradesh	26.11	8.99	5.57
West Bengal	6.27	22.01	5.41
Maharashtra	31.94	24.74	5.16
Karnataka	22.61	20.04	5.15
Tamil Nadu	28.06	25.07	4.12
Orissa	11.27	18.46	4.75
Andhra Pradesh	32.85	14.10	4.41
Kerala	13.49	62.98	5.07

Source: Census 1981, various issues.

TABLE 1 CHILD (UNDER FIVE YEARS) MORTALITY RATES BY GENDER AND WORK STATUS OF MOTHERS – RURAL AREAS 1981

State	Overall Excess (Per Cent) Female Mortality	Males			Females		
		Workers	Non-Workers	Excess (Per Cent)	Workers	Non-Workers	Excess (Per Cent)
Haryana	25.6	158	131	20.6	173	160	8.1
Bihar	22.9	170	125	36.0	187	150	24.6
Uttar Pradesh	19.8	199	182	9.3	220	221	0.0
Punjab	14.6	144	114	0.0	124	131	-5.4
Rajasthan	11.7	198	168	17.9	215	189	13.8
Gujarat	8.2	143	125	14.4	150	137	9.5
Madhya Pradesh	3.8	220	187	17.6	220	206	6.8
West Bengal	0.7	138	135	2.2	135	137	-1.5
Maharashtra	-0.5	185	134	38.1	185	132	40.2
Karnataka	1.3	172	135	27.4	171	132	29.5
Tamil Nadu	-1.4	164	124	32.2	163	123	32.5
Orissa	-2.7	198	182	8.8	191	178	7.3
Andhra Pradesh	-5.1	165	132	25.0	159	123	29.3
Kerala	-11.4	109	77	41.6	95	69	37.8
All India	7.4	178	149	19.5	180	165	9.0

Source: Child Mortality Estimates of India, Census of India 1981, Occasional Papers, No 5 of 1988.

and 0 for other states, i.e., those in the south, east and Maharashtra. The equations were initially estimated along with a fertility measure (average number of children ever born to women in the age group 45-49) apart from the variables listed in Table 3. It was dropped because of its uniformly poor explanatory power in all the three equations: those for female child mortality, male mortality and the excess of the former over the latter.

The results (Table 4) show that of the variables considered for explaining inter-state variations only female literacy rates turn out to be statistically significant in the case of levels of mortality – both male and female, showing the direct association between relatively higher rates of female literacy and lower rates of child mortality. But in this, the death-rate-diminishing impact of female literacy is higher in the case of female children than in that of males. A comment on this comforting correlation is in order: it may actually be a reflection of the fact that female literacy rates tend to be generally high in the prosperous and more 'developed' regions, in particular it may have no implications for the reduction of child mortality through the improvement of rural female literacy in the so-called BIMARU states, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan. That, however, is not to deny the role of female literacy demonstrated forcefully by the Kerala case as most potent.

Turning now to work participation rates among women, they do not explain inter-state differences in the levels of child mortality. This is not inconsistent with the experience of higher child losses among working mothers. While that is true *within* each state, it is clear now that the variations in female work participation rate *across* states have no relationship with levels of mortality. Two factors may be at work here: the levels in death rates are determined by a whole host of other factors and the extent of women's work may play a marginal role only, but more importantly, female work participation itself depends on a complex set of agro-economic, social and cultural factors, not all of which may influence mortality variations.

Finally, the dummy variable seeking to capture the impact of north-south cultural variations also turns out to be insignificant so far as the levels of mortality are concerned, possibly because both in the north and the south there is much variation across the states in levels of prosperity which may decisively influence the death rates.

But, in respect of the gender differentials in mortality (the excess of female mortality over that of the male one), all the three variables, viz., female literacy, female work participation and the north-south dummy,

are statistically significant in explaining regional variations.

As we have seen earlier, female literacy has greater impact on girls than on boys in terms of lowering the death rates. This results in higher female literacy rates being associated not only with lower levels of female child mortality but also lower gender differentials, i.e., excesses of female over male mortality. This equalising effect we have noticed earlier among working mothers is thus a characteristic of female literacy as well viewed in the context of spatial variations in gender differentials.

The work participation rate is a statistically significantly *negative* variable in explaining inter-regional variations in excess female child mortality. (Remember that in each

state as well among working mothers the differentials are narrower). To some extent this is accounted by the fact that in the south female work participation rates tend to be higher and gender differentials in mortality lower. But the inclusion in the regression analysis of the north-south dummy and its statistical significance ensures that the gender-equalising nature of high female work participation operates independently of the north-south cultural differences.

III Variations across Andhra Pradesh Districts

Andhra Pradesh is one of the bigger states in the country. It shares with other southern

TABLE 4. LINEAR REGRESSIONS OF CHILD (UNDER FIVE) MORTALITY RATES

Dependent Variable	Female Work Participation Rate	Coefficient of Female Literacy	Dummy	R
Female mortality	0.41 (0.59)	2.01* (0.42)	18.64 (12.63)	0.77
Male mortality	1.04 (0.62)	1.59* (0.44)	6.10 (13.17)	0.65
Excess female mortality	0.64* (0.24)	0.42* (0.17)	12.54* (5.10)	0.78

Notes: Dummy is 1 for Haryana, UP, Punjab, Rajasthan, Gujarat and MP and 0 for other states. Numbers in brackets are standard errors.

* Denotes significance at 5 per cent level.

TABLE 5. CHILD MORTALITY AND ITS CORRELATES: RURAL ANDHRA PRADESH 1981

Region and District	Child Mortality (Per 1000)			Female Work Participation Rate (Per 1000)	Children Ever Born Per Woman (45-49)	Female Literacy (Per Cent)
	Female	Male	Difference			
North Coastal Andhra						
(1) Visakhapatnam	142	156	14	289	3.97	8.56
(2) Vizianagaram	190	203	13	328	4.05	9.65
(3) Srikakulam	172	177	5	288	4.18	11.56
South Coastal Andhra						
(1) East Godavari	125	143	18	202	4.23	24.52
(2) West Godavari	121	138	17	268	4.23	28.54
(3) Guntur	135	148	13	368	4.30	21.85
(4) Krishna	144	153	9	295	4.55	27.21
(5) Nellore	121	127	6	303	3.89	17.07
(6) Prakasam	145	148	3	337	4.33	13.64
Rayalaseema						
(1) Chittoor	138	151	13	292	3.99	15.01
(2) Cuddapah	142	142	0	282	4.18	13.53
(3) Anantapur	206	198	8	340	5.01	9.93
(4) Kurnool	196	180	16	391	5.08	11.88
North Telangana						
(1) Medak	134	152	18	349	4.37	7.65
(2) Adilabad	139	152	13	354	4.60	5.65
(3) Warangal	151	161	10	341	4.89	8.81
(4) Nizamabad	117	125	8	447	3.93	7.52
(5) Karimnagar	117	125	8	424	4.32	7.70
South Telangana						
(1) Khammam	128	144	16	328	4.94	13.41
(2) Nalgonda	166	177	11	342	4.86	10.38
(3) Rangareddi	148	157	9	365	4.94	10.87
(4) Mahabubnagar	174	172	2	389	4.82	7.66

Source: Same as for Table 3.

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states a more evenly balanced sex ratio in the population than in other parts of the country. The districts within the state are probably fairly homogeneous with respect to the cultural practices associated with a strong preference for sons and the resulting gender biases.

However, there is much variation among the districts in the conditions of women's employment, in economic prosperity and so on. The state is conveniently subdivided into three regions, Coastal Andhra, Rayalaseema and Telangana, characterised not only by different agro-climatic regimes but also by the historical evolution of land relations that determines the patterns of land use and employment in agriculture. Within each region, however, there are both relatively poor and prosperous districts. Thus for example the deltaic belt consisting of East and West Godavari, Krishna and Guntur districts in central Coastal Andhra is the highly irrigated and the most prosperous agrarian region in the state. The districts in Rayalaseema and Telangana are mostly drought-prone where agriculture tends to be rainfed except in a few irrigated tracts.

Employment levels among women also vary a lot and depend both on supply and demand conditions. For example, in the extremely poor districts of Srikakulam and Vizianagaram in north Coastal Andhra and Mahbubnagar in Telangana, there is considerable male outmigration and women in labour and poor peasant families have to work for survival. On the other hand, in the agriculturally prosperous districts such as East and West Godavari, irrigated crops like paddy and sugarcane support high levels of employment among women.

The district level data for rural Andhra Pradesh on child mortality and its correlates, based on the 1981 Census, are given in Table 5. Here also the districts are arranged within each subregion in descending order of gender differentials. In this state, as in other states in the south, child mortality levels are generally higher among the males – an expected or 'normal' feature in the absence of discriminatory practices favouring males. So districts at the top within each region are those where the highest male excess mortality is present.

As in the case of inter-state differences, regional variations in child mortality and its correlates at the district level in Andhra Pradesh are analysed through linear regressions. After some initial experimentation, only two regional dummies to account for the impact of residual regional factors such as cropping patterns determining the conditions of work for women are retained. Dummy 1 is 1 for Rayalaseema and 0 for other regions and Dummy 2 is 1 for Telangana and 0 for other regions. In the regressions the average number of children

ever born to women in the age group 45-49 appears as an explanatory variable to represent the child burden that may adversely influence child survival. An alternative measure viz. the child woman ratio was also employed in this context but the results were not very different. They are not presented here because in a statistical sense the results were inferior.

The regression results (Table 6) suggest the following relationships across the districts:

(1) Levels of child burden (as measured by the fertility of older women) across space are positively related to levels of child mortality, both among female and male children, but in this they have a greater impact on the female children, so that child burden is inversely related to male excess mortality, i.e. regions with relatively higher fertility rates have narrower excesses of male child mortality because of higher female death rates.

(2) Female literacy rates are inversely related to levels of child mortality but their impact is roughly the same among boys and girls, so that literacy among women is not a significant factor in explaining gender differentials across space. As suggested before, this relationship has to be interpreted with caution because the true underlying factor may be the degree of prosperity or development of a region that determines the level of female literacy.

(3) Work participation rates among women do not bear a significant relationship with levels of child survival. This is something we found earlier to be true in respect of inter-state variations. However, these participation rates are inversely related to excess male mortality across the districts of Andhra Pradesh. Districts with high levels of women's employment have low gender differentials in child mortality.

(4) Finally, as reflected in the significance of the regional dummy variable 2, the Telangana region has higher levels of female mortality and lower levels of male mortality (and therefore higher gender differentials) even after accounting for other factors underlying child mortality.

IV Discussion

How does one explain higher levels and narrower gender differentials in child mortality among working mothers?

One explanation – a straightforward one preferred by the Basus who consider some alternatives – is that (a) working mothers possibly do not have adequate time for child care and (b) work gives women greater confidence [stemming from exposure to the outside world (and) changed values wrought by the awareness that girls are also potentially useful individuals]. They also refer in this context to the economic argument that in societies where women have an economic value, son preference will be weaker.

The Basus consider an alternative explanation: 'It may be that working women exhibit a more egalitarian sex ratio of child mortality not because they believe in and practice equal treatment but because they do not have the means in this case, primarily the time and the attention to discriminate more effectively against their daughters in favour of their sons'. They subject this argument to some testing and find it unsatisfactory. In my mind, however, this alternative explanation, restated in terms of the relationship between work and poverty, deserves further consideration.

Since we find that levels of child mortality are higher among working mothers everywhere in India, including in Kerala, it is obviously a trans-cultural phenomenon and the explanation has to be based on the distinctions between working mothers and non-working mothers. Now, what is common to all women workers in rural India is not only the fact that they do physical work away from home but also that they are all generally poor and, moreover, belong to the same class(es) of rural families: those of agricultural labourers and poor peasants and others engaged in non-agricultural activities. (It is true that some women from the richer sections of the peasantry also work and

TABLE 6. LINEAR REGRESSIONS OF CHILD MORTALITY RATES – DISTRICTS WITHIN ANDHRA PRADESH

Dependent Variable	Children Ever Born Per Woman (45-49)	Female Literacy (Per Cent)	Coefficient of Female Work Participation Rate (Per Cent)	Regional Dummy 1	Regional Dummy 2	R ²
Female rate	52.13* (9.61)	2.83* (0.67)	0.020 (0.076)	8.91 (10.12)	52.74* (10.81)	0.77
Male rate	41.59* (10.06)	2.49* (0.70)	0.060 (0.080)	14.43 (10.58)	-39.84* (11.32)	0.63
Excess male over female	-10.54* (3.31)	0.34 (0.23)	0.081* (0.026)	5.52 (3.48)	12.89* (3.72)	0.75

* Denotes statistical significance at the 5 per cent level.

are reported as 'cultivators'. They, however, constitute only a small fraction of the women workers.)

Work among women can therefore be closely identified with poverty and class status which remain fairly stable over time despite minor differences in the short period in incomes of worker families. In other words, labouring and poor peasant families remain poor in a sense more general than is implied in the income sense. Their class status as labourers and poor peasants is a durable one.

It is important to bear this in mind because the means for providing adequate nutrition and health care, apart from normal child care, may not vary much among the labour and poor peasant families, irrespective of (small) income differences and whether women work or do not (for whatever reason).

This identification of poverty of a lasting kind with working mothers enables us to see the narrow gender differentials in child mortality as the possible net result of a loss of the biological superiority of female children that attends poor nutrition and health care among the children of poor mothers. And of course, the extreme poverty in families in which women work is itself a sufficient explanation for high death rates in such families.

In this context we may refer to an earlier study on sex ratio variations in relation to poverty [Krishnaji 1987]. The most remarkable finding of that study is that female to male ratios (FMRs) among agricultural labour and poor peasant households are far higher than among other rural families all over rural India. Sex-selective (male) outmigration from the poor households may account for a part, but not the whole, of this large difference. Indeed, the data show that the lowest female ratios are to be found in households with very large landholdings. Even in Kerala, where the FMR is the highest in the country (over 1,000), the FMRs in the large landholding categories are significantly lower. These data are clearly suggestive of lower gender differentials in death rates in general (children as well as adults) among the poor families. And since the tendency is seen all over rural India, it is clear that the explanation must be found in poverty itself.

But son preference and the discrimination against girls is universal in India, and it is not reasonable to assume that working mothers transcend this cultural inequity because of their 'exposure to the outside world'. What needs to be considered is the degree of discrimination since the universal gender bias is not simply a qualitative phenomenon. We do know that at the extreme it can take the form of infanticide

and it is unlikely that in well-to-do peasant families girls are neglected to the extent of being underfed. In very poor families in which food is in short supply and the means for taking care of sick children are practically non-existent, such discrimination as can be practised may well be ineffective in securing greater chances for male child survival. The north-south cultural divide is, however, still relevant in understanding the spatial variations because we do know that in the north there is more discrimination. It is not possible to unscramble the data we presented earlier to arrive at relative contributions of the loss of female advantage in survival among children of working mothers and the net effects of discrimination against girls in respect of nutrition and health.

Like wise it is not easy to fully understand the positive relationship between female work participation rates and narrow gender differences in child survival across the states and the districts within a state such as Andhra Pradesh. This is because of the wide variations in conditions governing the work status of women even in poor families both at the district and state levels.

It is therefore inappropriate to jump to policy conclusions from the spatial

variations in levels and gender differences in child mortality. In particular, the prescription of providing women income-earning jobs at home to resolve the conflict between paid work and child care is not altogether sound because it does not take into account the fact that discriminatory practices against girls have deep cultural roots.

[This is a revised version of a paper presented at a seminar on 'Work, Culture and Politics: Women in Asia' at the Maulana Abul Kalam Azad Institute of Asian Studies, Calcutta, on August 17 and 18, 1995. It will be published later in the edited proceedings of the seminar. The author is grateful to the participants in the seminar for many useful comments on the earlier version.]

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Film Studies, New Cultural History and Experience of Modernity

Ravi S Vasudevan

This analysis of the popular Bombay cinema starts with certain formulations about the audio visual in the age of mechanical reproduction, drawing upon insights about the importance of the reproducible image in constituting a new sense of the self. The cinema's extended circulation of images afforded a framework of subjectivity that was intimately related to other mechanisms of extended imagining and these formed the basis of a modern nationalist perception. Arguing against the idea that cinematic narration was engaged in a monolithic, unnuanced framing of this subjectivity, the author is concerned to understand the way mechanisms of narration turn back on the ostensible subject they construct to indicate the contradictory ways in which that subject is narrated. This analysis draws upon public discourses about the cinema to indicate the way reception was complicated by context.

IN this paper I focus on the study of film as a methodological issue in history and as a significant entry point into understanding the experience of modernity. My premise is that film or any comparable representational activity, is not an 'excess' that lies on the surface of 'reality' waiting to be peeled away or decoded in the drive to uncover the underlying, and more important, socio-political content. To invoke a term which has considerable currency, I am interested in the way the audio visual dimensions of cultural activity are *constitutive* of social perception and identity.

I have stressed the audio-visual dimension here because there is often a tendency to reduce the filmic to its non-medium specific narrative dimensions. This form of narrative analysis has nevertheless been important for exploring how an ideology, say of nationhood or modernity, may spread across a series of institutions and practices, binding them within certain epochal determinations. However, there are two problems with such an exercise. The first is that of understanding the process of narration, rather than in simply submitting a narrative to a certain ideological and political analysis which rests on an already established discourse. To mention just two of the most common, and important, such formulations, there is the emphasis on how popular film narratives subordinate women to patriarchal repression, and another on how the image of Hindu nationhood comes to exercise an authority over minority socio-religious formations. The problems arise here because, in certain versions of this analysis, these particular co-ordinates of nationhood in the cinema are often verified against a relatively remote set of constructions.¹ Even if such an analysis is carried into the 20th century, into the works of Hindu fundamentalists such as Savarkar, we still need to think about the problem of transferring such epochal formulations to specific periods and particular forms. About women, for example, one wonders about the status of certain modes of articulation, such

as devotion which are not straightforwardly assimilable to patriarchal discourse, and indeed tend to create an overflow effect in relation to it. The integration into film of representations of female modernity, such as that of the woman as a public-professional figure, has similarly problematic implications. Of course, patriarchally inflected narratives do try to resolve the conflicts which are set in motion by such changes in image: the question is how. This is done at the level of narration, in the relay of subjectivities and views which makes up the filmic narrative.

Similarly with the communal construction of nationhood. Sudipta Kaviraj has pointed to how a nationalist interpretation of history has tended to underwrite a whiggist appropriation of social and political events, pressing them into a framework which anticipates or contributes to a triumphalist nationalism.² Anything which falls outside this framework is silenced. One wonders whether the recent concern about the fundamentalist dimensions of symbolic narratives has not been akin to seeing through the whiggist mirror darkly, the triumphalist nationalist narrative now replayed as the foreshadowing of a Hindu fundamentalist denouement. It has been well established that aspects of communal ideology emerged as a significant current amongst the intelligentsia in the latter part of the 19th century. But when such a configuration is analysed for D G Phalke, who framed his nationalist vision for the cinema on the basis of Hindu mythological images, are levels of discourse not being collapsed? In the case of Phalke, Kaviraj's 'fuzzy community' in which the nationalist ideal is evoked in terms of a familiar *gemeinschaft* or community, rather than as a self-conscious project with enumerative and exclusionary imperatives, is perhaps a more appropriate mode of description.³ I would suggest that the popular cinema was more expressive of a 'Hindu' nationalist viewpoint after 1945. This was indicated in the way narratives were

structured: the development of a sensitivity in the industry to the dangers of Hindu alienation, and in the public reception and interpretation of the cinema.⁴ I will indicate later how a symbolic narrative of the Hindu nation was put in place, one which rendered other identities subordinate to this privileged one. However, even if we notice the historical emergence of such a symbolic narrative, this does not mean that it is not revised and complicated from period to period.

CINEMA'S WORK OF MODERNITY

To refer to the title of a recent anthology on cultural studies in India, the study of the cinema amounts to an interrogation of modernity, as it was experienced in the Indian context. Cinema is centrally an institution of modernity. This is because at one level it is a machine engaged in the mechanical reproduction of images, and so has a fundamental impact on the way traditions of representation are refracted through its mechanisms. But it is also to be considered a vehicle of modernity in a social-institutional sense. As part of a regime of mechanical reproduction, it is participant in an expanded field of space-time relations. The cinema's generation of the reproducible image allows for its extended circulation, and with it, the possibility of an extended circulation of subjectivity.⁵ A new public sphere is heralded, constituting new horizons of experience. The image is now available to 'larger social aggregates' and within a significantly accelerated rhythm of communication. Copies of films may either be released simultaneously in a number of territories, as industrial parlance refers to the geography of the cinema, or with a minimum gap. There are, of course, hierarchies involved, between the metropolis and small towns or the 'interior' which determines the speed at which the film image is made available to a public.

The cinema's work of modernity here needs to be placed along with those other structures of imagining an extended space-

time of subjectivity that Benedict Anderson has pinpointed as the foundation of nationalism Anderson of course has referred to the importance of print capitalism, which through cultural forms such as the newspaper and the novel provided a new conception of a homogeneous open time. Through these forms the reader subject imagines the simultaneous existence and activity of other members of the putative nation.¹

Within these modern technological premises of the cinema it is important to register the particular way in which conventions of representation were refracted through the medium. In two significant essays Ashish Rajadhyaksha¹⁴ and Geeta Kapur¹⁵ have pointed to the way in aesthetics of frontality relayed through earlier visual and performative media interacted with the imperatives of realist ontology represented in the impact of oil painting, block printing and photography. The result was the generation of a particular mode of representing the national and the popular. Rajadhyaksha's analysis of Phalke's work argues that his negotiation of a new dynamic movement and spatial orientation is contained by recourse to the integrity of the frontal frame: all other spaces, actions and drives are ultimately subordinated to it.¹⁶ In this argument Phalke's practice of cinema within an indigenist swadhin idiom (one consciously adopted by the director) achieved a neo-traditionalising move that enabled a re-stabilisation of the viewing subject. Also relaying us through the field of the frontal Geeta Kapur comes to a rather different rendering of its status in the notion of a living tradition. In her analysis of Sant Tukaram [Fatehlal and Damle 1936] the frontality of the performative devotional instance of the saint Tukaram seems animated both by the surrounding nationalist moment that of Gandhi and by the particular mode of acting of Vishnupant Pagnis as Tukaram in which he becomes the vehicle through which tradition and the historical moment speak. In contrast she suggests that Satyajit Ray's *Devi* (1960) deploys an analytic dramatic style that counters the iconic formulation of images: a field actually thematised and deconstructed by the film.

In these writers' understanding of the cinematic field and its constitution of the spectator's subjectivity the iconic frontal mode is especially of importance for the mobilisational quality that it evokes. The frontal address figures forth a certain imaginary space for the spectator that condenses a tradition on new technological terms reformulating identity for him or her as unprecedentedly extensive. We need only think of the way an address was built around certain icons, such as that of salt or cloth, to understand the significance of iconic elements in the generation of a political identity.¹⁷

Let me qualify that none of these formulations suggest that these machines of modernity and their inflection of an indigenous address generated a standardised subjectivity. The end result was not the communication and absorption of a hegemonic national identity with inflexible socio-religious, socio-economic and gendered contours. Considerable ambiguity was generated in the cinematic narration of a modern national identity and also in the way the public perceived such narrational work. Both Rajadhyaksha and Kapur implicitly look to the moment of complication by focusing on the movement of the image: the way it threatens or actually opens out into more generous coordinates of social activity and signification. Implicit in Rajadhyaksha's work is the contradictory terms of a neo-traditionalist project: the way anachronism is built into the ambitions of recovery. The medium's phenomenal form constantly alerts us to the status of the frame, movement, light and texture in the refraction of the archaic and traditional.

I want to extend this analysis of the cinema in two directions. First I want to suggest how the frontal mode is combined with what is called classical narrative: a character-centred analytic dramatic mode of story-telling. The Indian popular cinema inducted the codes of classical narrative from the American cinema to suggest that the story unravels through the awareness and experience of individual characters instead of only through the invocation of mythic and archetypal constructions founded on a frontal, iconic and tableau framing of narrative moments. But I also want to show how in another example such a narrational flow may constantly feed into a frontal performative and mobilisational form of address. I seek to control this textual analysis by reference to other information that was being circulated around the films concerned with a view to understanding the public sphere within which the cinema operated and the way spectatorial responses were shaped. In the process I hope to indicate that the terms of modernity and nationhood often deemed to be restricted to a dominant elite ideology suppressive of other identities may actually allow for a greater plurality of voices if we care to listen to them.

AMBIGUITY OF MODERNITY

My two examples, *Achut Kanya*/Untouchable Girl ([Franz Osten 1936]) and *Kismet*/Fate [Gyan Mukerji 1943] are from the Bombay Talkies studio. This studio formed in 1934 represents a current quite distinct from the instances cited by Rajadhyaksha, largely from early Indian cinema, and the regionally inflected works analysed by Geeta Kapur. In many ways

amongst all the studio ventures of the 1930s, Bombay Talkies best prefigures the all-India Bombay cinema that emerged from the 1950s. As Rajadhyaksha has pointed out Bombay Talkies consciously developed the star as a commodity value,¹⁸ someone who could be projected to sell a film, and with it a point of view. A contemporary review acknowledged that Devika Rani, as the untouchable heroine of the title, was too glamorously made up and clothed in the latter part of the film but overlooked these drawbacks in the light of the "histrionic ment and sympathetic understanding" of the performance; the reviewer claimed that this role put Devika Rani at the head of India's screen stars which Garbo herself could hardly surpass.¹⁹ Indeed, in this account the way the star was distinguished at the representational level does not come across as a drawback: rather it provides for a spectacle of social pathos while also establishing India's capacity to produce a star-commodity that could compete at an international level. This careful fashioning of the commodity by the studio was followed through at the level of marketing and publicity. From the Bombay Talkies first film *Jawani ki Hawa*/Winds of Youth (1935) onwards the publicity emphasised the modernity of the themes (individual choice in marriage)²⁰ and treatment. A reviewer noted of this maiden venture that without unnecessary wrappings which often mar the first impressions of Indian pictures *Jawani ki Hawa* brought the spectator straight to the central directive interest of the story.²¹ Further the studio had Devika Rani come on the radio to publicise the film, underlining her distinction as one of the first Indian ladies to broadcast on the short-wave length on the BBC and to give a television programme in London in 1933.²² The modernity of the woman as a highly public media personality was projected as an exemplary phenomenon inviting the special investment of women, presumably as role model. Devika Rani like other actresses of this period such as Sabita Devi attended special *zenana* showings of their films so as to meet with women audiences.²³ The point of view relayed through the studio was then actively publicised as a modern one linked to a realistic aesthetic and a reformist ethos. It was also founded on a financially legitimate economic base, the studio at one stage boasting Sir Cowasji Jehangir, Sir Pheroz C. Sethna and Sir Richard Temple on its board of directors.²⁴ In these inaugural features of Bombay Talkies we can observe how commodity value, reformism and modernity are bound together in its enterprise. Indeed the commodity field constituted by star and studio may have been central to its articulation of the ideology of modernity.

the alienated aspects of the commodity form underline the distance between spectator and image, and motivate the desire to close the gap between the one and the other.

This phase is represented by the 1936 film, 'Achut Kanya', starring Devika Rani and Ashok Kumar. Its story is about the friendship between a brahmin, Mohanlal, and an untouchable railway signalman, Dukhiya, and the impossible, and finally tragic, love of their children, Pratap and Kasturi. The modern iconic resonances of the story are indicated in the film's working title, 'Level-crossing', a reference not only to the railway as a mode of transportation between places but also between social forms, as a democratising agent.¹ The excerpt I refer to indicates the contradictory way in which this image is played upon in the narration and the ambivalent terms on which the filmic enterprise projected itself as part of the enterprise of modernity. The discussion centres on the film's use of parallel editing.

We need to recall here Anderson's thesis about the functions of simultaneity, that it effects a revision of the effective geography of our daily imaginative engagement, our sense of what lies within our space of knowledge and potential activity. The key cinematic incarnation of this new, industrialised relationship to time and space is that of parallel editing, the narrative device which encodes the convention that actions intercut between two different locales occur simultaneously. The resulting framework of simultaneity was not, however, a simple narrative equivalent of the newspaper report, the telephone conversation or the telegraph message. The recipient of this information about simultaneous events is not a figure in the story but the spectator. It is we whose horizon of perception is expanded.

What were the social and political implications of this new organisation of space and time? There are different ways of looking at this phenomenon. Stephen Kern² has argued that it broke down traditional social hierarchies. He singled out the telephone in this radical transformation.

The telephone was incompatible with the aristocratic principle that certain persons by virtue of their position in society, have special importance. Telephones break down barriers of distance—horizontally across the face of the land and vertically across social strata.

Kern goes on to note that in 1913 the cinema was tagged a 'democratic art' because the camera eye penetrated everywhere, and because cheap admission prices and mixed seating arrangements brought the highbrow culture of the theatre to the working class.

Kern's formulations about the social effects of these media shifts are simplistic. For democratisation through changes in communications was only one possibility

amongst others. Obviously, communication through phones may still be restricted by the intercession of intermediaries. And his argument that the camera eye penetrates everywhere neglects the particular position of the cinema spectator. While the camera may indeed penetrate into a variety of prohibited spaces, in the fiction film this is only represented space, not the actual private arena say of palaces, or the secret rooms in which matters of state or criminal plots are discussed: the sanctum sanctorum of temples, the domain of bedroom and sexuality: that is, all the types of space normally screened off from the public gaze. Even if through documentary film we were given access to such places, we would still not be entering them, defined as we are by a spectatorial distance from the event viewed.

Indeed we are singularly helpless in governing the events which we see on screen. Ironically this is a helplessness enhanced by the increased knowledge with which we are privileged because of the camera's omniscience. The knowledge accruing from an extended sense of the time and space of the action through parallel editing, and the relaying of information from different narrative locales, actually underlines our disablement.³ Other alienating aspects of the extension of spatial and temporal awareness through the cinema are observable in the almost totalitarian aspects of camera omniscience in Fritz Lang films such as 'Dr Mabuse' (1922) and 'M: A City Hunts for a Murderer' (1932).⁴ In 'Dr Mabuse' the story telling emphasises the complete control exercised by one figure, the criminal Mabuse, in the mobilisation of characters in different spaces at the same time. Rather than our being given an awareness of different events taking place, it is one event, divided into specific functions, that unfolds before our eyes.

I would now like to turn back to 'Achut Kanya' to evaluate its use of parallel editing. The segment I have chosen follows directly in the aftermath of an attack launched by a brahmin noble, Babulal Vaid, on another brahmin, Mohan, because he has infringed caste norms by taking the untouchable signalman, Dukhiya, into his house. A distraught Dukhiya, anxious to get medical aid for the injured Mohan, safely negotiates his way through the mob *because they cannot touch him*. He rushes off to the rail-crossing, intent on stopping a train to get a doctor back to the village. Dukhiya waves down the train only to be reprimanded by the guard, who refuses to take him on board. Meanwhile the rioters set Mohan's house on fire. Dukhiya's attempt to board the train fails, and he falls to the ground, grief-stricken that he has not been able to help his friend. However, the train has communicated a message down the line, if not the one Dukhiya

had sent. Instead of a doctor, a 'darogha' of police arrives to investigate the riot, and subsequently a railway official arrives to dismiss Dukhiya for infringing his duty as signalman.

Inter-cutting between the events in the village and Dukhiya's frantic activities at the railway line, the segment constitutes an extension of space, a compression of time, and feelings of anxiety and helplessness in the spectator. The movement between spaces at the level of filmic narration runs parallel to the social problem which inaugurates the riot: the fact that the untouchable has been moved out of his house and into that of the brahmin, thus disturbing the imperatives of spatial and bodily separation which underlie the caste system. Clearly the train represents the possibilities of a further extension of this disturbance of traditional norms and spatial organisation, and therefore becomes a metaphor for modernity when it brings the police to the village. The police darogha will prove to be an ideal representative of modernity: for he completely disregards the hierarchies in the village and proceeds to arrest the brahmin leader of the riot.

Interestingly two contradictions emerge from this description of the forces arrayed against each other. The sympathetic brahmin, Mohan, represents modernity within the village, both by going against caste norms and by advocating new forms of medicine, but he refuses to press charges against his attackers. Secondly, when Dukhiya runs for help, he goes to get a doctor, not the police. There is no indication from either of the film's sympathetic characters that they seek justice through the punishment of their oppressors. Going against the logic of the narrative's extension of the boundaries within which the action takes place, effected through narrative code, communication icon and the induction of an over-arching authority, the villagers' desire matters to be sorted out within the narrow confines of the village. Of course, action is taken by the police, modernity in a sense wins through, but it is a partial victory: for the essential caste distinctions continue to haunt the characters, leading to tragedy at the conclusion.

Modernity in the form of the state then remains outside the framework of the main action. Indeed, in the narrative's use of the train as a vehicle relaying knowledge and authority, there is an echoing of that authoritarian mastery over time and space which I had pointed to as one possible development of the revolution in communications. The authority communicated by the train has distinctly inflexible features, though of an order different from those of caste society. For the representative of the railway arrives to sack Dukhiya for failing to perform his duty. The law of contract enacts its own inhumanity and oppression, in a different

register from that of caste discrimination. The intrusion of the outer world is not only seen as alien and unacceptable in terms of the villagers' perceptions of right and wrong; it brings its own injustice, with it. We can only surmise that these signs of ambivalence towards the modern may have had something to do with the colonial and therefore alien and oppressive connotations of the state and its procedures. But this does not mean that the desire for the modern is abrogated through its political contamination. Rather, we need to think of different levels of modernity at the level of a thematic of unfulfilled goals, but also a narrational strategy through which the spectatorial desire for the modern is evoked only to be disappointed. In this sense the sequence is marked by what can be referred to as a poetics of pathos, in which the knowledge, desire and vision of characters and spectators are integrated into narrational methods and narrative images which underline the classical pathetic trope of 'if only'. In a frame composed of the oncoming movement of the train with telegraph pole at its side, it is as if modernity is hurtling towards the spectator only to fail to achieve a historic junction. We are left with an image of the poignancy of the desire for the modern, as the distraught signalman fallen from the train is comforted by his daughter as the telegraph pole looms ironically in the background.

WAYS OF NATIONHOOD

I now take in example from *Kismet* to show how certain narrative trajectories and modes of representation invite a series of different social and cultural positions for the spectator, complicating any monolithic understanding of nationhood and the modern public sphere. I will relate this analysis to non-filmic evidence which tells us about the circumstances in which the film was produced, the type of information supplied about it to a film-going public, and the way the film was received by critics and public lobbyists. In this latter context, I seek to understand how film was inducted into a public sphere of discussion about the perils of democratic developments in society including medical discourses about the consequences of such changes. The representation of society in the film is a crucial reference point, though I will argue that it is the analysis of 'minor' characters such as the comic which may provide the most illuminating, if unconventional, point of entry into the historical reconstruction of social attitudes.

At the beginning of the segment I refer to, Shekhar (Ashok Kumar) has just been released from jail. While looking at a female performer on a float advertising a dance performance, he notices Bankey babu (V. H. Dasa), a petty thief, picking an old man

Babuji's pocket. Shekhar in turn steals from Bankey babu. Later, Shekhar accompanies the old man to see the pageant, 'Dur Hato e Duniyawalon Hindustan Hamara Hai'. The patriotic sentiments expressed by the song rouse the audience to fervour, and Bankey babu, who happens to be in the audience, takes advantage of the situation to pick the pockets of those carried away by nationalist feelings.

The war mobilisation sequence resonates with certain information about background of *Kismet*. Released by Bombay Talkies in 1943, the film provoked much speculation for it had been allowed several hundred feet more of raw stock than the permitted norm in conditions of war-time scarcity. Amongst the possible explanations for this indulgence was the induction of the war mobilisation sequence into the film, although the bulk of the film has no overt reference to the war. Despite the apparent complicity of Bombay Talkies with the government in this context, publicity releases and filmic address undercut any such straightforward identification. The publicity releases emphasise only the romantic aspects of the plot. And the film addressed the spectator on several different planes, amongst which references to the war are associated with a defence of the Indian nation.⁶

The song 'Dur Hato e Duniyawalon' is structured in such a way that the ultimate enemy, the Germans and Japanese, are only identified towards its conclusion, skirting any British linkages in the war effort. Second, the way the film addresses us in the different segments of the performance suggests that the identity offered the spectator undergoes several significant shifts. Whereas soldiers dressed in uniform offer us the first point of identification in the next tableau, the common citizenry, both men and women, are inspired by a multi-communal cultural reference, the defence of temples, mosques and gurdwaras. The third tableau is the most significant, because the alternation between state and citizenry is now condensed into a single tableau, soldiers inspired to defend India, no longer represented in the common citizenry, but in the figure of a female deity who stands in front of a map of India. The iconography of this figure retains traces of *durga*, as she holds a trident in her hand, but otherwise lacks the other features of this goddess. Nevertheless, it is clearly Hindu in its derivation. In the last tableau, then, the multi-communal citizenry is transformed into an essentialist cultural representation, a Hindu invocation of nationhood. Editing patterns in this tableau invite us to shift our attention from the larger framing of the soldiers surrounding the female deity to a medium-shot of the deity, the soldiers' voices now reduced to a presence on the sound track. Perhaps we have, in this

shifting field of address and iconicity, an invitation to the spectator to immerse him or herself in a patriotic emotion which displaces the ambiguities of the colonial state's war effort and puts that effort in a culturally more identifiable and therefore more acceptable perspective. However, I would suggest that there are other ideological functions at work in this sequence. After all, the multi-communal imagery of Indian citizenship and nationhood is finally replaced by, or condensed into, the unitary figure of a deity of Hindu origin. If the spectator is being mobilised to identify with the war effort, it is finally as an Indian who has sublimated the varieties of identity which that nation has condensed into one overarching Hindu imagery of the country.

Kismet is centrally a story about the hero's loss and recovery of family identity. This is a larger narrative convention of melodrama and of the Indian popular cinema in particular. The disturbances inaugurated by the loss of his familial identity precipitates the hero into a life of crime. At the time, film periodicals, public lobbies and juvenile magistrates were mobilised to argue that the film tended to glorify such aspects of theft. The strident tones of contemporary opinion about the so-called immorality of the film indicates that it had touched a raw nerve in the straitened economic circumstances of war-time life. There were two related terms on which anxieties about the immorality of the popular crime film was expressed. Film journalists and the wider public charged that the crime would exert an 'evil influence' over the lower classes and children. The effects on these groups would in turn influence the character of the nation.

About *Kismet*, the film periodical *Filmindia* remarked:

The fact that the thief in the picture happens to belong to the higher strata of society does not take down his criminal role. On the other hand it makes it all the more attractive, all the more respectable and all the more imitable. Now is this the kind of nourishment that builds worthy citizens and a great nation?⁷

However, while the film does indeed indulge the pleasures of seeing its hero easily overcome economic obstacles through theft, it is finally quite moral in the way it places him back in respectable society and corrects the immoral actions of the father which alienated him in the first place.

Counter to this normalising current, the sequence I have shown points to a more appropriate focus for contemporary middle-class fears, but one which is suppressed by the narrative. The theatrical performance in '*Kismet*' concludes on the image of a little man enthusiastically picking the pockets of an audience distracted by nationalist fervour. This character, Bankey

babu, played by the comic V H Desai, is a petty thief, and also a servant of a wealthy family. Bankey babu is quite important to the narrative, because on two occasions he is involved in thefts of objects which the hero appropriates. For Bankey, these are thefts pure and simple, whereas for the hero, they lead him to meet people and fulfil objectives which serve to underline the moral drives of the story.

Bankey babu, servant and thief — in this figure we have a socially appropriate focus for middle class anxieties about crime in 1943. And yet *Kismet* suppresses his story in favour of the more acceptable narrative of nationalist inspiration, familial re-location and class reproduction which is the hero's underlying trajectory. In this regard, I would argue that the analysis of minor characters and narrative by-ways as represented in the comic sequences may be profitable. Indeed, they may alert us to the more commonplace material and anxieties conjured up by the social types they represent, a material which is displaced and worked over by the larger operations of the narrative.

These anxieties about the effects of democratic developments in society are echoed in various discourses about the functions of the cinema in public life at this time. One of these is the medical discourse about the cinema representing a public health hazard, expressed in a short book written in 1946 by G D Srivastava, a doctor from Lucknow.²⁸ At one level we may assume that the good doctor was genuinely concerned with the hazards inherent in any public gathering within an enclosed space, as the following remarks will support:

Knowledge of the normal bacterial content of the oral and upper respiratory tracts is very essential to enable us to properly appreciate the dangers which all of us have to face whenever a large number of people gather together, particularly when the atmosphere is closed and congested as it is inside a cinema hall.²⁹

Indeed, Srivastava details an impressive array of ailments in his prognosis of the ill the cinema could inflict on society.³⁰ To situate his scenario properly, we would need to examine the kinds of health hazard he has mentioned not as a specific problem of the cinema but as one generated by problems of urban public life. In isolating the cinema as the source of various contagious diseases, the writer presents us with a distorted, and somewhat hysterical, point of view. Clearly, there is more at stake than just public health. The dangers of the cinema are centrally those of the contamination of class and of sex.

Echoing attitudes to the representation of sexuality in the cinema recorded in the Indian Cinematograph Committee reports of 1927-28, Srivastava warned of the effects of the

depiction of European mores in love and romance. He went on to picture a range of moral and bodily dangers threatened by interaction with women in the cinema halls. For our purposes here I will refer to the class dimensions of his anxieties. The most pervasive source of danger presented by the cinema is that of class and the central source of disease in the cinema is poverty. Thus reflecting on the possibility of plague being communicated through the cinema, Srivastava notes that most of the people 'who have been frequently on foot in the plague infested area usually belong to the poor and middle classes. Hence their feet are very likely to be naked. Moreover they throng in the lower classes of cinema owing to cheapness.'³¹ Infection here comes from the bottom of the cinema upward. In another instance, the queue becomes the medium of danger. Referring to skin diseases, the author notes how scabies attacks "webs and sides of fingers and the folds of wrist joint. When there is a rush at the windows of the lower classes of a picture palace, these parts come in very intimate contact during the purchase of tickets."³² In all these paranoid projections the cinema becomes a veritable cauldron of bubbling disease, represented in the most vivid and bigoted terms by the image of the 'unclean woman' and the itching barefoot underclass. These fears are related to a question of the contingent and the distant.

The sources of infection in a particular gathering may be only a few in number but they are always present and are of a definite menace not only to their immediate neighbours but also to the people sitting quite far from them.³³

In a peculiar sense the sources of danger may be as remote or indeed as imaginary as the distant flow of actions and scenes on the cinema screen. We could say that the sources of threat for the male, upper-class filmgoer are located at an equally imaginary distance from him, whether they are on the screen or in the audience.

In this account of the public discourses that developed around *'Kismet'*, or which were more generally prevalent at the time, we are given a view from a middle class position which suggests the anxious areas in visions of nationhood and democracy. Unfortunately we cannot easily recover the 'other side' and have only suggested what another public for the film might look like. A reading of *Kismet* against the grain leads to the hypothesis that this public might bear a healthy survivor's scepticism for nationalism and the terms of a rather paranoid middle class public discourse conjures up an image of this other public as having acquired a certain weight in the street, around cinema halls, and in the broader spaces of public life. The particular stridency of the critics may have been fuelled by the sheer

visibility of the masses as they coursed around the film. For it is worth recalling that *'Kismet'* ran for a record 186 weeks in the Roxy Theatre, Calcutta. I would suggest that our evaluation of the address of popular cinema needs to be complemented by such information, an approach which integrates an account of the polyphonic textual constitution of the spectator along with his or her broader public articulation.³⁴

Notes

[This paper was presented at a seminar on 'Terms of Modernity' at the Indian Institute of Advanced Study, Shimla, May 1994. I would like to thank Radhika Sinha for her comments.]

- 1 Thus Somnath Zutshi has analysed the contemporary Bombay cinema in the context of tendencies emergent in the 19th century in the writing of such influential figures as Bankim Chandra Chatterjee and Rabindranath Tagore. Somnath Zutshi, *Women, Nation and the Outsider in Contemporary Hindi Cinema*, in Tejaswini Niranjana, P. Sudhir and Vivek Dhareshwar (eds), *Interrogating Modernity: Culture and Colonialism in India*, Scullin, Calcutta, 1993, pp. 83-142.
- 2 E. E. Kulkarni Sangari, *Mithai and the Spiritual Economy of Bhakti: Occasional Papers in History and Society*, Nehru Memorial Museum and Library, Second Series, No. 28.
- 3 Clancy Yoon, *Cinema Live in Society and Ignorance: Nationhood and Female Modernity in Andhra* (1994), forthcoming Occasional Paper, Nehru Memorial Museum and Library.
- 4 Sudipta Kaviraj, *The Imaginary Institution of India: Occasional Paper, Nehru Memorial Museum and Library, Second Series, No. 42*, pp. 15-28.
- 5 Ibid. pp. 53-55. For the notion of 'lizzy' and 'enumerated' communities, Kaviraj has written sensitively about the difficulties of formulating a new language to go along with the new experiences and determinations of modernity in this essay. [Bankim] shifts from an old to a new identity but very weakly, though he provides the rhetoric for this in the form of 'vande mātaram' but it remains old poetry in Marx's sense. But it is hasty to condemn people like Bankim too easily for the task has not been performed even today. Even now we do not have a language, except English, which can speak this new poetry, because it is no less than the task of forming a new language. (p. 31).
- 6 For a discussion of these issues, see my *Addressing the Spectator of a Third World National Cinema: the Bombay Social Film of the 1940s and 1950s*, forthcoming Occasional Paper, Nehru Memorial Museum and Library, and *Dislocations: the Cinematic Imagining of a New Society in 1950s India*, forthcoming in *Oxford Literary Review*, 1994.
- 7 Niranjana et al. op cit.
- 8 Drawing upon and extending Walter Benjamin's *The Work of Art in the Age of Mechanical Reproduction*, R. Srivastava has written of the importance of the reproducible image, the positioning of the object in all its dimensions, is crucially effected by

reproducibility. In addition as a dual of this effect on the object, the constitution of the viewing subject in terms of her conceptualisation of truth, pleasure, desirability, her practices as they follow out of this changed conceptualisation and the way she experiences herself because of her changed practice and way of seeing, are all subtly but irreversibly altered.

R. Srivastava, *Photography and the Visual Field in India*, *ibid* p. 170.

9. Benedict Anderson, *Imagined Communities: Reflections on the Origins and Spread of Nationalism* (London, 1983).

10. The Phalke Fra, *Conflict of Tradition, Form and Modern Technology*, in Niranjana et al (eds), *Interrogative Modernity*, op cit, pp 47-82.

11. *Revelation and Doubt: Sant Tukaram and Dev*, in Niranjana et al (eds), op cit, pp 19-46.

12. The anxieties that we pass on to the spaces that we do not actually see, but know, the spaces in graphic terms that surround the frame, finally concern our responsibility as the producers of what happens before us. Narrative necessarily means, in what I have earlier called the back and forth of the gaze and the object viewed, a continuing projective identification into the site of the crisis. It means a wishful fulfilment of appropriating the happy ending, realised by external intervention (God/us) that finally places us back at the frontal frame. Rajadhyaksha, *The Phalke Fra*, p. 80.

13. For an interesting point about how the marketplace provides another framework of knowledge and activity for the imagining of the wider community, an arena in which a swadeshi commodity imagery is especially important, see Satish Deshpande, *Imagined Economies: Styles of Nation Building in Twentieth Century India*, *Journal of Arts and Ideas*, Nos. 25-26, December 1993, pp 5-35. However, Deshpande's larger argument seems to me to require further analysis. This is that there has been a delinking of nation and economy in the imaginary process of nation formation after Indian financial policy has integrated India into processes of globalisation.

14. *The Epic Melodrama: Themes of Nationality in Indian Cinema*, *Journal of Arts and Ideas*, Nos. 25-26, December 1993, pp 55-70.

15. *The Time of India*, June 25, 1936, p. 7.

16. *Bombay Chronicle*, September 11, 1935, p. 1.

17. *Bombay Chronicle*, September 17, 1935, p. 5.

18. *Bombay Chronicle*, October 17, 1935, pp. 3-7.

19. *Bombay Chronicle*, October 2, 1935, p. 5.

20. *Bombay Chronicle*, November 1, 1935, p. 1.

21. *The Times of India*, May 30, 1936, p. 7.

22. *The Culture of Space and Time, 1880-1920*, Harvard University Press, Cambridge, Massachusetts, 1983.

23. In an excellent article on the cultural reception of the telephone as represented through parallel editing in early American cinema, Tom Gunning has shown how the new perceptual dimensions inaugurated by the telephone could have traumatic rather than empowering implications. He analyses a narrative in which a husband is separated from his family, this is the parallel editing, and is made aware of an impending attack on them when his wife rings him. There are different versions of the

narrative, one which emphasises the process of communication and its interruption when the telephone wire is cut by the burglars, and another much starker one in which communication is maintained only to underline the husband's distance and helplessness. The wife is stopped in her conversation but the phone is left off the hook, forcing the husband to hear the sound of her being strangled by the burglars. The traumatic fact that communication is predicated on distance and is ever susceptible to breakdown is here underlined in the use of parallel editing, allowing us to see the action in both places, but leaving us as distant and as helpless as the husband, Tom Gunning, *Heard over the Phone: The Lonely Villa and the de Lorde Tradition of the Terrors of Technology*, *Screen*, Volume 32, No. 2, Summer 1991, pp. 184-96.

24. In the last sequence of *Di Mahuse*, information which the criminal mastermind will use to manipulate the stock market is stolen through a carefully co-ordinated plan. On three occasions, three characters consult their watches in three different places, the editing emphasising the quasi-simultaneity of the events. Again, we are invited to pay attention to actions in a series of different locations, linked together in time, and in this case, by a co-ordinating intelligence in the story. The dispersion of narrative is actually functionally integral, made sense of because of Mahuse's overarching control. Within the story too, Mahuse exhibits attributes that confirm this power. His ability to hypnotise people renders them subject to his commands. Not only does he take over people, he becomes different people, taking on a series of disguises which allow him to penetrate different spaces.

Such attributes sound uncannily like those pointed out by Kern in his evaluation of the effects of changes in time-space conceptions. Mahuse's operations are oriented to amassing wealth, but there is no doubt that his particular target is the aristocratic Count Wenck, whom he degrades, through hypnosis, into the ranks of a vainglorious cheat and whose wife he kidnaps. However, this penetration of space and the

destabilisation of class does not signal a democratic development. It heralds the inauguration of a mass society, in which the deployment of people in space and time is integrated into a common enterprise overseen by an omniscient authority. Mahuse suggests that Lang displayed the insight, and indeed the anxiety, that the changes in the conception of space and time under industrial capitalism, of which cinema was emblematic, heralded a universal authoritarian version of the social organism.

25. For an exposition of this melodramatic trope, cf. Steve Neale, *Melodrama and Tears*, *Screen*, Volume 27, No. 6, November-December 1986, pp. 6-22.

26. For a more elaborate analysis of these issues, see my *The Cultural Space of a Film Narrative: Interpreting Kismet* (Bombay Talkies, 1943), *Indian Economic and Social History Review*, Volume 28, No. 2, April-May 1991, pp. 171-85.

27. *Tilmimda*, July 1943, p. 31.

28. G.D. Srivastava, *Diseases Spread by Cinema and Their Control* (Lucknow, 1946).

29. *Ibid*, p. 29.

30. Possible diseases arising from conditions of overcrowding and insufficient ventilation include pneumonia, tuberculosis of the glands and the lungs, acute tonsillitis, influenza, the common cold, diphtheria, whooping cough, cerebrospinal fever, acute anterior poliomyelitis or infantile paralysis, encephalitis, lethargia, mumps, measles, chickenpox, smallpox (*ibid*, pp. 22-31). For the detailing of other possible diseases, p. 35; for insect-borne diseases, p. 44; for plague and lice, p. 49; for skin diseases,

31. *Ibid*, pp. 41-42.

32. *Ibid*, p. 49.

33. *Ibid*, pp. 11-12, emphasis added.

34. For a suggestive argument urging an integration of the textual analysis of spectator constitution into a broader rendering of the spectator's public positioning, see Miriam Hansen, *Early Cinema: Late Cinema: Permutations of the Public Sphere*, *Screen*, Volume 34, No. 3, Autumn 1993, pp. 197-210.

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Unemployed and Self-Employed Job Preferences and Employment Perspectives

E T Mathew

In an earlier paper, the author argued that a major factor contributing to the growth of educated unemployment in Kerala is the preference for salaried employment, especially in the public sector and aversion to self employment among educated job seekers. This paper, based on survey data, explores in more depth the question of preferences of the educated unemployed in Kerala

THIS writer had argued in an earlier paper (EPW, February 11, 1995) that one of the major factors contributing to the rapidly growing educated unemployment in Kerala is the prevailing preference of educated work seekers for salaried employment, especially in the public sector, and their implicit aversion to self-employment. Though there has been some improvement in the self-employment situation in recent years, its growth has not been rapid enough to absorb a large enough proportion of the annual addition to the educated labour force. It was further pointed out that as the NSS data on self-employment used in the study did not draw any distinction between the educated and the non-educated self-employed, we are unable to attribute the recent increase in self-employment to any distinct reversal of job preferences on the part of educated work seekers. This paper emphasised that job security coupled with largely seniority based promotions are responsible for making educated work seekers prefer salaried employment in government.¹

The present paper is a sequel to the one referred to above. Instead of simply asserting that the unemployed in Kerala invariably prefer regular salaried/wage employment to self-employment, an attempt is made to provide an empirical basis for the assertion. The data for the purpose have been collected through a limited household survey carried out during 1993. The survey was conducted in Trivandrum district of Kerala, the sample consisting of 810 households: 540 rural households spread over four panchayats and 270 urban households represented by two municipal towns and Trivandrum corporation.² It may be pointed out that while NSS data do provide alternative estimates of employment and unemployment for rural and urban households as well as for male and female labour force, based on current daily status, current weekly status and usual status, several interesting aspects such as the socio-economic background of the employed and the unemployed, job preferences of the unemployed, and obstacles to and factors motivating self-employment, are not touched upon. This paper is a modest attempt to examine some of the questions

which are not normally highlighted in the NSS or other official reports. Because of the obvious constraints in undertaking a statewide survey, the present sample survey had necessarily to be limited to one district, namely Trivandrum. While it is readily admitted that socio-economic conditions in the state vary from district to district, the results of our survey are broadly applicable to the entire state.

A warning seems to be in order at this point. This paper does not attempt to provide any estimates of employment/unemployment on the basis of the sample survey. Anyone looking for such estimates still has to depend on the most comprehensive and systematic estimates provided by the National Sample Survey Organisation from time to time. The focus of the present exercise is altogether different. It has a two fold objective: (1) it examines whether there is any empirical basis for the commonly held view that the educated in Kerala prefer salaried employment (white collar occupations) to self employment; and (2) granted that fewer persons, particularly among the educated, prefer self employment, the paper examines what motivates them to opt for self employment. While attempting to throw light on these two main issues, we also discuss in the process a few related questions such as the types and terms of salaried employment sought including sector and place of work, types of self employment opted for, levels of earnings corresponding to each type, and rural/urban and gender differences observed in each case. It is probable that our sample is not fully representative of the poorest of the poor among landless agricultural and non-agricultural labour households and slum-dwellers. This need not, however, be considered a limitation of the study in view of the fact that our focus is on job preferences of the unemployed and employment perspectives of the self-employed, and not on the employment problems of wage labour, which may consist of a few illiterates but mostly of persons with levels of education below SSLC (i.e. outside the 'educated' category). The overall employment/unemployment situation as shown by the sample survey is given in Table 1.

I Job Preferences of the Unemployed: Type of Employment

As is well known, the rural/urban divide is far less pronounced in Kerala compared to the rest of the country. Nevertheless, we shall retain the distinction in our analysis. Job preferences with regard to type of employment as shown by the sample survey is presented in Table 2.

Leaving aside the no preference/any job' category of work seekers for a moment, it is interesting to observe that there is a broad similarity in the types of job preferred by the rural and urban unemployed in our sample. In fact, the ranking of the type of jobs preferred by the two groups is the same for the first six types mentioned in Table 2, though of course the proportions vary. Clerical job seekers form by far the largest category, there being no close second at all. Out of a total of 333 job seekers, 30.6 per cent preferred clerical jobs while 14.1 per cent sought teaching jobs. This difference in job preference is more or less maintained between rural and urban job aspirants - 28.5 per cent and 11.0 per cent, respectively, for the rural job seekers and 35.2 per cent and 20.9 per cent, respectively, for the urban work seekers. Gender differences in job preferences, however, are sharper compared to rural/urban differences. Relatively speaking, more female job seekers among both rural and urban unemployed prefer clerical jobs compared to their male counterparts. However, there is no such symmetry regarding preference for teaching. While among the rural unemployed only 10.3 per cent of the female work seekers preferred teaching, the percentage in respect of male job seekers was higher at 12.1. In

TABLE 1 LEVELS OF EMPLOYMENT AND UNEMPLOYMENT IN SAMPLE SURVEY

	Rural	Urban
Number of sample households	540	270
Population of sample households	2454	1151
Average size of households	4.54	4.26
Total number of employed persons	912	505
Total number of unemployed persons	228	105

sharp contrast, among the urban job seekers, the proportions for male and female work seekers were 16.3 per cent and 24.2 per cent, respectively. The relatively high proportions of urban female unemployed opting for clerical and teaching jobs is a clear indication of the extent of educated unemployment prevailing among the urban female labour force. In our sample, about 63 per cent of the urban female unemployed opted for clerical and teaching jobs, while the corresponding proportion for the rural female was only 41 per cent.

The predominance of clerical jobs as a preferred category of employment, among both rural and urban work seekers as well as male and female unemployed, is partly explained by the fact that most of the aspirants do not possess any particular skills besides their general education. Given this scenario, clerical jobs are the most feasible form of employment. This aspect is brought out in Table 3.

Over 60 per cent of the rural unemployed and over 55 per cent of the urban unemployed looking for clerical jobs were either graduates or postgraduates without any vocational qualifications. Another 9 per cent among the rural and 16 per cent among the urban unemployed are either undergraduates or non-matriculates. Only the remaining - 19 among the rural unemployed forming 29.3 per cent and 10 among the urban unemployed forming 27 per cent - had any vocational training. As between the rural and the urban unemployed aspiring for clerical jobs, there were more postgraduates and fewer vocationally trained persons among the urban compared to the rural unemployed. The vocational qualifications, of course, consisted of trades/skills as diverse as typewriting, ITI training, pharmacy, laboratory technician course and computer programming. We may add that among those without any vocational training, a small proportion had first or second class degrees to their credit; among the rural unemployed seeking clerical jobs there were 18 bachelor's degree holders and five master's degree holders, with first or second classes, the corresponding figures for urban job seekers being 11 and five, respectively. Before proceeding further, a possible misunderstanding of the role of vocational training needs to be removed. Our observation that the majority of the unemployed job seekers looking for clerical jobs did not have any vocational training should not be misconstrued as indicating that vocational training is an essential qualification for appointment as clerks. What we have tried to emphasise is the fact that those searching for clerical jobs is a residual category. Anybody possessing vocational training has much better chances of being already employed in the concerned fields. Hence all those who have no vocational

training will be naturally queuing up for clerical jobs. And their number being so large, all of them cannot immediately find employment. (Of course, even all of the vocationally trained persons may be unable to find jobs since the number of relevant jobs available is insufficient to absorb all the trained persons.) This is typically the situation that is found in Kerala.

Next to clerical jobs, teaching is the most preferred form of salaried employment sought by the unemployed in our sample. Twenty-five persons (11.0 per cent) among the rural unemployed and 22 persons (21 per cent) among the urban unemployed in the sample have opted for teaching. However, compared to the clerical category, the

numbers involved are much smaller, mostly due to the fact that entry requirements are much stiffer in the teaching profession (parallel colleges and coaching centres not considered!) A degree or certificate in education is generally required for appointment as teachers in schools, in addition to the appropriate level of good general education, while for teaching at the college/university levels a first or high second class master's degree is the minimum requirement. Often one needs a research degree in addition.

Obviously, our sample of aspirants for teaching jobs consists of far more qualified persons compared to those looking for clerical jobs. In a sample of 47 job seekers, both rural and urban, only four (8.5 per cent)

TABLE 2: JOB PREFERENCES OF UNEMPLOYED: TYPE OF JOB

Broad Description of Job	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Clerical	20 (24.1)	45 (31.0)	65 (28.5)	13 (30.2)	24 (38.7)	37 (35.2)	33 (26.2)	69 (33.3)	102 (30.6)
Teaching	10 (12.1)	15 (10.3)	25 (11.0)	7 (16.3)	15 (24.2)	22 (20.9)	17 (13.5)	30 (14.5)	47 (14.1)
Engineer/scientist/ research officer	5 (6.0)	6 (4.1)	11 (4.8)	1 (2.3)	4 (6.5)	5 (4.8)	6 (4.6)	10 (4.8)	16 (4.8)
Typist/stenographer	1 (1.2)	8 (5.5)	9 (4.0)	0	5 (8.1)	5 (4.8)	1 (0.8)	13 (6.3)	14 (4.2)
Officer /bank officer	6 (7.2)	3 (2.1)	9 (4.0)	0	2 (3.2)	2 (1.9)	6 (4.8)	5 (2.4)	11 (3.3)
'Officer work'	1 (1.2)	6 (4.1)	7 (3.1)	1 (2.3)	0	1 (0.9)	2 (1.6)	6 (2.9)	8 (2.4)
Technician/electrician/ radiographer, etc	5 (6.0)	0	5 (2.2)	4 (9.3)	1 (1.6)	5 (4.8)	9 (7.1)	1 (0.5)	10 (3.0)
Doctor	0	2 (1.4)	2 (0.9)	0	0	0	0	2 (1.0)	2 (0.6)
Computer programmer	2 (2.4)	0	2 (0.9)	0	0	0	2 (1.6)	0	2 (0.6)
Agricultural officer	0	1 (0.7)	1 (0.4)	0	0	0	0	1 (0.5)	1 (0.3)
Catering officer	1 (1.2)	0	1 (0.4)	0	0	0	1 (0.8)	0	1 (0.3)
Translator	0	1 (0.7)	1 (0.4)	0	0	0	0	1 (0.5)	1 (0.3)
Last grade	0	0	0	3 (7.0)	1 (1.6)	4 (3.8)	3 (2.4)	1 (0.5)	4 (1.2)
No preferences/any job	31 (37.4)	53 (36.6)	84 (36.8)	14 (32.6)	10 (16.1)	24 (22.9)	45 (35.7)	63 (30.4)	108 (32.4)
No response	1 (1.2)	5 (3.5)	6 (2.6)	0	0	0	1 (0.8)	5 (2.4)	6 (1.8)
All	83 (100.0)	145 (100.0)	228 (100.0)	43 (100.0)	62 (100.0)	105 (100.0)	126 (100.0)	207 (100.0)	333 (100.0)

Note: Figures in parentheses refer to percentages.

TABLE 3. DISTRIBUTION OF JOB SEEKERS PREFERRING CLERICAL JOBS BY LEVELS OF EDUCATION

Level of Education/ Vocational Training	Number of Job Seekers		
	Rural	Urban	Total
Below SSLC	1 (1.5)	0	1 (1.0)
SSLC/predegree	5 (7.7)	6 (16.2)	11 (10.8)
SSLC/predegree + voc training	7 (10.8)	2 (5.4)	9 (8.8)
Graduate	34 (52.3)	15 (40.5)	49 (48.0)
Graduate with voc training	9 (13.9)	7 (18.9)	16 (15.7)
Postgraduate	6 (9.2)	6 (16.2)	12 (11.8)
Postgraduate with voc. training	3 (4.6)	1 (2.7)	4 (3.9)
All	65 (100.0)	37 (100.0)	102 (100.0)

Note: Figures in parentheses refer to percentages.

were third class degree holders. Even so, the chances are that many of them would have dropped out of the race for teaching positions after some time.

In regard to the job preferences of the rest of the sample of unemployed, we do not have any sizeable numbers preferring any particular job. They consist of persons who look for the salaried employment for which they have had the appropriate vocational or professional training as for example in the case of engineers, doctors, typists/stenographers and agricultural officers.

There is however one final category among the unemployed in our sample who have reported no preferences and are prepared to accept any job. This 'no preference/any job' category is a strange assortment of unemployed persons with general education varying from below SSLC to postgraduation. The vast majority of them however consists of undergraduates and third class graduates. If in all they have any vocational or professional qualifications, they belong to a lower level such as III certificates (tailoring, music, typewriting etc.) skills of which, relatively speaking, there is no dearth in Kerala. We also observe that among the 'no preference/any job' category there are relatively more rural (84 persons forming 37 per cent) than urban (24 persons constituting 23 per cent) unemployed. It thus appears that the 'no preference/any job' attitude on the part of the job seekers is more a rural than urban phenomenon (Table 2). The relatively wide variety of jobs existing in the urban sector may be one plausible reason for this difference. The frustration caused by long waiting periods already undergone, as we shall see in a moment, may be yet another contributory factor. As for gender differences, while the proportions of male and female job seekers prepared to accept any job are roughly equal among the rural unemployed (37.4 per cent and 36.6 per cent respectively), the proportion of male job seekers in the category is twice as high as that of female job seekers (32.6 per cent and 16.1 per cent respectively) among the urban unemployed. This would indicate that urban female job seekers, who are generally more educated than their rural counterparts, are more selective regarding type of employment. More about this later. We present in Table 5 the educational profile of the 'no preference/any job' category of job seekers in our sample.

As already noted, the 'no preference/any job' category consists of relatively poorly qualified job seekers. Out of a total of 108 unemployed falling in this group, 57 persons constituting 52.8 per cent, were either non-matriculate/undergraduates or third class graduates/postgraduates, without any vocational or professional training. Naturally, the proportion of such 'less qualified' job

seekers' was slightly higher among the rural (53.6 per cent) than among the urban unemployed (50 per cent). The employment prospects of this group are further dampened by the fact that even the vocational/professional training some members of this group have had, is very common place. Given these factors, their predicament is unenviable. It is thus likely that having remained unemployed for long periods, they no longer give any more thought to the type of job. We note that the average waiting period of the rural unemployed in the 'no preference/any job' category was 7.5 years and that of their urban counterparts 4.7 years at the time of the survey. Quite expectedly the sense of frustration or despair which led many job seekers eventually to give up their preference for any particular type of salaried employment has also made a very significant proportion among them both rural and urban agreeable to accept employment for any salary in any sector or anywhere (Squire, 1981:123). In fact some among them have absolutely no preferences whatsoever.

It is interesting to note that among those unemployed who are prepared to accept any job, the degree to which they are willing to compromise on minimum salary and sector and place of employment varies considerably. While well over 80 per cent of the rural and urban unemployed in this group are prepared to work in any sector, those who

are willing to give up their minimum demands regarding salary is far less—only 46 per cent of the rural and 13 per cent of the urban unemployed in the 'no preference/any job' category. As far as place of employment is

TABLE 6. DISTRIBUTION OF JOB SEEKERS IN 'NO PREFERENCE/ANY JOB' CATEGORY BY OTHER PREFERENCES

Type of Preference	Number of Job Seekers		
	Rural	Urban	Total
Any salary	40 (35.7)	34 (27.5)	33 (30.6)
Any sector	5 (86.3)	0 (83.3)	3 (30.1)
Any place	29 (31.5)	11 (15.8)	40 (37.0)
Any salary, any sector, any place	10 (19.0)	2 (8.3)	15 (16.7)
All	84	24	108

Note: Figures in parentheses refer to percentages.

TABLE 7. JOB SEEKERS WITHOUT ANY PREFERENCE TO ANY SALARY IN ANY SECTOR IN LEVEL OF EDUCATION

Level of General Education/Vocational and Professional Training	Rural	Urban	Total
Non-matriculate	5	—	5
SSLC	3	—	3
SSLC/predegree + voc/prof	—	—	7
Graduate (III class)	1	—	1
Postgraduate (III class)	0	1	1
Postgraduate + voc/prof	0	1	1
All	10	2	18

TABLE 4. DISTRIBUTION OF JOB SEEKERS PREFERENCE TEACHING LEVEL OF EDUCATION

Level of General Education/Professional Qualification	Number of Job Seekers		
	Rural	Urban	Total
SSLC/predegree with certificates in teaching (I TC)	5 (8.0)	2 (9.1)	4 (8.5)
Graduate or postgraduate with I or II class	9 (36.0)	11 (50.0)	20 (42.6)
Graduate or postgraduate with only III class (including those respondents who have not mentioned their class)	2 (8.0)	2 (9.1)	4 (8.5)
Graduate or postgraduate with degree in education	8 (32.0)	5 (22.7)	13 (27.7)
Postgraduate in science with diploma in computer science	1 (4.0)	—	1 (2.1)
Postgraduate with research degree (M Phil or Ph D)	3 (12.0)	1 (4.5)	5 (10.6)
All	25 (100.0)	24 (100.0)	49 (100.0)

Note: Figures in parentheses refer to percentages.

TABLE 5. DISTRIBUTION OF JOB SEEKERS IN 'NO PREFERENCE' CATEGORY BY LEVEL OF EDUCATION

Level of General Education and Vocational or Professional Training	Number of Job Seekers		
	Rural	Urban	Total
Below SSLC	10 (11.9)	0	10 (9.3)
SSLC/predegree	25 (29.8)	5 (20.8)	30 (27.8)
SSLC/predegree + voc/prof	25 (29.8)	5 (20.8)	30 (27.8)
Graduate with I or II class	5 (5.9)	1 (16.7)	9 (8.3)
Graduate with only III class (including those who have not mentioned the class)	10 (11.9)	6 (25.0)	16 (14.8)
Graduate with voc/prof	6 (7.1)	2 (8.3)	8 (7.4)
Postgraduate with I or II class	3 (3.6)	0	3 (2.8)
Postgraduate with only III class (including those who have not mentioned the class)	0	1 (4.2)	1 (0.9)
Postgraduate with voc/prof	0	1 (4.2)	1 (0.9)
All	54 (100.0)	24 (100.0)	108 (100.0)

Note: Figures in parentheses refer to percentages.



The United Western Bank Limited

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ISSUE OF 1,80,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 30/- PER SHARE AGGREGATING RS. 72.00 CRORES, ON RIGHTS BASIS TO THE EXISTING SHAREHOLDERS.

HIGHLIGHTS

- Premier Regional Bank in Maharashtra with a rich heritage – founded in 1936 by "VIMA MAHARSHI" Annasaheb Chirmulay.
- Professional Management – Board comprises of people with expertise in diverse areas.
- Scheduled Commercial Bank in the Private Sector with uninterrupted dividend paying record for the past 56 years.
- Among private sector banks having Registered Office in Maharashtra, the Bank enjoys prestigious premier position in respect of deposits, advances, profits and number of branches.
- The bank has achieved aggregate deposit growth of 29.71% and aggregate advances growth of 45.30% in the year 1994-95, which is well above the industry growth rates.
- Financial sector reforms have opened up new vistas for growth.

RISK FACTORS

- **Interest Rate Risk:** Present interest rates on deposits and advances which are based on the directives of the Reserve Bank of India, are likely to be market driven due to deregulation and thereby may result in increasing pressure on spread and affect profitability.
- **Lending Risks:** The clients financed by the Bank could be affected adversely due to unforeseen political, economic, social and financial factors. This could adversely affect the profitability of the Bank because of delay/default in repayment by these clients.
- **Changes In Government/RBI Policies:** The operations of the Banking Industry are subject to regulation by the Government/RBI and hence, are liable to be affected by the changes, if any, in Government policies from time to time.
- **Competition Risks:** Severe competition due to permission to set up new Private Sector Banks, increasing disintermediation and other reforms in the Financial Sector.
- **Disintermediation Risks:** As the financial markets mature, the trend towards disintermediation would be increasingly in evidence. In such a scenario, many companies may access the Capital and Money Markets for their needs and reduce their direct dependence on the banking system. This may have an adverse impact on the level of deposits and also on the level and mix of the advances portfolio and the profitability of banks.
- **Outstanding Litigations:** There are outstanding litigations amounting to Rs. 240.40 lacs (a total of 42 cases) for "Claims against the Bank not acknowledged as debts". These claims are not likely to affect the operations and finances of the Bank.

LEAD MANAGERS TO THE ISSUE



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concerned, while only about one-third of the rural unemployed are prepared to work anywhere the corresponding proportion of the urban unemployed is almost one-half indicating that the urban unemployed are more willing to move away from their home-base in search of employment. And finally, among the unemployed job seekers who are prepared to accept any job, only 16 (19 per cent) of the rural unemployed and two (8.3 per cent) of the urban unemployed are willing to work for any salary, in any sector, and in any place. Our data show that these persons are comparatively less qualified compared to the rest in that group.

It is observed that one-half of the rural unemployed in the 'no preference' whatsoever group in our sample are either matriculates or below. The remaining consists of one-third class arts graduate and seven undergraduates with vocational training such as laboratory technicians, ITI and typewriting. The urban unemployed in this group is represented by two MAs, one-third class degree holder and another having training in music.

II

Job Preferences of Unemployed: Minimum Salary Sector and Place of Employment

We have discussed in the preceding section the type of jobs most preferred by the unemployed rural and urban in our sample and noted that clerical and teaching jobs are the most sought after. We also noted that a sizeable proportion of the unemployed, presumably out of frustration or despair caused by long waiting periods already undergone, are ready to accept any job. It should, however, be emphasised that type of job is only one dimension of individual preferences regarding employment. Among the other dimensions, we may note the minimum salary demanded and sector and place of employment.

Minimum Salary

According to the results of our sample survey, the vast majority of the unemployed, rural as well as urban, have indicated their minimum salary. Obviously, the minimum salary expected is dependent on the type of job they are seeking which, in turn, is determined by the qualifications of the unemployed. Professionally qualified unemployed such as doctors and engineers naturally expect higher salaries compared to work seekers looking for teaching and clerical jobs. While most of the unemployed in our sample have indicated the minimum salary they would accept, there are some who either

readiness to accept any salary. The willingness to accept any salary, as in the case of the willingness to accept any job, may be interpreted as an expression of their frustration caused by long waiting periods or of the urgency for employment arising from family circumstances. The relevant data for the sample are furnished in Table 8.

It is seen that consistently a larger proportion of the female compared to the male unemployed insist on a minimum salary as a precondition for employment. While for the rural unemployed the proportions are 78.3 per cent for males and 84.1 per cent for females, they are 95.3 per cent and 98.4 per cent respectively for the urban unemployed males and females. Correspondingly a smaller proportion of the female unemployed are agreeable to any salary that may be offered. Thus it appears that although the rate of unemployment is higher among educated female work seekers, there is relatively less despair on their part. This can be explained by the fact that not being the main breadwinner of the family in most cases, the educated female unemployed are under less pressure to get an immediate placement. Average minimum salaries expected by the unemployed in the sample are presented in Table 9.

The above results show that the female unemployed are willing on average to accept employment on a lower salary. This is true of both rural and urban female job seekers. Their relatively lower reservation price may be partly due to wider unemployment among the educated female labour force. Another reason may be that unlike in the case of labour households, educated female job seekers, while greatly valuing economic independence, do not expect to be the main breadwinners in the family. Besides, they are subject to various constraints regarding sector and place of employment as they are not prepared to work for any employer or in any part of the state or country. Under these circumstances it is quite logical that female job seekers look for the least disadvantageous combination of job parameters, namely salary, sector and place of employment.

Sector of Employment

Apart from searching for jobs which are in broad agreement with the type of employment and the minimum salary of their choice, job seekers also attempt to exercise their preferences regarding sector of employment such as, for example, state and central governments, public and private sectors and banking sector. The preference pattern of job seekers in our sample with regard to sector of employment are presented in Table 10.

It is seen that roughly one-half of the job seekers rural and urban have no preferences regarding sector of employment. As for rural-urban differences, it is found that while the proportion of those who have expressed no preferences regarding sector of employment is larger among the rural unemployed, that of those looking for government and banking jobs is larger among the urban unemployed. Rural-urban differences apart, one thing is very clear: the preference pattern of the unemployed has a distinct bias in favour of public sector employment in the broad sense.

Coming to gender differences, the proportion of those having no preference at all in respect of sector of employment is lower among female compared to male unemployed rural and urban. Apart from this, there are no consistent gender similarities or dissimilarities in the preference pattern relative to sector of employment.

Place of Employment

Mobility of labour is an important factor influencing the volume of employment. In a well integrated economy where people are free and are willing to move spatially from one part to another and from one occupation

TABLE 9. AVERAGE MINIMUM SALARY
(MONTHLY) EXPECTED (RS)

	Male	Female	All
Rural	2039.13	1696.11	1822.73
Urban	1712.20	1668.85	1686.77
All	1917.27	1686.87	1774.57

TABLE 8. ATTITUDE OF UNEMPLOYED REGARDING MINIMUM SALARY

Attitude	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Those who stipulate a minimum salary	65 (78.3)	122 (84.1)	187 (82.0)	41 (95.3)	61 (98.4)	102 (97.1)	106 (84.1)	183 (88.4)	289 (86.8)
Those who are prepared to accept any salary	17 (20.5)	16 (11.0)	33 (14.5)	2 (4.7)	1 (1.6)	3 (2.9)	19 (15.1)	17 (8.2)	36 (10.8)
No Response	1 (1.2)	7 (4.8)	8 (3.5)	0	0	0	1 (0.8)	7 (3.4)	8 (2.4)
All	83 (100.0)	145 (100.0)	228 (100.0)	43 (100.0)	62 (100.0)	105 (100.0)	126 (100.0)	207 (100.0)	333 (100.0)

Note: Figures in parentheses refer to percentages.

to another, the extent of unemployment is likely to be relatively less.¹ It will therefore, be interesting to examine the preferences of the unemployed with regard to place of employment.

Comparing rural and urban job seekers in our sample, it is seen that roughly the same proportions (65.8 per cent and 67.6 per cent respectively) prefer to remain within the state. However, a distinctly higher proportion of the urban unemployed (29.5 per cent) prefer employment within the district (i.e. in Thrivandrum city or its suburbs) in contrast to the rural job seekers (19.3 per cent). This may be due to the fact that urban job seekers being accustomed to the urban life style, are less inclined to move to any part of the state in search of employment. Gender differences in this respect are much sharper. While only 4.8 per cent of the rural and 4.6 per cent of the urban males among the unemployed prefer to be employed within the district, the corresponding proportions for female job seekers are 27.6 per cent and 46.8 per cent respectively. It is thus evident that one of the factors aggravating unemployment among female work seekers is their strong preference for employment at places as close to their homes as possible. In fact, the relative immobility of women has been pointed out as a major factor influencing labour markets in low income countries by many researchers [Rosenzweig 1988:743].

The preference of female job seekers in Kerala to secure employment close to their homes is understandable. In the rest of the country this preference must be even stronger in view of the fact that generally women here are far less educated and also less mobile. However, such a preference is fraught with serious implications for the employment situation in Kerala due to the operation of certain factors peculiar to the state. (1) The foremost among such factors is the unique sex ratio in Kerala's population. According to the 1991 Census, the population of the state consisted of 142.30 lakh males and 148.02 lakh females leading to a sex ratio of 1040 females for 1000 males [Samuel 1991:91]. (2) Because of the rapid growth of female enrolment at the secondary and university stages of education in Kerala, the proportion of educated women in the total population has been growing at a fast pace. A good proportion of the educated females eventually join the labour force. Out of a total enrolment of 1.54 lakh students in the three affiliating universities of the state during 1992-93, girls numbered 0.84 lakh [Government of Kerala 1993:115]. It is also worth mentioning that high rates of female enrolment at the college level is not confined to arts and science courses; it extends to professional courses such as medicine and engineering as well. For example, out of a

total enrolment of 10,145 students in the engineering colleges (government and private) in the state during 1993, 2,161 (21.3 per cent) were girls [Government of Kerala 1993:291]. (3) Because of the wide acceptance of the small family norm in Kerala, increasingly more and more educated women seek employment after they have had the desired number of children – not more than one or two in several cases. Since child-rearing has ceased to be a prolonged process, women in Kerala generally welcome gainful employment not only to escape the boredom of routine domestic chores, but also to supplement the meagre incomes of their spouses. These observations are in substantial agreement with the findings of a recent study on demographic transition in Kerala in the 1980s [Zachariah et al 1994]. According to the findings of this study, Kerala women now want a very small family – one or two children. Nearly 40 per cent did not want more than two children. For all practical purposes, a woman's reproductive span has been reduced to the

15 years between 20 and 35 years" [Zachariah et al 1994: xviii-xix, see also Bhat and Rajan 1990:1978, Jose 1990:66, Squire 1981:184-85]. Thus as more women enter the labour force, the extent of female unemployment is bound to become more acute, particularly because, as we have tried to explain earlier, women unlike men have stronger preferences regarding place of employment [also see Islam 1987:4].

III

Self-Employed: Their Perspectives

The results of our sample survey have clearly shown that the vast majority of the unemployed rural as well as urban look for salaried/wage employment preferably in the public sector including government service. The desire for salaried employment is particularly strong among the educated unemployed who form the majority in our sample. One of the chief attractions of salaried/wage employment is its relative security which, among other things, implies

TABLE 10. SECTOR OF EMPLOYMENT PREFERRED

Sector of Employment Preferred	Number of Job Seekers Indicating Preferences								
	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
No preference	47 (56.6)	70 (48.3)	117 (51.3)	22 (51.2)	29 (46.8)	51 (48.5)	69 (54.8)	99 (47.8)	168 (50.5)
Government, state and central	21 (25.3)	52 (35.9)	73 (32.0)	17 (39.5)	21 (33.9)	38 (36.2)	38 (30.1)	73 (35.3)	111 (33.3)
Banking sector (including nationalised banks)	8 (9.7)	6 (4.1)	14 (6.1)	4 (9.3)	10 (16.1)	14 (13.3)	12 (9.5)	16 (7.7)	28 (8.4)
Public sector (excluding government)	3 (3.6)	8 (5.5)	11 (4.8)	0 (0)	1 (1.6)	1 (1.0)	3 (2.4)	9 (4.3)	12 (3.6)
Others	3 (3.6)	0 (0)	3 (1.3)	0 (0)	1 (1.6)	1 (1.0)	3 (2.4)	1 (0.5)	4 (1.2)
No response	1 (1.2)	9 (6.2)	10 (4.3)	0 (0)	0 (0)	0 (0)	1 (0.8)	9 (4.3)	10 (3.0)
All	83 (100.0)	145 (100.0)	228 (100.0)	43 (100.0)	62 (100.0)	105 (100.0)	126 (100.0)	207 (100.0)	333 (100.0)

Note: Figures in parentheses refer to percentages.

TABLE 11. JOB PREFERENCES REGARDING PLACE OF EMPLOYMENT

Place of Employment Preferred	Number of Unemployed Indicating Preferences								
	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Within the district	4 (4.8)	40 (27.6)	44 (19.3)	2 (4.6)	29 (46.8)	31 (29.5)	6 (4.8)	69 (33.3)	75 (25.5)
Within the state	34 (41.0)	72 (49.7)	106 (46.5)	14 (32.6)	26 (41.9)	40 (38.1)	48 (38.1)	98 (47.3)	146 (43.8)
Within India	12 (14.5)	7 (4.8)	19 (8.3)	8 (18.6)	0 (0)	8 (7.6)	20 (15.9)	7 (3.4)	27 (8.1)
Anywhere	1 (1.2)	0 (0)	1 (0.4)	0 (0)	7 (11.3)	7 (6.7)	1 (0.8)	7 (3.4)	8 (2.4)
No preference	31 (37.3)	12 (8.3)	43 (18.9)	19 (44.2)	0 (0)	19 (18.1)	50 (39.7)	12 (5.8)	62 (18.6)
No response	1 (1.2)	14 (9.6)	15 (6.6)	0 (0)	0 (0)	0 (0)	1 (0.8)	14 (6.8)	15 (4.5)
All	83 (100.0)	145 (100.0)	228 (100.0)	43 (100.0)	62 (100.0)	105 (100.0)	126 (100.0)	207 (100.0)	333 (100.0)

Note: Figures in parentheses refer to percentages.

a regular and assured income. It is not surprising, therefore, that none of the respondents among the unemployed in our sample expressed any preference for self-employment over regular employment.

Now turning to those persons in our sample who are already employed we find that out of 912 persons belonging to rural households and 505 to urban households there were 234 self-employed among the rural households and 129 among the urban households. It thus follows that given the option the unemployed in Kerala by and large prefer regular salaried/wage employment and that if eventually they settle for self-employment it is as a last resort. In fact this preference is a characteristic of developing countries [Blaug 1973:55]. Many commentators who have examined the scope of promoting self-employment ventures in the state have serious reservations about their success because self-employment is considered, as we have just mentioned, the last resort by most work seekers who are only too happy to give up their current self-employment when they obtain a government job [Gopakumar 1994:4; Nan 1994:6].

EDUCATIONAL PROFILE OF SELF-EMPLOYED

We shall begin our discussion on the self-employed in our sample by describing their educational profile in order to examine whether there is any relationship between levels of education and self-employment. It is interesting to note that in terms of levels of general education, the vast majority (77.2 per cent) of the self-employed in our sample belong to the SSLC/predegree level or below. Naturally, the rural self-employed has a slightly larger proportion (78.7) in this educational category. This result reinforces the prevalent impression that persons with relatively higher levels of general education (graduation and above) do not generally opt for self-employment. As far as self-employed professionals such as engineers, doctors and advocates are concerned, their proportion in our sample is relatively low, being only 9.1 per cent of the total sample. However, comparing the rural and urban self-employed, the urban sample shows a relatively larger proportion (11.6 per cent) of self-employed compared to the rural sample (7.9 per cent). This finding lends support to the commonly held view that there is greater scope for self-employment of professionals in the urban sector. Further, with reference to advocates who constitute the single largest group of professionals in our sample, we may point out that self-employment seems to be the most feasible, though not necessarily the most lucrative, alternative to salaried employment, as the judicial service and the law department of the state government can normally absorb

only a tiny proportion of the practising lawyers and the graduates of the law colleges each year.

As for gender differences, the proportion of self-employed in the sample having educational level of SSLC/predegree and below is higher among the female self-employed by just one percentage point compared to the male self-employed (77.9 per cent and 76.9 per cent, respectively). However, gender differences are higher between and within the rural and urban households. While among the rural self-employed 77.7 per cent of the male self-employed and 82.0 per cent of the female self-employed belong to the category SSLC/predegree and below, for the urban self-employed the corresponding proportions are 75.3 per cent and 72.2 per cent respectively. The proportion of the less educated among the self-employed it appears shows a certain asymmetry as between the rural and urban households. While on the one hand a significantly higher proportion of the rural self-employed females belongs to the less educated group (SSLC/predegree and below), the relative positions are reversed in the case of the urban self-employed. A probable explanation for this asymmetry lies in the fact that fewer urban female work seekers with less education take up self-employment compared to their male counterparts. As for gender differences in the proportion of professionals among the self-employed, both rural and urban self-employed

accounted for a somewhat higher proportion of male compared to female professionals. While 7.8 per cent of the self-employed rural males consisted of professional degree holders, the corresponding proportion was only 5.7 per cent for rural females. Similarly, as against 11.8 per cent of the self-employed urban males, only 9.1 per cent of the urban females had professional degrees.

FORMS AND TYPES OF SELF-EMPLOYMENT

The sample survey has revealed a wide variety of self-employment. An interesting finding that emerges from this study is that in regard to the nature of self-employment there is practically no difference between the rural and urban self-employed in Kerala. Perhaps one type of self-employment, farming, is more common in the rural areas but one comes across such self-employment in the towns also. Absence of a clear cut differentiation in self-employment between the rural and urban sectors is a peculiarity of Kerala where the rural-urban divide is very thin. Further it is noted that the most common form of self-employment consists of services as opposed to productive enterprises. For instance, among both rural and urban households, retail (petty) trade is the dominant form of self-employment. This is probably due to the fact that retail trade compared to other tertiary activities is less skill intensive. It also involves less investment. In fact, old services, such as

TABLE 12. EDUCATIONAL PROFILE OF SELF-EMPLOYED

Level of education	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Below SSLC including (thiruvithi)	96	23	119	14	20	34	110	43	153
SSLC/predegree	(49.8)	(56.1)	(50.9)	(17.3)	(55.5)	(19.6)	(49.0)	(55.8)	(50.4)
SSLC/predegree	30	5	35	17	4	21	17	9	26
	(15.6)	(12.2)	(15.0)	(18.3)	(11.1)	(16.3)	(16.4)	(11.7)	(15.5)
SSLC/predegree + voc/prof	24	6	30	9	2	11	33	8	41
BA/BSc/BCom	(12.4)	(14.6)	(12.8)	(9.7)	(5.6)	(8.5)	(11.5)	(10.4)	(11.3)
BA/BSc/BCom	17	1	18	8	5	13	25	6	31
	(8.8)	(2.4)	(7.7)	(8.6)	(17.9)	(10.1)	(8.7)	(7.8)	(8.5)
BA/BSc/BCom + voc/prof	1	2	3	1	0	1	3	2	5
MA/MSc/MCom	(0.5)	(4.9)	(1.3)	(1.1)		(0.8)	(0.7)	(2.6)	(1.1)
MA/MSc/MCom	7	1	8	2	1	3	9	2	11
	(3.6)	(2.4)	(4.1)	(2.1)	(2.8)	(2.4)	(3.2)	(2.6)	(3.0)
MA/MSc/MCom + voc/prof	2	0	2	1	0	1	3	0	3
MPhil/PhD	(1.0)		(0.8)	(1.1)		(0.8)	(1.0)		(0.8)
	1	0	1	0	0	0	1	0	1
	(0.5)		(0.4)				(0.4)		(0.3)
Degree in engineering and technology	1	0	1	2	0	2	3	0	3
	(0.5)		(0.4)	(2.1)		(1.5)	(1.0)		(0.8)
Degree in modern medicine/dentistry	6	2	8	3	1	4	9	3	12
	(3.1)	(4.9)	(3.4)	(3.2)	(2.8)	(3.1)	(3.2)	(3.9)	(3.3)
Degree in Ayurveda/homeopathy	3	0	3	1	0	1	4	0	4
	(1.6)		(1.3)	(1.1)		(0.8)	(1.4)		(1.1)
Degree in law	5	1	6	5	3	8	10	4	14
	(2.6)	(2.4)	(2.6)	(5.4)	(8.3)	(6.2)	(3.5)	(5.2)	(3.9)
All	193	41	234	93	36	129	286	77	363
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in parentheses refer to percentages.

petty trading and domestic services are considered relatively more important in developing countries compared to new services (such as education, health, tourism and leisure time activities) for which the income elasticity of demand is positive [Squire 1981: 136-37]. Viewing the entire sample of the self-employed as one category, we observe that the most common form of self-employment consists of retail (petty) trade, farming, transport, small enterprises and catering services, in that order. Almost all of these are conventional forms of self-employment. It is, however, important to note that retail (petty) trade stands out as the single dominant form of self-employment.

In regard to rural-urban differences relating to self-employment, they are only marginal. It is interesting to observe that even for the rural self-employed, retail trade is far more important than farming. Evidently, the ownership pattern of land prevailing in Kerala is responsible for this state of affairs. While farming is more important as a form of self-employment to the rural households, catering services provide self-employment to more persons among the urban households. Among the relatively minor forms of self-employment, it may be pointed out that the practice of law is widespread among the urban self-employed, whereas running parallel and tutorial colleges and coaching centres is more prevalent among the rural self-employed.

Turning to gender differences in self-employment, there are certain marked variations in preferences. In a sample of 363 self-employed, tailoring is the most important form of self-employment for females (14.3 per cent) followed by (1) retail trade, (2) dairying, milk vending and poultry farming, and (3) fish vending (all three, 10.4 per cent each). A major factor which accounts for the relatively high proportion of female self-employed in these pursuits (especially tailoring, dairying and poultry farming) is that they are mostly located within the homestead (or in the neighbourhood) so that women can work there without having to disrupt their household chores [Islam 1987: 4]. For the male self-employed, on the other hand, retail trade (21.7 per cent) is the predominant form of self-employment followed by (1) farming (12.6 per cent), (2) transport (11.9 per cent) and (3) small enterprises (9.1 per cent). Interestingly, though not unexpectedly, we observe that certain forms of self-employment are being consistently avoided by the female self-employed. These include transport, workshop, contract business and repairs (of watches, domestic appliances and electronic equipment like TV).

Combining differences in residence status and sex, it is seen that retail trade, farming, transport and small enterprises together

account for a little over one-half (55.5 per cent) of the rural self-employed males. On the other hand, dairying, milk vending and

TABLE 13. FORMS AND TYPES OF SELF-EMPLOYMENT

Nature of Self Employment	Number of Self Employed Persons								
	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Owner cultivation	28 (14.51)	3 (7.32)	31 (13.25)	8 (8.60)	1 (7.78)	9 (6.98)	36 (12.59)	4 (5.19)	40 (11.02)
Transport (bus, taxi and auto-rickshaw)	21 (10.88)	0	21 (8.97)	13 (13.98)	0	13 (10.08)	34 (11.89)	0	34 (9.37)
Retail (petty) trade	42 (21.76)	4 (9.76)	46 (19.66)	20 (21.50)	4 (11.11)	24 (18.60)	62 (21.68)	8 (10.39)	70 (19.28)
Medical practice (medical and dental clinics, nursing homes, hospitals etc. (all systems of medicine))	10 (5.18)	2 (4.88)	12 (5.13)	4 (4.30)	1 (2.78)	5 (3.88)	14 (4.89)	3 (3.90)	17 (4.68)
Automobile and other workshop	6 (3.11)	0	6 (2.56)	5 (5.38)	0	5 (3.88)	11 (3.85)	0	11 (3.03)
Restaurant (tea shop), hotel, fast food, cool bar, etc.	2 (1.04)	0	2 (0.85)	8 (8.60)	4 (11.11)	12 (9.30)	20 (6.99)	4 (5.19)	24 (6.61)
Tailoring	2 (1.04)	4 (9.76)	6 (2.56)	0	7 (19.44)	7 (5.43)	2 (0.70)	11 (14.29)	13 (3.58)
Practice of law	5 (2.59)	1 (2.44)	6 (2.56)	5 (5.38)	3 (8.33)	8 (6.20)	10 (3.50)	4 (5.19)	14 (3.86)
Itinerant occupations (dhobi, barber, goldsmith, blacksmith etc.)	7 (3.63)	1 (2.44)	8 (3.42)	4 (4.30)	0	4 (3.10)	11 (3.85)	1 (1.30)	12 (3.31)
Vegetable, fruit and meat vending	3 (1.55)	7 (4.88)	10 (2.14)	1 (1.08)	4 (11.11)	5 (3.88)	4 (1.40)	6 (7.79)	10 (2.75)
Dairying, poultry, duck and goat rearing	4 (2.07)	6 (14.63)	10 (4.27)	0	2 (5.56)	2 (1.55)	4 (1.40)	8 (10.39)	12 (3.41)
Fishing, fish farming, fish curing and fish vending	2 (1.04)	6 (14.63)	8 (3.42)	1 (1.08)	2 (5.56)	3 (2.25)	6 (2.10)	8 (10.39)	14 (3.86)
Clinical laboratories	2 (1.04)	1 (2.44)	3 (1.28)	0	0	0	2 (0.70)	1 (1.30)	3 (0.83)
Beauty parlour	1 (0.52)	2 (4.88)	3 (1.26)	0	2 (5.56)	2 (1.55)	1 (0.35)	4 (5.19)	5 (1.38)
Contract business (construction, quarry, building materials etc.)	6 (3.11)	0	6 (2.56)	0	0	0	6 (2.10)	0	6 (1.65)
Watch repair, repair of TV, domestic appliances etc.	2 (1.04)	0	2 (0.85)	2 (2.15)	0	2 (1.55)	4 (1.40)	0	4 (1.10)
Tutorial and parallel colleges, coaching centres, nursery schools, tuition centres etc.	10 (5.18)	4 (9.76)	14 (5.98)	1 (1.08)	1 (2.78)	2 (1.55)	11 (3.85)	5 (6.49)	16 (4.41)
Small enterprises including SSI units	16 (8.29)	2 (4.88)	18 (7.69)	10 (10.75)	1 (2.78)	11 (8.53)	26 (9.10)	3 (3.90)	29 (7.99)
Others (miscellaneous)	12 (6.22)	3 (7.32)	15 (2.14)	8 (8.60)	3 (8.33)	11 (8.53)	20 (6.99)	6 (7.79)	26 (7.16)
No response	2 (1.04)	0	2 (0.85)	0	1 (2.78)	1 (0.78)	2 (0.70)	1 (1.30)	3 (0.83)
All	193 (100.0)	41 (100.0)	234 (100.0)	93 (100.0)	36 (100.0)	129 (100.0)	286 (100.0)	77 (100.0)	363 (100.0)

Notes: 1. Figures in parentheses refer to percentages.

2. Retail (petty) trade consists of stationery, panshop, fancy shop, provision store, fair price, and ration shops, electrical and auto-spare parts, textile and ready-made garments, medical shops, etc.

3. Small enterprises consist of flour mill, saw mill, pappad making, xeroxing, bookbinding, cycle shop, typewriting institute, cooking gas agency, petrol pump, bookstall, ivory works, sericulture, computer centre, furniture, copra, bakery, cold storage, photo studio, etc.

poultry farming fish vending, private tuition and nursery schools, tailoring and retail trade constitute the more important forms of self employment for rural self employed females together accounting for 58.6 per cent. While for urban self employed males retail trade transport small enterprises and catering are the major outlets together forming 54.8 per cent of the self employed in this category the majority of urban self employed females (61 per cent) are engaged in tailoring retail trade catering vegetable and fruit vending and practice of law. It seems that the practice of law is rapidly emerging as a challenging type of self employment among urban females with law degrees. Another emerging outlet for not so highly educated urban females is to work as beauticians.

RATIONAL OF SELF EMPLOYMENT

Why do work seekers settle for self employment? It is worth recalling here that none of the respondents in our sample of unemployed reported that they were looking for self employment. Barring a few cases of no preference/any jobs and no response the majority of the rural and urban unemployed in the sample expressed a preference for regular salaried employment like clerical and teaching jobs. Moreover even those who did not report any preference for a particular job did express their preferences regarding parameters of salaried employment such as minimum salary sex and place of employment. It is thus beyond doubt that self employment is not generally preferred form of employment in Kerala. Logically therefore it follows that most of those in our sample who have ended up in self employment have done so only after they had failed to obtain regular salaried/wage employment. This presumption is corroborated by the results of our sample survey. Of course as is to be expected there are a few who have taken to self employment for its challenge and a few others who have been motivated by the possibilities of higher returns.

The reasons reported for opting for self employment are indeed very revealing. Out of a total of 363 self-employed in our sample as many as 80 self-employed (22 per cent) have reported that it was their failure to obtain either a regular government job or any regular job that made them settle for self employment. For the rural self-employed this proportion was higher (23.1 per cent) compared to the urban (20.2 per cent). Furthermore 98 persons among the self-employed (forming 27 per cent) have preferred self employment in the expectation of a regular income. We are thus led to infer that a significantly large segment of the work seekers in Kerala prefer salaried/wage employment to self employment and that

eventually if they opt for self-employment they do so only as a last resort - only after they have failed to obtain regular salaried jobs. Interestingly even when they finally decide in favour of self employment it is the lure of a supposedly regular income that makes them do so (Blaug 1973:63). In other words they tend to view self employment as a substitute for and not as an alternative to regular salaried/wage employment. This tendency to prefer self employment on grounds of expectation of a regular income is much more pronounced among the urban (32.6 per cent) compared to the rural (23.9 per cent) self-employed. In our sample of the self-employed one tenth consists of those who pursue their hereditary occupations or family businesses. They belong either to the rural based industries such as blacksmith

goldsmith dhobi and barber or to the urban based trading and business classes. Obviously their involvement in self employment is more accidental than deliberate. We come across a larger proportion of such persons among the urban (15.2 per cent) than among the rural self-employed (8.1 per cent). A few other self-employed persons totalling 25 in number (7.0 per cent of the sample) have reported that they were engaged in self employment

TABLE 13. ARIKUL MULLU PERSONS
SELF EMPLOYED (%)

Section	Male	Female	Person
Rural	1984.31	1413.22	1580.25
Urban	2015	1225.71	1510.93
Total	1994.06	1360.33	1857.70

TABLE 14. REASONS FOR SELF EMPLOYMENT

Reason Reported	Number of Self Employed Persons Reporting		
	Rural	Urban	Total
Expectation of regular income	56 (13.33)	42 (3.56)	98 (27.00)
Failure to obtain regular job	33 (11.10)	21 (16.78)	54 (14.88)
Failure to obtain regular government job	1 (8.27)	5 (3.85)	6 (7.16)
Expectation of higher returns	5 (10.68)	2 (6.98)	7 (9.37)
Pursuit of hereditary occupation/family business	19 (8.17)	17 (1.18)	36 (9.97)
No other source of income	20 (8.85)	5 (3.88)	25 (6.89)
Liking for the work concerned	13 (5.56)	3 (2.31)	16 (4.41)
Work suited to own training	13 (5.56)	10 (7.75)	23 (6.34)
Nobody else in the household to attend to the work	8 (3.17)	1 (0.78)	9 (3.48)
Desire to obtain additional source of income	5 (1.41)	3 (2.31)	8 (2.20)
Encouragement or pressure from parents or other members of the household	2 (0.85)	1 (0.78)	3 (1.10)
Inner urge for self employment/desire to have independent source of financial support	5 (2.14)	3 (2.31)	8 (2.20)
Low educational qualifications	3 (1.78)	1 (0.78)	4 (1.10)
Time passing	3 (1.78)	0	3 (0.83)
Dislike of government service	0	2 (1.55)	2 (0.55)
Physical handicap	0	1 (0.78)	1 (0.27)
Do not know any other work	0	1 (0.78)	1 (0.27)
No particular reason	6 (2.56)	2 (1.55)	8 (2.20)
No response	2 (0.85)	1 (0.78)	3 (0.83)
All	231 (100.00)	179 (100.00)	410 (100.00)

Note: Figures in parentheses refer to percentages.

TABLE 15. SELF EMPLOYMENT CHOICE BY RURAL MOTIVATIONS

Reason Reported	Number of Self Employed Reporting								
	Rural			Urban			Total		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Expectation of higher returns	26	5	31	9	0	9	29	5	34 (9.37)
Liking for the work	10	3	13	3	0	3	13	3	16 (4.41)
Work suited to own training	11	2	13	7	3	10	18	5	23 (6.34)
Inner urge for self employment/desire to have independent source of financial support	5	0	5	2	1	3	7	1	8 (2.20)
Dislike of government service	0	0	0	2	0	2	2	0	2 (0.55)
All	46	10	56	22	4	27	69	14	83
	(23.83)	(24.39)	(23.94)	(23.73)	(11.11)	(20.92)	(24.13)	(18.18)	(22.87)

Note: Figures in parentheses refer to percentage to the total self employed in the relevant category.

for no reason except that they had no other source of income. Among them are included 20 rural self-employed (8.6 per cent) and five urban self-employed (4.9 per cent). A still smaller number of the self-employed forming 2.5 per cent of the sample have reported that their option was based on the fact that there was no one else in the household to attend to the work concerned (e.g. farming). We are thus left with not more than five categories or types of self-employed who have had the right motivation for self-employment.

We note that while most of the respondents in our sample have opted for self-employment either as a last resort or out of sheer helplessness, there is a hard core of self-employed (83 persons in all - 22.9 per cent out of a sample of 363) though very much in a minority, who have taken up self-employment out of the right motivation. It is exactly these factors or impulses that need to be nurtured for the promotion of self-employment.

The proportion of those driven by the right motivation is less by three percentage points in the case of urban compared to the rural self-employed. As for gender differences, there is practically no difference in motivation between self-employed rural males and females. In respect of urban self-employed, however, we observe that a markedly lower proportion of the female self-employed is motivated by higher aims - 11.11 per cent of the urban female self-employed is against 24.7 per cent of the urban male self-employed. Since we have only four observations in this category, any generalisation based on such a small sample could be misleading and hence we shall not attempt any explanation of this difference in motivation.

Rural-urban gender differences apart, we observe that out of 286 self-employed males and 77 self-employed females in our sample, 69 males (24.1 per cent) and 14 females (18.2 per cent) had opted for self-employment in response to higher motivation. The relatively lower proportion of females falling in this category is probably indicative of the additional constraints which female work seekers have to reckon with in choosing the type of self-employment. Self-employment in general requires more initiative and enterprise, more self-reliance and greater urge for independence on the part of the work seekers than salaried employment, and female work seekers in predominantly traditional societies/communities are seldom characterised by these traits in ample measure.

EARNINGS OF SELF-EMPLOYED

It is almost impossible to collect accurate data on the earnings of the self-employed. For one thing, most of the self-employed do not maintain any reliable record of their

earnings on a regular basis. For another, even in cases where they do, there is a distinct tendency to underreport earnings for various reasons including fear of being assessed for income tax. Apart from these limitations, there is still another problem, namely, whether the self-employed are able and willing to report their labour earnings net of the value of purchased and owned inputs (i.e. rental value of owned land and business capital). It has been pointed out that such reporting bias is common even in developed countries like the US [Schultz 1988: 595-96]. Notwithstanding these limitations, we present below the results of our sample survey regarding the earnings of the self-employed as they provide a broad picture of the relative magnitudes involved.

The results of the sample survey show that there is not much difference between the earnings of the rural and urban self-employed as reported by them. This is but natural in view of the fact that there is no sharp rural-urban divide in Kerala. However, it is seen that the female self-employed earn consistently less than their male counterparts. This also stands to reason because, as we have pointed out earlier, whether it is salaried employment or self-employment, females are subjected to more constraints compared to males. While one might readily grant that the impact of such constraints is less in Kerala compared to the rest of the country because of the higher levels of female education prevailing in the state, the fact remains that even in Kerala, female earnings are generally somewhat lower, except in those sectors where there exist statutorily fixed uniform scales of pay and allowances for all employees, men and women alike. The survey has also demonstrated that average earnings from self-employment are not on the whole distinctly lower than those from regular employment and that hence the

reasons for the existing preference for salaried/wage employment are to be sought elsewhere. At the same time, the survey results point to the fact that self-employment in Kerala is highly diversified both in terms of type of employment and in terms of average earnings. This is in keeping with the experience of most developing countries where self-employment varies from marginal workers in hawking and vending constituting the poverty category of the self-employed to successful shopkeepers, artisans, hoteliers, brokers, merchants, traders and so forth [Kannappan 1983: 251]. The wide range of earnings enjoyed by the self-employed is brought out in Table 17.

It is seen that over one half of the self-employed in our sample have monthly earnings of Rs 1,500 or above which compare favourably with the average emoluments of salary/wage earners in the organised sector. In fact, about 10 per cent of the rural as well as urban self-employed earn as much as Rs 4,000 or more per month. At the other end of the spectrum, about 5 per cent of them earn incomes below Rs 500. This group may be treated as consisting of the marginal workers or as roughly belonging to the poverty category of the self-employed consisting of vendors and hawkers of all sorts of goods. Besides, another 20.7 per cent of the self-employed derive monthly earnings of Rs 500 and above but below Rs 1,000. This group may be roughly considered to be very close to the poverty category. Thus altogether, roughly one fourth of the self-employed may be said to belong either to the poverty category or to the near-poverty category. Then distribution by levels of income and nature of self-employment are given in Table 18.

Interestingly, the low income earners among the self-employed irrespective of their particular income bracket are engaged

TABLE 17. DISTRIBUTION OF SELF-EMPLOYED BY MONTHLY EARNINGS (RS)

Range of Monthly Income Reported	Number of Self-Employed in Income Group							
	Rural				Urban			
	Male	Female	Persons	Male	Female	Persons	Male	Female
Below 500	3	7	10	3	3	6	6	10
	(1.59)	(16.67)	(4.35)	(3.26)	(8.57)	(4.72)	(2.14)	(12.99)
500 and above	29	13	42	15	17	32	44	30
but below 1000	(15.52)	(30.95)	(18.26)	(16.30)	(48.57)	(25.20)	(15.71)	(38.96)
1000 and above	48	8	56	20	5	25	68	13
but below 1500	(25.53)	(19.05)	(24.35)	(21.74)	(14.28)	(19.68)	(24.28)	(16.88)
1500 and above	31	3	34	16	1	17	47	4
but below 2000	(16.49)	(7.14)	(14.78)	(17.39)	(2.86)	(13.38)	(16.78)	(5.19)
2000 and above	58	8	66	27	7	34	85	15
but below 4000	(30.85)	(19.05)	(28.69)	(29.35)	(20.00)	(26.77)	(30.36)	(19.48)
4000 and above	15	3	18	9	2	11	24	5
but below 7000	(7.98)	(7.14)	(7.63)	(9.78)	(5.71)	(8.66)	(8.57)	(6.49)
7000 and above	4	0	4	2	0	2	6	0
	(2.13)		(1.74)	(2.17)		(1.57)	(2.14)	
All	188	42	230	92	35	127	280	77
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Note: Figures in parentheses refer to percentages.

in almost identical pursuits such as owner cultivation, livestock and poultry farming, private tuition, hawking and vending of fish, meat, vegetables and fruits, tailoring, transport, petty trade and hereditary occupations. Such types of self-employment are aptly referred to as low-level self-employment where the capital involved may be negligible and entrepreneurial risk taking minimal [Kannappan 1983:212]. None of these low-income self-employed are engaged in any small scale industry worth the mention or in the practice of professions such as medicine and law. Besides, this segment of the self-employed is dominated by female workers. Out of a total of 77 reporting self-employed females in our sample as many as 40 workers (51.9 per cent) belong to the poverty or near-poverty category. In contrast, only 50 (17.9 per cent) out of a total of 280 reporting self-employed male workers are included in this category. The dominance of low-income self-employed females is much more pronounced among the urban self-employed, while out of 38 urban self-employed constituting the poverty or near-poverty category as many as 20 consist of female workers (52.63 per cent) among 52 rural self-employed in the low-income category only 20 (38.5 per cent) consist of female workers.

IV Conclusion

The objective of this paper has been two-fold namely (1) to examine whether there is any empirical basis for the widely held view that work seekers in Kerala, especially the educated unemployed prefer salaried

employment to self employment, and (2) granted that not all work seekers succeed in obtaining salaried employment, to examine what motivates people to choose self employment. Barring those among the unemployed who either expressed no preferences for any particular job or were ready to accept any job, the most preferred types were found to consist of clerical and teaching jobs. It was noted that aspirants for clerical jobs had fewer qualifications than those seeking teaching jobs. The no preference/any job category of unemployed chiefly consisted of undergraduates and third class graduates. If at all they had any vocational qualifications, they were definitely of a lower level. Probably long waiting periods and the consequent frustration made these people give up their job preferences one after another.

Regarding other job preferences, we have noted that 87 per cent of the rural and 97 per cent of the urban employed have stipulated a minimum salary. However, it was found that unemployed females, rural as well as urban, were willing to work for lower salaries. Their relatively lower reservation price may be due partly to wider unemployment among the educated female labour force and partly to the fact that female job seekers, while greatly valuing economic independence, do not generally expect to be the main breadwinners in the family. In regard to job preferences pertaining to the sector of employment, it is seen that roughly one-half of the job seekers, rural and urban, have no preferences whatsoever. Those who have, however, have a distinct bias in favour of public sector employment. In respect to job preference regarding place of

employment, we have noted that roughly equal proportions (over 65 per cent) of the unemployed, rural as well as urban, prefer to be employed within the state. Interestingly, a distinctly higher proportion of the urban unemployed (30 per cent) prefer employment within the district compared to rural work seekers (19 per cent). As for gender differences, 38 per cent of the rural and 47 per cent of the urban female work seekers prefer to be employed within the district, whereas for the male unemployed rural and urban the proportion is a low as about 5 per cent. Needless to say, this tendency does not bode well for the female employment situation in Kerala.

Turning to self employment, the data on the educational profile of the self-employed in our sample have shown that the vast majority of them (in fact over 75 per cent) belong to the SSLC/predegree level or below. This result reinforces the prevalent impression that persons with relatively higher levels of general education do not generally opt for self employment. On the gender side, while a significantly higher proportion of the rural self-employed females belong to the lower educational category (SSLC/predegree or below) compared to the male self-employed, there is a reversal of the relative positions in the case of the urban self-employed.

Considering the entire sample of self-employed, we note that the most common forms of self employment applicable to both rural and urban self-employed consist of retail (petty) trade, farming, transport, small enterprises and catering services. There are, however, distinct gender differences, whereas for the male self-employed retail

TABLE 18. EARNINGS OF SELF EMPLOYED IN POVERTY/NEAR-POVERTY CATEGORY

Level of Monthly Income (Rs.)	Type of Self Employment	Rural			Type of Self Employment	Urban		
		No of Self Employed M	No of Self Employed F	Total Persons		No of Self Employed M	No of Self Employed F	Total Persons
Upto 500	Food vending, petty trade, livestock and poultry rearing, private tuition, owner cultivation, contract business, transport, tailoring, hawking and vending of fruits and fish, broker	9	13	22	Food vending, petty trade, hawking and vending of fish and fruits, tailoring, owner cultivation, livestock farming	5	12	17
501-750	Owner cultivation, petty trade, Nursery school, tailoring, private tuition, transport, hereditary occupations, livestock farming, vegetable vending, food vending	11	6	17	Owner cultivation, food vending, tailoring, petty trade, vegetable vending	7	4	11
Above 750) but below 1000	Food-vending, tailoring, transport, livestock farming, fish vending, transport, watch repair, hereditary occupations	12	1	13	Meat vending, tailoring, transport, food vending, poultry farming, fish curing and vending	6	4	10
	All	32	20	52		18	20	38

- Notes: 1. Petty trade consists of provision store, stationery, selling pan, cigarettes, soft drinks, etc.
2. Food vending consists of tea shop, selling snacks, fast food, etc.
3. Hereditary occupations consists of blacksmith, goldsmith, dhobi, barber, etc.
4. Transport consists of bus service, autorickshaw and taxi service.

trade (petty trading) is the predominant form of activity followed by farming and transport, for the female self employed tailoring forms the major type followed by retail trade dealing poultry farming and fish vending.

Why do work seekers opt for self employment? As many as 80 out of the 363 self employed in our sample (22 per cent) have reported that it was their failure to obtain either a regular government job or any regular job at all that made them resort to self employment. Another 98 persons (27 per cent) preferred self employment in the expectation of a regular income. This evidently a significant segment of those who are self employed tend to view self employment as a substitute for and not as an alternative to regular salaried/wage employment. It is, however, relieving to note that while most of the respondents have opted for self employment either as a last resort or out of sheer helplessness, there is a hard core of self employed (23 per cent) who have taken up self employment out of the right motivation (expectation of higher returns, liking for the work, work suitable to own training and so on).

As for the average monthly earnings of the self employed, while over one half of them are Rs 1500 or above which compares favourably with the average emoluments of salaried/wage employment in the organised sector, there exists a poverty category forming 5 per cent of the self employed whose monthly earnings are below Rs 500. Another 21 per cent derive earnings of Rs 500 and above but below Rs 1000. These groups may be said to represent low level self employment. Significantly the segment is dominated by female workers.

While the above results are certainly interesting, it is hoped that in view of the inherent limitations of the data including size and coverage of the sample, this exercise will stimulate further similar studies before definitive conclusions are reached.

Notes

[This paper forms the second in the series of a larger study on employment/unemployment in Kerala I have undertaken under a senior fellowship of the ICSSR and is in continuation of an earlier paper 'Some Socio Economic Aspects of Educated Unemployment in Kerala' already published in the *IPW*. I am grateful to the ICSSR for the fellowship and to Sahu Philip for valuable research assistance.]

1. The literature on employment problems in developing countries is indeed replete with references to privileges enjoyed by employees in the public sector. For example, referring to a study of university students in Sri Lanka, Blaug points out that a great majority of them preferred public sector employment because of superior fringe benefits, greater personal freedom and greater

job security. What makes the public sector so attractive to educated people in many Less Developed Countries is the fact that job performance is not rated and hence that internal promotion is virtually automatic [Blaug 1973:65].

2. The sample was drawn as follows:

(a) Rural households	Andoorkonan panchayat	125
	Karakulam panchayat	125
	Ulloor panchayat	145
	Sreekariyam panchayat	145
	Subtotal	540
(b) Urban households	Atingal municipality	75
	Nedumangad municipality	75
	Trivandrum corporation	120
	Subtotal	270
	Total (Rural and Urban)	810

The subsamples for Andoorkonan and Karakulam panchayats represented all the 12 wards of the two panchayats, the subsample for Ulloor panchayat was representative of its 10 wards and that for Sreekariyam was drawn from 13 out of its 14 wards. As for urban households, the subsample was representative of 18 out of 19 wards in Atingal municipality, 15 out of 19 wards in Nedumangad Municipality and 17 out of 25 wards in Trivandrum corporation.

3. A related concept is that of geographical mismatch, i.e. immobility of labour between regions. In most industrial countries geographical mismatch has practically disappeared and hence it is pointed out that there has been a long term reduction in regional differences in unemployment rates [Godfrey 1986:75].

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Mass Movements and Marxist Method

G Vijay

ARUNPATNAIK's critique (*EPW* May 20) of Balagopal's article (*EPW* May 7) calls forth a serious debate on certain theoretical questions. Balagopal's argument not only confronts the dilemma of Sumanta Banerjee's discourse, but itself ends up in a different kind of a dilemma, as pointed out by Arun Patnaik.

The study of social dynamics has never been a smooth process since the purpose of revolutionary theory is to capture motion in the process of transformation, unlike a study of qualitatively different points presumed to be static as is done by positivist theories. Arun Patnaik's arguments linking psychic processes to its material conditions, his rejection of the dichotomous view of matter and consciousness, his enquiry into the intricacies of moral and material domains to elucidate the theory of liberation, is more an assertion of the classical Marxist understanding than a dialectical negation of Balagopal's arguments. Nowhere does Balagopal argue against transformation; he is only questioning the potential of the existing theoretical constructs in materialising its goals. The differences, therefore, in the theoretical conception of the context in Balagopal's and Patnaik's arguments lie not as much in the conception of the existence of motion, as in their conception of its causation.

Marxist method has to its credit the capacity to identify the conditions of a contradiction in the object and to predict the motion of the object based on its dialectical logic. Change in the object has always been handled with relatively greater reliability and confidence by Marxists than by any other theoreticians. However, in relation to itself, though Marxism has an impeccable logic in dealing with the object, Marxist theoreticians desist from entering into a debate on subject transformation. Subject has always been a problematic in Marxist theory, since contradictions posed by the subject have always been understood as having an explanation in the object and contradictions in the object as the summation of the contradictions in the subject. However, object is not a summation of the subjects, since interaction of the subject is not only with the object but also between the subjects. (In this debate, object refers to the context, subject refers to the individual, and subjective refers to the specificity or particularity.)

Institutions such as family, religion and its rituals came into existence as a result of production. However, the present production processes do not have an immediate necessity

of these institutions since changes in the mode of production have thrown up much more sophisticated mechanisms such as the market to serve this purpose. Even in the west, which has developed capital, these institutions, though weak, do exist. The existence of institutions which no longer have mechanical relations with production make interactions possible on other lines. Thus there is a multiplier impact of the subject interactions on the objective situation and the abstract consciousness of a social movement is more than the consciousness of the subjects involved in it. If one were to believe that object consciousness is a mere summation of subject consciousness, then logically it can be argued that the consciousness of certain subjects may not just match the average consciousness of the object, but that the consciousness of certain subjects is more advanced than the consciousness of the object.

It is as a result of his failure to find such an individual that Balagopal takes refuge in Freudian psychoanalysis. Unable to grasp the extreme variation in object consciousness and subject consciousness, Balagopal not only gives up materialist understanding but also dialectical method. It is more a refuge than a solution to the problematic.

However, the problematic persists. The questions which the subject in Marxist theory poses are: when does a subject become conscious? If praxis is a measuring rod, does it mean that all engaged in similar practice have a uniform consciousness? Can individuals with different levels of consciousness engage in similar practice? Such questions are not aimed at reluting the validity of praxis but indicate its inadequacy as a sole determinant of consciousness, since in the process of change every new element can only be a complement to praxis and not an alternative to it.

Every individual is part of an overall context which in this debate is Indian society. This overall context is the object which is conditioned by the changes in productive forces, but this objective condition is not uniform since this society is highly segregated and such segregation leads to a situation in which a rise in productive forces has a stratified impact on the consciousness of individuals. It is this varying level of impact of productive forces which we may term the subjective of the objective condition. A mass movement aiming to liberate the masses from any form of oppression acts at one stage as a productive force. When it comes

to the Indian context, it does not have a similar impact on different segments of society. Each engaged movement responds to the other movement with its own subjective notion, i.e., segregation of the context also increases the scope for segregation of the consciousness, and since stratification exists with objective condition itself.

Hindu society, by its own specificity in the application of flexible standards, puts construction of theory and practice. Hinduism seems to be extremely commoditised and flexible when it comes to philosophical criticism; it can be observed that all dissent right from Buddha down to Ambedkar is recent UP experience, though it has been successfully absorbed into its superstructure without the slightest deviation in its practice. The practice of established undemocratic norms are successfully seen as being independent of the adjustments it makes to its superstructure.

From the point of class, by its call to the transmutation of consciousness to class for itself lies the many segmented contradictions which are not noticed. The least must question the class question, the tribal question, the outcomes of the segregated unity of the objective condition which subjects them to varying levels of exploitation. The subjective of the objective condition is such that transformation itself conveys different meanings to different people. Every mass movement is interacting with other movements on the plane of diversity which is not allowing contradictions to mature, rendering the productive forces relatively stagnant. This neither the objective condition necessitates the motion in subject nor the subject matures to transform the objective since the plane of diversity is more a fetter than a potential in transformation.

If we take the Andhra problem in recent times in consideration, we find that these realities are becoming more explicit since the motion of contradictions are more rapid where there are a range of mass movements: a strong dalit movement, a strong women's movement (of which the liquor ban is sufficient evidence), and of course above all class politics. Taking these three perspectives into consideration, we can concretise this debate.

We find that these movements have hostile relations, though all of them at one level or another are contributing to increasing the level of consciousness and have emerged from the same context. The dalit movement is the outcome of the contradictions that emerged on caste lines, which is evident in the atrocities that were committed on dalits in K. J. Ambedkar Chindur, Padmakuppam and such other places. This movement perceives the non-dalit movement as a

movement of the upper castes since they are accused of not taking the caste question seriously in the past. The dalit movement is trying to cash in on the deaths of those who are killed in fake encounters by drawing up statistics to prove that most of them are dalits overlooking the fact that those who have died have had no dalit politics. They also maintain that the leadership of the naxalite movement is in the hands of the upper castes. Similar is their approach to the feminist question. In a press conference when Kanshi Ram was asked how he perceived the women question, he replied to the astonishment of all that he had no time to think about women's problems. The naxalite movement in the north has characterised the dalit movement as the movement of the bourgeoisie to subvert class politics, since the dalit movements raised questions only about self-respect and capturing of power as ultimate goals, leaving land questions unanswered. It is also held that the movement has no specific stand on imperialism nor an economic agenda for the oppressed.

The class-biased movements also perceive the feminist movements largely as movements of the elite and blame them for not having specific understanding of the problems of women of lower classes, since feminists treat all classes with the same parameter of gender. Feminists on the other hand argue that when atrocities are committed on dalits or when police raid villages in search of naxalites, it is the women who suffer the most. Women are subjected to torture, molestation and rape, all of which have their origin not in caste or class but gender. They blame class and caste politics for having overlooked this issue and feel that these movements are insensitive to their problems since the movements are carried on by people in whom patriarchal values are ingrained. Thus we find that each segregated movement perceives other segregated movements more as competitors than as complements to their motion, more as foe than as catalyst, more as enemy than friend. The subjective of the objective has transformed all transformationary movements segregated as they, into checks on the growth of other segregated movements. Thus there is a stagnation in the overall motion of the context which again appeals to the segregated reasoning in which subjective consciousness of the movement perceives every other segregated movement as the reason for stagnation, rather than as an element in the process of transformation. The exploitation in the objective condition is at such a high degree that when a subject becomes conscious in its subjective of the objective condition, it aggressively searches for immediate solutions for its liberation.

The naxalite movement has the land question as primary on their agenda of struggle. For the dalit movement the caste

question is primary, and for women the gender question is primary on their agenda of struggle. No means exist without ends as Balagopal perceives, nor do ends stagnate as Arun Patnank perceives. Since transformation in object and subject is not a mechanical process, one must understand that there are forces both in base and in superstructure which contribute to transformation and there are forces that contribute to stagnation, and it is precisely in the analysis of the forces of motion and forces of stagnation that lies the crisis of the existing social economic political cultural and ecological movements.

The feminist movement, dalit movement or class struggle can be accused of being outcomes of self-interest if only one aims at the other as primary targets. But this is not what is happening, what is happening is every segregated movement is perceiving every other segregated movement with its own given level of consciousness, as the objective condition does encompass segregation as a matter of fact. All these perceptions appear to be factual and are factual to a certain degree, but the more important fact is that the flaws of the context in its superstructure are played against the motion at the base and the flaws in the base are played against the motion in the superstructure and as a result the dynamics are so working out that the object in motion is targeting itself instead of the object in stagnation. Since all the exploitations at various levels are true and not mere hallucinations, an exploiter may have a method of diffusing the intensity of exploitation, but transformationary politics cannot have such an option of ignoring certain forms of exploitation. Every liberation from one structure of segregated dominance leaves the struggle incomplete and it is therefore a necessary task of a revolutionary to absorb and dismantle these segregations by waging wars against all sources of segregations. Perception of the objective through a subjective stand would make the perception more a part of the segregation than a source of liberation. It must also be kept in mind that every segregated stagnant notion would strengthen the forces of stagnation, since history cannot go back. What can happen is that the stagnant forces can eat into the forces that contribute to the motion, of which the disappearance of the liberal democratic section of society is a startling manifestation.

In an objective condition with extreme social stratification and with a highly active superstructure, which far from reflecting the objective reality acts as a veil, to bring to the forefront a true picture of the objective condition is a much more difficult process of extrusion of truth. Balagopal fails to tackle this reality since he adopts a method of dealing with the subjective of the subject,

and it is precisely because of this methodological flaw that in Balagopal's history as Arun Patnank puts it, struggles exist without determinate goals, goals exist without ultimate aims, aims exist without any dream of achievement.

Balagopal can be accused of idealistic inclinations. His method therefore is inadequate in dealing with the intricacies of the objective situation. However, those Marxists who do not take the questions he raised seriously are being no less idealistic about Marxism itself. It must be noted that the Marxist method is highly creative and the method to a large extent remains unexplored. Balagopal has given up a method without its potential being fully exhausted. For Marxism is an instrument of understanding and not a dogma. In this context Arun Patnank's method of dealing with the subject in the objective also fails to provide satisfactory answers to these questions. Perhaps one needs to take a much more comprehensive approach in dealing not only with the subject in the objective but also with the subjective of the objective (of the subject).

It is perhaps such an approach which can bring to the forefront those variables in the objective condition which have never been incorporated into the methodology of the study of social dynamics. With this background it can be said that in the process of change on the ground, every movement will have a constructive role to play, as far as it unites the masses against a specific segregated target, but it cannot have transformationary potential unless it acts with an understanding that every segregated movement is a result of the subjective of the object and adopts methods which aim at dismantling not the segregated movement but the segregation itself. In this context class politics have an edge over other politics since it has a much more flexible framework and provides a broad base to absorb these specificities. It is therefore necessary that this discourse deals more with struggles and mass movements, and not as a mere intellectual exercise. It is unfortunate that most of the intellectuals, including some activists like Balagopal whose commitment to the cause cannot be questioned, are engaging in armchair-like discourses without directly addressing themselves to the movements nor concretising this abstract debate that goes on in a language non-communicable to activists. The attempt in this comment is to emphasise that an intellectual discourse can at the most bring an existing contradiction into the discourse with greater clarity. Resolution cannot be accomplished through these debates, but only through struggles and mass movements. We can leave it here to the ingenuity of such struggles to incorporate this theoretical debate into their action strategy.



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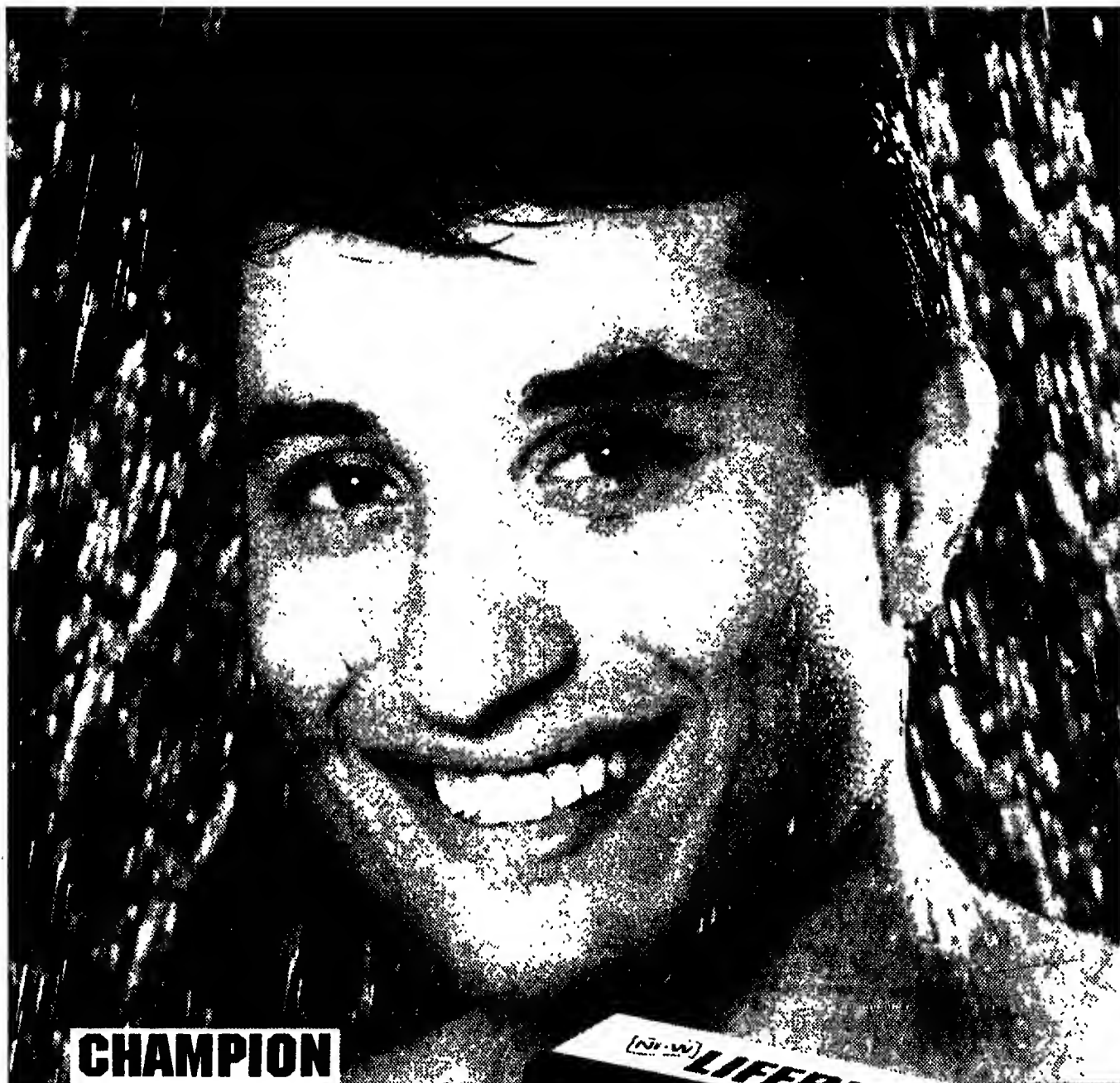
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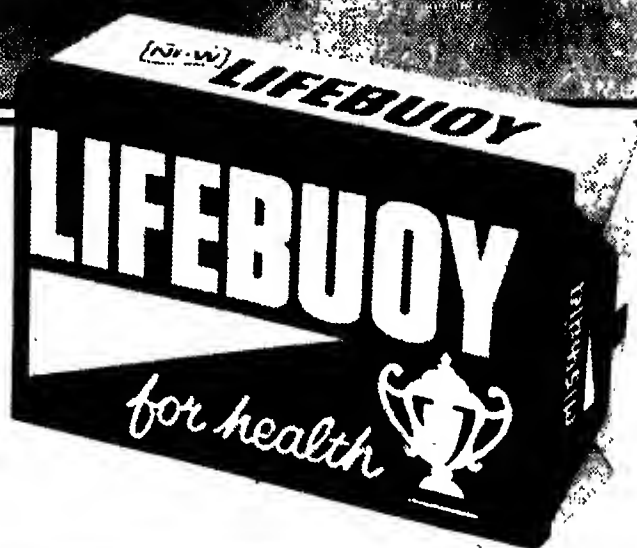
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Literacy: India-China Contrast

Recent census based evidence on literacy shows China to be far ahead of India in basic education. In particular, China is close to the elimination of illiteracy in the younger age groups, while India is nowhere near achieving that goal. Educational disparities follow similar patterns in the two countries, but tend to be sharper in India. China's lead in basic education was established during the pre-reform period, based on a strong commitment to the widespread and equitable provision of schooling facilities at an early stage of development. This contrast in educational achievements in India and China is crucial in assessing their respective development experiences and reform programmes. **2868**

Women and Mental Illness

Community surveys provide information on the socio-demographic profile of the mentally ill in Indian communities. However, these studies do not treat the aspect of gender nor are there other independent studies on women and mental illness. An attempt to fill a conspicuous gap in women's health studies. **2879**

'Private Banking' and the Rupee

Considering the scale on which portfolio funds and 'other capital' have entered India in the last two years, the recent volatility in the exchange rate of the rupee clearly needs to be looked at in the context of international capital flows. **2849**

Institutional Decay

The issues raised by the Supreme Court's recent order holding a principal secretary to the government of Karnataka guilty of contempt are a reflection of the general decline and decay of institutions in the country. **2857**

Fragility Exposed

The fragility of the external payments position, exposed by the market-driven devaluation of the rupee and the depletion of foreign exchange reserves, has shown that the priority assigned to external liberalisation in the government's economic policies is wholly misconceived and is fraught with dangerous consequences. **2847**

Statistical Follies

Subjecting as many indicators of development as possible to multi-variate statistical analysis, researchers define, measure and analyse development to validate economic theories or pronounce policy prescriptions of great import even though, disturbingly often, the statistical techniques they employ are incapable of supporting the type of conclusions they rush to reach. **2887**

Scarce Liquidity

Recent money market movements, highlighted by the spectacular rise in the call money rates, have been led by developments in the foreign exchange market which have aggravated the liquidity strain in evidence since the beginning of the financial year. **2839**

Reform from Within

In the face of the enormous difficulties implicit in the enactment of a uniform civil code, both the initiative for reform of personal laws as well as the creation of institutional structures for building consensus over such reform have to come from within the different communities. **2851**

Russian Elections

Elections will be held in Russia on December 17 to elect a new parliament, the State Duma. While the election campaign has been in full swing for several months and those contesting the elections are in a state of rising high fever, the people remain cool, even indifferent by and large. They do not feel the elections will change anything. **2853**

Distorted Reforms

THE 1995 amendment to Karnataka Land Reform Act (1961) has allowed (1) leasing out land in UK and DK districts up to 40 standard acres for the purpose of aquaculture up to 20 years (Amendment of Section 5, sub-section 2); (2) outright purchase of land by any individual whose annual income from non-agricultural sources is below Rs 2 lakh (Amendment of Section 79A), and (3) exemption of the Rs 2 lakh limit (a) for the purpose of industrial development for which up to 20 standard acres can be bought; (b) for the purpose of educational institutions for which up to four standard acres can be bought; (c) for places of worship for which up to one standard acre can be devoted; (d) for the purpose of horticulture, floriculture, agro-based industry for which up to 20 standard acres can be bought; and (e) for the purpose of housing projects for which up to 10 standard acres can be bought (Amendment of Section 109).

Since 75 per cent of our lands are dry lands, for all practical purposes, one standard acre is equal to 5.4 acres of dry land. The imminent danger from the above amendments is, land being supply inelastic, small and marginal farmers in the proximity of urban and semi-urban areas will be lured by the wealthy to sell off their lands. In this process they may be assured windfall gains by a one-time fancy price. However, as the land market is seldom perfect, the real estate agents acting as middlemen will swallow heavy margins. More seriously, there are several instances where farmers have sold their lands in the urban fringe, and have fallen prey to the capital mismanagement trap. This is largely true for our small and marginal farmers who have absolutely no education regarding matters of land markets and investments. Hence, they fall prey to the short-term windfall gain instead of reaping a sustainable regular income from their land every year, all through their life. In addition, what can these farmers do after land sale? They have virtually no skill other than agriculture. One need not go very far to see this scenario. A reconnaissance survey of villages closer to Bangalore city clearly reflects that a majority of these erstwhile farmers who sold their lands for different purposes, have not been better off in the long run. Many of them have become labourers on the land which they owned earlier, since the new investor is most often an absentee landlord and not a farmer. These policies also encourage private investment on land (as there is no de facto

income tax on agriculture) and conversion of black to white money.

Some argue: why should our farmers stay in the villages, let them come out, by selling their land and investing their capital in urban areas. Will our new landlords ever settle in villages to develop their lands? What types of tensions prevail between the class of absentee landlords on the one hand and the class of erstwhile landed farmers who are now landless? What is the threat to our food security? What will be the threat to equity in asset and income distribution? These are the questions to be considered before even amending the land reform act. We should remember that no 'remote-control' technique can work in agriculture. An agriculturist has to live on the farm for day-to-day operations. Since the governor has already consented to these amendments, these questions become even more serious now.

M G NAGARAJA

Bangalore

ICSSR

INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH (ICSSR) has been established by the government of India primarily with the objective of financing research projects. In the initial years a large number of research projects submitted by scholars used to be financed but of late the number has been drastically reduced. Hardly a dozen projects involving an outlay of less than Rs 2 lakh in all are financed in

a year while the annual grant of ICSSR is rising by about Rs one crore and currently it gets a grant of Rs 10 crore from the government of India. Why has the financing of projects fallen so drastically when the grants have increased? Have the establishment expenses so phenomenally increased as to leave almost nothing to finance projects for which it was primarily established?

ICSSR publishes a quarterly *Newsletter* but it does not mention how many proposals were received and how many were rejected and how much time was taken in clearing them. ICSSR finances various social science research institutes whose activities are reported in the *Newsletter* but the income and expenditure account either of ICSSR or the institutions funded by it is never published. Now when there is so much talk of transparency it will be a welcome move if ICSSR publishes its accounts as well as those of other institutions funded by it. This will be a precedent and other autonomous bodies like the Indian Council of Scientific and Industrial Research and the Indian Council of Agricultural Research whose annual grants are in the range of Rs 500 crore will be morally bound to publish their accounts.

The governing council of ICSSR consists of highly respected and eminent social scientists and they should take the lead in it. In a democracy the public should have a right to know as to how fruitfully or otherwise the taxpayers' money is being utilised.

KRIPA SHANKAR

Allahabad

Subscription Rates				
Inland				
(including Nepal and Bhutan)				
	Six months	One year	Two years	Three years
Institutions	—	600	1125	1650
Individuals	250	475	875	1275
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Teachers/Researchers	—	325	—	900
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Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.				
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Foreign				
	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50
All remittances to <i>Economic and Political Weekly</i>				

Disinvestment Fiasco

THE fiasco of the ninth round, the first of this fiscal year, of disinvestment of shares of public sector undertakings (PSUs) is another case, after the exchange rate and money market turmoils, of the adverse consequences of the government's narrowly focused macro-economic adjustment policy. As a revenue raising exercise to help reduce the fiscal deficit, the government first decided upon disinvestment of its holdings in select PSUs in 1991. Though the original decision was to allow PSUs also to dilute the government holding by fresh issue of shares, subject to such holding not being reduced below 51 per cent, the emphasis has throughout been on disinvestment of the government's existing shareholding to raise budgetary resources, as recommended by the Rangarajan Committee. In the first four years of disinvestment from 1991-92 to 1994-95 the centre's budgets have shown actual receipts of Rs 10,188 crore on this count. To fulfil the target of Rs 7,000 crore for the current year, the government decided on three rounds of bids, but market conditions did not allow it to issue the first bid till October. It did try to test the market with a proposed public issue of equity by MTNL of Rs 570 crore at a premium of Rs 180 per share, but the issue had to be postponed due to fear of a poor market response. Apart from the decline in share prices and persistent shortage of liquidity in the capital market, the response to the government's own market borrowing and to bond issues by many PSUs has been poor. But with the government in dire fiscal straits and with time running out in the fiscal year, the disinvestment process could not be held up indefinitely.

The government was therefore pushed into hurriedly introducing a series of measures to boost the capital market and thus perk up the environment for disinvestment of PSU shares. Reintroduction of forward trading by SEBI, the presidential ordinance on depositories, the shifting of the IDBI scrip from the cash to the specified group and the issue of new guidelines for foreign venture capital funds have all been aimed at this objective. Despite all these efforts, the attempted disinvestment of shares of four PSUs, including the three (SAIL, ONGC and MTNL) with the highest asset-holdings among public corporations, has flopped. Against the expected amount of Rs 1,995 crore (based on the reserve prices) from the offer of 2,714 lakh shares of the four PSUs, the government has been able to sell just 153 lakh shares worth Rs 168.62 crore. Though details are not known, apparently bids for about 900 lakh shares – one-third of the total on offer – were received, but only one-sixth of them could be accepted, on the basis of the reserve prices recommended by the three chosen merchant bankers, IDBI,

ICICI and SBI Caps, who refrained from participating in the bids. There has been apparently a concerted attempt by market players to keep the bids well below the market prices with the intention to force the government finally to sell the shares at heavy discounts. FIIs did not bother to bid at all. The public outcry over the manner of the initial disinvestments of 1991-92 (Rs 3,038 crore) and 1992-93 (Rs 2,866 crore) and the proximity of the Lok Sabha elections have stood in the way of the government bowing to the dictates of the market players so far. Even so, some major compromises have been made. First, the three merchant bankers chosen to recommend the reserve prices apparently pegged them below the levels of the previous round. In some cases the reserve prices were lower than even the prices which the government had refused to accept in the previous round. For instance, in March this year the government had rejected the bids for MTNL shares of Rs 200 against the then reserve price of Rs 217, whereas the reserve price recommended for the latest round was Rs 152. Likewise, there was a significant demand for SAIL's shares at Rs 45 in the previous round against the reserve price of Rs 50, the government had rejected the offers. In the latest round, however, the reserve price recommended by the merchant bankers was just Rs 30. A second compromise related to the method of fixing the reserve price. Though the details are not known, the merchant bankers were expected to take into account the intrinsic value of the PSU shares as represented by the net asset values (NAVs), profit earning capacity values (PECVs) and the discounted cash flows (DCF), which would have given much higher prices for the PSU shares. Instead, it appears that the merchant bankers have been content to recommend reserve prices close to the prevailing market prices for the three quoted scrips: Rs 30 against Rs 31 for SAIL, Rs 152 against Rs 156 for MTNL and Rs 252 against Rs 242 for ONGC. A third compromise was that the government adopted the reserve prices recommended by the merchant bankers instead of, as on earlier occasions, adjusting them for the highest average realisation on each share in the previous auctions. It was announced in advance this time that the government would go solely by the reserve prices recommended by the merchant bankers, though the reserve prices themselves were not revealed. Finally, it has been pointed out that in the case of large asset-based and prospectively sound public corporations a fixed price public offer has the advantage of protecting the intrinsic worth of the shares which the auction system cannot achieve, especially an auction system based on prices influenced at best by considerations of short-term demand and supply and, at worst, by speculative forces. In the circumstances, the auction

system generally fails to capture the intrinsic worth of the PSUs. Even the so called piggyback approach involving government disinvestment when the PSUs approach the market with fresh public issues may fetch better prices.

However, with the government's mind set on privatisation as an end in itself, the PSUs, which even today account for 45 per cent of domestic investment, have been facing the worst of all the worlds as it were. Their budgetary allocations have been drastically curtailed. In 1990-91, of the total plan outlay of Rs 28,054 crore in respect of central public enterprises, Rs 7,595 crore (or 27 per cent) were provided as budgetary support to these enterprises in the form of equity and loan. In 1995-96, budgetary support to PSUs is down to 12 per cent (Rs 7,013 crore out of budgeted plan outlay of Rs 56,868 crore). Second, the 35 prized PSUs which put India on the industrial map of the world (SAIL, ONGC, IOC and the other oil companies, BHEL and the other engineering corporations and NTPC) are on the whole precluded from approaching the market on their own because they are overshadowed by the government's disinvestment programme. All the while, any genuine reform of the PSUs has been put on hold. Many PSU chiefs have been demanding operational autonomy and decision making authority for their boards; their pleas have fallen on deaf ears. While all limits on managerial remuneration have been lifted in the case of private and foreign firms, the maximum remuneration that chairpersons and managing directors of even gigantic PSUs such as SAIL, ONGC, BHEL and NTPC is tethered to the salaries of bureaucrats. Further, in a travesty of all the talk of level playing fields, PSUs in the telecom sector, such as ITI, have been specifically debarred from participating in the value added telecom services which have been opened up for private companies and foreign investors. PSUs in the oil sector have been forced to collaborate with the very multinationals the nationalisation of whose Indian operations had led to the creation of the PSUs; in the power sector special concessions have been given to attract private and foreign investment, but the growth of BHEL, NTPC, NHPC and the like has been hindered by denial of orders, absence of transparency in contracts and lack of concern for the mounting dues from the state electricity boards, and while import duties on chemicals and fertilisers have been slashed, administered input prices have rendered PSU products costlier than imported goods.

A fresh look by the government at its policy of PSU disinvestment is clearly imperative. First, annual targets of finances

to be raised through disinvestment need to be dispensed with. In other words, disinvestment should not be linked to budgetary needs. The major PSUs are valuable public assets, provided they are allowed to attain their full potential. Apart from organisational strengthening, functional autonomy and freedom from bureaucratic controls, resources raised from the market either through disinvestment or through issue of fresh capital should be allowed to be used by the PSUs themselves, as has been demanded by the planning and industry ministers. If the capital structure of corporations like the ONGC does not permit fresh issue of equity, the disinvested funds should be given as loan capital for the corporations so that they may revitalise and expand their activities. The ONGC has proposed the conversion of Rs 1,000 crore out of Rs 2,000 crore of equity held by the government into loan, but this has been rejected by the government. In principle, it is desirable that public corporations are allowed to raise capital from the market based on their intrinsic worth, which may also achieve the goals of wider public participation and greater accountability of PSUs, to the extent these objectives can be secured by scattered private ownership of shares.

KASHMIR

Cosmetic Measures

If Narasimha Rao thought of claiming credit for putting Burkina Faso on the world map by announcing his solution for the Kashmir problem from there, he is in for a big disappointment. Neither the people of Burkina Faso nor the Kashmiris are likely to remember what in the long term may turn out to be a damp squib.

The much publicised promise of Rao's to strengthen the autonomy of Kashmir (within the Constitution), made from Burkina Faso, will hardly make any dent in either the popular anti-India mood or the militant activities in the valley. If the people there are expected to hail as autonomy Rao's cosmetic concession of restoring the nomenclature of the governor and the chief minister of Kashmir to the old 'Sadar-e-Riyasat' and 'Wazir-e-Azam' respectively, it would be the height of absurdity. For, that is all that Rao has promised so far in tangible terms. As for the much talked-about economic package, nothing concrete has been enumerated as yet. If Rao is talking about autonomy, he will have to undo all that had been done by New Delhi to erode that autonomy since 1953. After Sheikh Abdullah's arrest on August 9, 1953, his

successor, a piraye Bakshi Umar Mohammad, allowed New Delhi to assume authority through two pieces of legislation. The first, the Jammu and Kashmir (Amendment) Act of 1954, deleted Section 75 of the Jammu and Kashmir Constitution Act 1939 which had made council of ministers of the state the final interpreters of the Constitution. The second was the Constitution (Application to Jammu and Kashmir) Order 1954, issued by president of India, whereby the jurisdiction of the centre was extended from the original three subjects of 'Defence, Foreign Affairs and Communication' to all subjects on the Union List. Since then, a series of central measures have steadily encroached upon the autonomy that the state had enjoyed; usurped one by one all the rights that were guaranteed to the Kashmiris by the Indian government following the accession of Jammu and Kashmir to the Indian Union. The National Conference's demand for restoration of autonomy and return to pre-1953 position therefore acquires importance in the present context, exploration of avenues for solving the Kashmir imbroglio. But after weeks of negotiations with Narasimha Rao, the only concession that the National Conference leader, Farooq Abdullah, has gained is to be allowed to be known as 'Wazir-e-Azam'; he becomes chief minister of Kashmir, which will be quite a problem for him to persuade his party cadres to participate in the elections which the government wants to hold in December. With the credibility of his party lost in the valley, what little chances of revival that were being explored by him demanding a return to the pre-1953 position have now totally collapsed.

As for the Congress, more discredited than the valley, the National Conference hopes to gain from the election by relying on the possibility of its boycott by all parties and thus emerging as the ruling party in the entire state of Jammu and Kashmir with support from its followers in Jammu and Ladakh. This is the game plan that has prompted Rao to announce elections in Kashmir.

Rao is also banking on the divisions within the militants and their main front, the Hurriyat, as well as the increasing frustrations among the common people of the valley with the Hurriyat leaders. In spite of the divisions, the militants, particularly the foreign mercenaries among them, have enough fire power to disrupt elections and terrorise the voters. The latter also are not inclined to vote *en masse*, given their hostile mood towards the Indian government. From all indications, therefore, Rao is hoping to instal a Congress government in Jammu and Kashmir, vo-

to power primarily by the electorate in Jammu and Ladakh, with a poor turn out in the valley. Even with an elected government in Srinagar, there will be no signs of an end to the plight of the Kashmiris who are tired of the violence indulged in by the security forces and the militants and are sceptical about the elections.

POLITICS

Janata Dal under Pressure

AFTER the fall of the Bahujan Samaj Party (BSP) government in Uttar Pradesh, Mulayam Singh Yadav has become the focus of non-Congress, non-BJP political alliances in the state. Sharad Yadav, a strong votary for Janata Dal (JD)-BSP alliance while keeping Mulayam Singh at a distance, overestimates the strength of the JD in UP. Though the JD may have secured 12.5 per cent of the votes in the state assembly elections of December 1993, it should not be forgotten that since then Ajit Singh has left the JD to join the Congress, while a sizeable number of JD MLAs have crossed over to Mulayam Singh's Samajwadi Party (SP). Thus the clout of the Janata Dal has been significantly reduced, with Muslims in the state now firmly aligned behind Mulayam Singh. It is in this context that the Badarpur rally of November 5 under the banner of 'Secular and Social Unity Front' and attended by Mulayam Singh, Ram Vilas Paswan and Mufti Mohammad Sayeed assumes significance.

Laloo Prasad Yadav and Sharad Yadav have criticised Paswan for his haste in going ahead with the rally with Mulayam Singh. Laloo Prasad fears that Paswan's tying up with Mulayam Singh may send the wrong signals and dalit JD MLAs in Bihar, who are mostly Paswan's followers, might think of nending fences with the SP in his state. Moreover, Laloo Prasad and Sharad Yadav are yet unsure whether Mulayam Singh has given up his ambitions of emerging as the leader of the yadavs in the Hindi belt. Mulayam Singh had campaigned against Laloo Prasad in the last assembly elections in Bihar. On the other hand, the rift between Mulayam Singh and Kanshi Ram, and the successive splits suffered by the BSP, are a golden opportunity for Paswan to carve a niche for himself among the dalits of UP. Though it is open to question how far Paswan's Dalit Sena will be able to mobilise dalit votes, given that Kanshi Ram still controls the majority of them, for Mulayam Singh any access to dalit votes through Paswan is welcome as it enhances his position as the leader of the state. With the Congress having appointed B P Maurya, a

senior ex-leader of the Republican Party, as a general secretary and the BJP having recently held a dalit rally in Kanpur, it is clear that the 22 per cent dalit votes hold the key as to who will rule the state and, to a certain extent, the nation.

Mulayam Singh stands to gain this time from the consolidated Muslim votes in western UP which in the December 1993 assembly elections had been divided between the JD and Mulayam Singh's SP. Further, the two breakaway factions of the BSP - BSP (Raj Bahadur) and the Apna Dal formed by Sonelal Patel, Ram Lakhan Varma and other kurmi leaders - have indicated a preference for Mulayam Singh in the forthcoming parliamentary and state legislative elections. The Left Front has declared its support for Mulayam Singh and has advised the JD to patch up with him. Thus various sections in UP are veering towards Mulayam Singh as a credible counter to the BJP.

A JD-SP alliance in UP means mostly leaving out the BSP, given the recent acrimonious relations between SP and BSP and between Paswan and Kanshi Ram. But this is a predicament which the NF-LF is facing in a couple of other states also. It has to choose between DMK and AIDMK in Tamil Nadu and NTR and Chandrababu Naidu in Andhra Pradesh. Though the choices are hard, it is essential that NF-LF make up their minds early. Otherwise, the NF-LF will become a platform for all and sundry which is bound to create problems when it comes to seat allocations.

NUCLEAR THREAT

Not from Arms Alone

MORE than half a century after the nuclear arms race began, the International Court of Justice has been asked to decide whether the producing and storing of nuclear arms should not be considered illegal on the grounds that they are a health and environmental hazard. The issue has been raised by the World Health Organisation. While the decisions of the court are not binding on nations, this is bound to be a historic case, even though in a sense the issue is of academic interest only now. For one thing, it is ironic that the WHO should have decided to raise the issue now when there is a greater momentum all round towards disarmament than ever in the past and when the geopolitical situation has eased the compulsions of earlier decades. It is also noteworthy that the WHO should focus not on the entire nuclear industry, but only on nuclear arms.

With the nuclear non-proliferation treaty becoming permanent, there is bound to be

greater pressure on nuclear nations to cap their arms programmes. The major area of contention today is not the existing stocks of arms but related issues which have greater or as much significance for the health of nations and the global environment. These are the testing of nuclear weapons and the disposal of stocks of nuclear materials meant for arms. With France persisting with the tests in Mururoa atoll despite increasing evidence on environmental damage and in defiance of worldwide protest, the movement towards the signing of the Comprehensive Test Ban Treaty has become even more uncertain. France has not conducted nor allowed anyone else to undertake extensive studies on the damage that these tests have caused or will cause. Its own studies which deny any damage to the delicate geological structures and the associated ecology of the region have come in for criticism on the ground that not all the available information has been made public. There is also a dearth of reliable data on the impact of low levels of radiation and marginal increases in low-level radiation on health. The health and environment hazards posed by the stockpiled nuclear material meant for weapons production is now a worrying issue in the US. The disposal of highly toxic and radioactive materials like plutonium with extremely long half-lives is causing enormous problems. Similarly, the vast acres of decommissioned nuclear plants for the manufacture of weapons need to be protected and kept from public access for generations, if they are not to accidentally harm health and environment.

The other related issue untouched by the WHO petition is the proliferating peaceful nuclear industry. The health and environment issues in the industry have been under debate for some time now and in many countries there is a strong movement seeking a ban on the industry. In Sweden, for example, the Social Democratic government is now considering ways and means of implementing the decision taken 15 years ago to decommission nuclear power plants. In the US too, many plants on the order-book have been scrapped. In a sense, the hazards posed by nuclear plants which have public access and are part of public utilities is far greater than the potential threat posed by the stockpiling of nuclear arms. The point is that the hazards posed by both uses of nuclear energy were evident long before Hiroshima and Nagasaki. There is as little chance of developing a 'safe' nuclear industry for peaceful purposes as there is of 'safely' manufacturing and storing nuclear weapons. One can only hope that the WHO's interventions in the course of the proceedings of the court will draw the two streams together.

CURRENT STATISTICS

EPW Research Foundation

The index of industrial production for the first quarter of 1995-96 shows a growth of 13.3 per cent against 7.2 per cent in the corresponding period of 1994-95. The 14.3 per cent growth in mining and 12.5 per cent growth in electricity are unprecedented. In manufacturing, growth has been widely spread. Capital goods industries growing by 20.6 per cent continue to lead the acceleration as in 1994-95, recovering the lost ground of the previous three years. In consumer goods which rose by 15.5 per cent, the rise of 14.2 per cent in consumer non-durables, close to the 20.1 per cent growth in consumer durables, is again unprecedented and is largely the result of a rise of 45.4 per cent in food products against a fall of 3.5 per cent last year. A rise of 23.2 per cent on top of the 19.3 per cent in 1994-95 in crude petroleum stands out amongst the core industries, which have all experienced accelerated growth.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Oct 21, 1995	Variation (Per Cent): Point-to-Point							
			Over Month	Over 12 Months		Fiscal Year So Far 1995-96	1994-95	1993-94	1992-93	1991-92
				Latest	Previous					
All Commodities	100.0	297.7	0.1	8.1	9.3	4.4	6.6	10.4	10.8	7.0
Primary Articles	32.3	307.0	-0.1	8.5	9.5	5.1	9.2	12.7	11.5	3.0
Food Articles	17.4	337.8	-0.5	5.9	8.2	7.6	13.8	11.9	4.4	5.4
Non-Food Articles	10.1	326.8	0.5	13.3	13.5	1.0	2.9	15.5	24.9	-1.4
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.9	-0.1	1.2	2.4	13.1	15.2
Manufactured Products	57.0	294.9	0.3	9.2	9.9	-4.8	6.2	10.7	9.9	7.9
Food Products	10.1	285.2	0.9	4.9	6.9	4.7	7.9	8.1	12.3	6.8
Food Index (computed)	27.5	318.5	0.0	5.5	7.8	6.6	11.8	10.6	7.0	5.8
All Commodities (Average Basis) (April-Oct 21, 1995)	100.0	293.7	-	9.8	10.1	9.0	10.8	10.9	8.3	10.1

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point							
		Over Month	Over 12 Months		Fiscal Year So Far 1995-96	1994-95	1993-94	1992-93	1991-92
			Latest	Previous					
Industrial Workers (1982=100)	315	0.6	10.9	10.9	7.5	6.4	9.7	9.9	6.1
Urban Non-Man Emp (1984-85=100)	247	0.4	10.3	8.7	1.2	0.9	9.9	8.3	6.8
Agri Lab (July 60 to June 61=100)	1405	1.3	14.1	10.6	8.1	4.8	10.6	11.6	0.7

Money and Banking (Rs crore)	Oct 13, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M ₃)	554924	10629 (2.0)	24122 (4.5)	30622 (6.8)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	110676	3090 (2.9)	9887 (9.8)	8326 (10.2)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	439561	9224 (2.1)	19298 (3.0)	20894 (5.7)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	241423	1088 (0.5)	19007 (8.5)	6892 (3.3)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comm'l Sector	301758	7754 (2.6)	12103 (4.2)	8919 (3.6)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	77939	4590 (6.3)	2015 (2.7)	16350 (31.1)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money	182784	5040 (2.8)	13505 (8.0)	14195 (10.2)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	112756	618 (0.6)	13843 (14.0)	-4068 (-4.2)	2130 (2.2)	260 (0.3)	4257 (4.6)
Scheduled Commercial Banks							
Deposits	396375	9197 (2.4)	9516 (2.5)	18420 (5.5)	53630 (16.1)	52144 (18.6)	39017 (16.1)
Advances	222180	7323 (3.4)	10620 (5.0)	8132 (4.8)	40638 (23.8)	11566 (7.3)	23757 (17.5)
Non-Food Advances	209529	7817 (3.9)	10244 (5.1)	5817 (3.6)	37797 (23.4)	8875 (5.8)	21684 (16.6)
Investments	156898	695 (0.4)	7645 (5.1)	11989 (8.9)	13965 (10.3)	28641 (26.9)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	June 1995	Average for Full Fiscal Years							
			Fiscal Year So Far		Average for Full Fiscal Years					
			1995-96	1994-95	1994-95	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	251.5	254.8(13.3)	224.9(7.2)	250.6(8.4)	213.9(0.6)	212.6(8.2)	196.4(8.6)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	240.1	241.2(14.3)	211.1(2.0)	245.8(6.3)	222.5(4.5)	221.2(6.3)	211.6(7.9)	199.1(3.7)	184.6(6.2)
Manufacturing	77.1	241.2	244.6(13.2)	216.0(8.2)	241.8(8.8)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	332.9	337.0(12.5)	299.5(6.9)	314.6(8.5)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9.5)	181(7.6)

Capital Market	Nov 03, 1995	Month Ago	Year Ago	1995-96 So Far				End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3469(-19.4)	3583	4304(63.6)	3015	3584	3233	4604	3261(-13.7)	3779(65.7)	2281(-46.8)
National Index (1983-84=100)	1567(-23.1)	1638	2038(61.1)	1482	1691	1572	2176	1606(-12.2)	1830(79.2)	1021(-48.1)
BSE-200 (1989-90=100)	347(-28.2)	364	483(57.8)	336	385	360	497	368(-18.2)	450(92.3)	234(-60.0)
NSE (Nov 3-21, 1994=100)	76(-23.2)	79	99*	72	83	-	-	79	-	-

* For November 23, 1994.

Foreign Trade	August 1995	Cumulative for Fiscal Year So Far							
		1995-96		1994-95		1993-94		1992-93	
Exports: Rs crore	8029	38676 (28.2)	30157 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)	
US \$ mn	2543	12302 (27.9)	9613 (10.6)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)	
Imports: Rs crore	9236	44889 (37.4)	32662 (16.4)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)	
US \$ mn	2926	14278 (37.1)	10412 (16.4)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)	
Non-POL US \$ mn	2393	11625 (42.7)	8149 (26.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)	
Balance of Trade: Rs crore	-1207	-6213	-2505	-6375	-3259	-9687	-3809	-10640	
US \$ mn	-382	-1976	-798	-2018	-1039	-3345	-1545	-5930	

Foreign Exchange Reserves (excluding gold)	Oct 27, 1995	Oct 28, 1994	Mar 31, 1995	Variation Over					
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94
						1995-96	1994-95		
Rs crore	61984	61887	66028	1466	98	-4044	14261	18402	27430
US \$ mn	18258	19999	20816	-856	-1741	-2558	4823	5640	8724

Industrial Production

Index Numbers of Industrial Production Use-based Classification (1980-81=100)	Weights	June 1995	June 1994	Apr-Jun 1995	Apr-Jun 1994	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
Basic Goods	394.18	269.1 (13.1)	238.0 (4.4)	274.3 (13.0)	242.7 (6.0)	263.2 (4.3)	252.3 (8.3)	232.9 (2.6)	226.9 (6.5)	213.1 (5.9)	199.4 (5.4)
Capital Goods	164.27	297.9 (13.0)	263.6 (12.1)	297.8 (20.6)	246.9 (15.1)	316.6 (24.9)	253.5 (-4.8)	266.3 (-0.3)	266.8 (-8.6)	291.7 (16.0)	251.4 (21.7)
Intermediate Goods	205.07	219.2 (5.3)	208.1 (6.4)	213.0 (4.2)	204.4 (5.6)	212.7 (4.4)	203.7 (11.6)	182.6 (5.4)	173.2 (-2.1)	176.9 (4.8)	168.8 (4.2)
Consumer Goods	236.48	217.9 (9.9)	198.3 (8.5)	228.5 (15.5)	197.9 (5.2)	218.5 (8.1)	202.1 (4.1)	194.2 (1.8)	190.8 (0.9)	189.0 (6.8)	177.0 (6.5)
Consumer durables	25.50	458.9 (18.0)	388.9 (14.2)	452.6 (20.1)	376.8 (14.8)	403.4 (9.8)	367.5 (15.5)	318.1 (-0.9)	320.5 (-10.9)	359.7 (10.7)	325.0 (2.4)
Consumer non-durables	210.98	188.8 (7.7)	175.3 (7.1)	201.4 (14.2)	176.3 (2.9)	196.2 (7.7)	182.1 (1.6)	179.3 (2.5)	175.1 (4.0)	168.3 (5.8)	159.1 (7.6)

Group-wise Index Numbers of Industrial Production (1980-81=100)

20-21: Food products	53.27	140.7 (22.6)	114.8 (10.8)	181.8 (45.4)	125.0 (-3.5)	182.7 (13.4)	161.1 (-8.1)	175.3 (-1.5)	178.0 (4.8)	169.8 (12.5)	150.9 (1.6)
22: Beverages, tobacco and tobacco products	15.71	167.1 (17.9)	141.7 (-2.2)	161.0 (7.4)	149.9 (6.0)	131.0 (-5.0)	137.8 (21.3)	113.7 (6.0)	107.3 (2.4)	104.8 (1.7)	103.0 (11.8)
23: Cotton textiles	123.09	153.6 (-1.3)	155.7 (-2.7)	158.4 (2.1)	155.1 (-1.9)	155.8 (-4.9)	163.8 (9.1)	150.1 (8.0)	139.0 (9.8)	126.6 (12.7)	112.3 (4.2)
25: Jute, hemp and mesta textiles	19.99	79.2 (4.2)	76.0 (-21.2)	85.8 (8.3)	79.2 (-20.7)	92.4 (-10.5)	103.2 (18.7)	87.0 (-4.2)	90.8 (-10.6)	101.6 (4.3)	97.4 (-4.4)
26: Textile products	8.17	78.1 (-2.7)	80.3 (31.9)	80.1 (3.8)	77.2 (25.6)	78.4 (6.9)	73.4 (-3.2)	75.8 (-22.0)	97.2 (-5.8)	103.2 (-32.0)	151.7 (13.0)
27: Wood and wood products, furniture and fixtures	4.48	234.6 (17.8)	199.2 (-5.9)	219.1 (6.6)	205.5 (6.3)	207.9 (4.3)	199.3 (4.6)	190.5 (3.0)	185.0 (-6.2)	197.2 (12.0)	176.0 (2.5)
28: Paper and paper products and printing industries	32.35	272.3 (11.7)	243.7 (12.8)	276.4 (14.7)	241.0 (12.4)	256.6 (14.1)	224.9 (6.7)	210.9 (3.9)	203.0 (2.5)	198.0 (9.1)	181.5 (6.0)
29: Leather and fur products (except repair)	4.89	224.3 (2.8)	218.2 (12.5)	222.5 (-0.6)	223.8 (6.0)	210.9 (3.9)	203.0 (8.2)	187.7 (3.5)	181.3 (-6.7)	194.3 (3.2)	188.3 (6.2)
30: Rubber, plastics, petroleum and coal products	40.00	188.7 (3.7)	181.9 (-1.6)	189.3 (8.2)	175.0 (-0.3)	184.5 (4.6)	176.4 (1.0)	174.6 (1.5)	171.0 (-1.1)	174.0 (0.3)	173.5 (3.1)
31: Chemicals and chemical products	125.13	332.9 (5.5)	315.4 (15.6)	325.8 (5.7)	308.2 (10.9)	327.8 (10.1)	297.6 (7.5)	276.9 (6.0)	261.2 (2.8)	254.1 (2.6)	247.6 (4.6)
32: Non-metallic mineral products	29.99	249.5 (10.7)	225.4 (4.0)	254.6 (9.7)	232.1 (6.5)	233.4 (6.8)	218.5 (4.6)	209.0 (1.9)	205.2 (6.3)	193.1 (1.7)	189.9 (2.9)
33: Basic metal and alloy industries	98.02	198.8 (14.1)	174.2 (0.8)	208.1 (16.5)	178.6 (5.2)	193.9 (-11.4)	219.0 (30.0)	168.5 (0.4)	167.8 (5.7)	158.8 (10.5)	143.7 (-0.8)
34: Metal products and parts	22.88	161.3 (14.6)	140.8 (16.5)	162.6 (12.9)	144.0 (19.5)	150.8 (19.1)	126.6 (1.6)	124.6 (-6.4)	133.1 (-7.0)	143.1 (0.4)	142.6 (6.8)
35: Machinery, machine tools and parts	62.40	190.4 (2.9)	185.0 (2.2)	193.9 (9.3)	177.4 (5.4)	204.0 (8.3)	188.4 (4.0)	181.1 (-1.1)	183.3 (-1.9)	186.9 (8.7)	171.9 (6.7)
36: Electric machinery apparatus and appliances	57.79	566.8 (15.6)	490.2 (16.6)	573.0 (25.7)	455.7 (19.4)	597.8 (31.8)	453.5 (-6.2)	483.6 (-2.0)	493.7 (-12.4)	563.6 (22.7)	459.2 (31.9)
37: Transport equipment and parts	63.86	261.4 (19.8)	218.2 (14.7)	247.2 (16.5)	212.2 (20.0)	237.6 (12.5)	211.2 (5.3)	200.6 (5.0)	191.1 (-0.7)	192.5 (6.3)	181.1 (5.0)
38: Other manufacturing industries	9.05	281.4 (13.4)	248.2 (-8.6)	274.7 (13.1)	242.9 (-8.5)	262.5 (-1.5)	266.5 (-5.2)	281.3 (4.2)	264.9 (-16.1)	321.8 (-3.4)	333.2 (9.0)

Core Industries	Unit	July 1995	Variation over		Cumulative for Fiscal Year so far		1994-95	1993-94	1992-93	1991-92
			Month	Year	1995-96	1994-95				
Coal	Mn Ton	18.63	-0.24(-1.3)	2.16(13.1)	74.3(9.8)	67.8(-1.9)	254(3.2)	246(3.4)	238(3.9)	229(8.3)
Electricity generation	Mn. Kwh	30876	-42(-0.1)	3367(12.2)	12487(12.4)	111068(7.0)	351020(8.6)	323323(7.4)	300989(5.0)	286700(8.5)
Crude petroleum	000 tons	3990	1049(35.7)	1262(46.3)	11883(23.2)	9647(11.7)	32228(19.3)	27015(0.3)	26945(-11.2)	30340(-8.2)
Petroleum products	000 tons	5080	168(3.4)	92(1.8)	19368(7.0)	18097(1.5)	56440(3.9)	54344(1.6)	53487(10.6)	48350(-0.4)
Saleable steel (main plants)	000 tons	1126.2	94.4(9.1)	113.4(11.2)	4287.8(9.0)	3934.0(3.9)	12841(7.2)	11981(5.7)	11333(12.6)	10570(-1.1)
Cement	000 tons	5769	271(4.9)	736(14.6)	22508(10.4)	20383(4.8)	62353(7.8)	57833(6.8)	54140(-5.5)	57100(4.0)
Fertilizers (N)	000 tons	720.3	52.6(7.9)	49.9(7.4)	2725.8(9.0)	2499.8(11.8)	7944(9.2)	7274(-2.1)	7431(1.2)	7300(4.4)
Fertilizers (P O)	000 tons	211.8	-5.2(-2.4)	-5.2(-2.4)	810.3(2.7)	789.1(123.1)	2493(37.7)	1810(-21.0)	2292(-10.5)	2560(24.9)

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. - means not available.

HINDALCO

Expansion Plans

HINDALCO, an Aditya Birla group company and the country's largest integrated producer of aluminium, is one of the most efficient producers of aluminium in the world. There are two reasons for this. First, power which constitutes around 30 to 40 per cent of the total cost, is generated captively by the company's thermal power plant at Renusagar. Second, added to the fact that India has abundant reserves of bauxite, the basic raw material required, the company has its own bauxite mines.

Firm global aluminium prices combined with reduced operational costs worked in favour of Hindalco, giving a big boost to its results. The company closed the financial year ended March 1995 with a sales turnover of Rs 956 crore, up by 28 per cent from Rs 750 crore in the previous year. Provision for depreciation and tax rose by 23 per cent and 121 per cent respectively, in spite of which the net profit rose by 85 per cent from Rs 158 crore to Rs 292 crore. The boost to net profit was given by other income, which rose from Rs 66 crore to Rs 119 crore, a rise of 80 per cent. A dividend of 55 per cent on an expanded capital of Rs 48 crore has been declared against 45 per cent on a capital of Rs 43 crore in 1993-94.

Metal production during the year was 1,64,280 mt, 5.5 per cent higher than the production of 1,55,761 mt in the previous year. Alumina production stood at 3,19,873 mt against 3,15,723 mt. Output of rolled products in 1994-95 was 38,202 mt against 30,740 mt, an increase of 24.3 per cent. Production of extrusions was 11,416 mt, the highest in the history of the company and 16 per cent higher than the production of 9,807 mt in the previous year. Power generation at the company's Renusagar plant was the highest ever at 2,899 million units, 8.8 per cent higher than the output of 2,665 million units in 1993-94.

The company's sales in 1994-95 were Rs 956 crore against Rs 750 crore in 1993-94. The increase is attributed to improved realisations and a better product mix. The sales outlook is encouraging, given the prospects of high industrial growth, firm market trends and higher output of value added products. Aided by improvement in the international prices of aluminium, the company exported aluminium and semi-fabricated products of the value of Rs 67 crore against Rs 47 crore in the previous

year. Imports moved up by 50 per cent from Rs 27 crore to Rs 40 crore.

Hindalco is currently implementing an expansion programme under which the smelting capacity is being raised from 1,70,000 tpa to 2,10,000 tpa and power generation capacity from 350 mw to 500 mw. The expansion, involving a capital cost of Rs 1,250 crore, is to be completed in the current year. Further expansion to increase aluminium smelting and captive power generation capacities by 32,000 tonnes and 75 mw respectively are on the anvil. To match the planned increase in smelter capacity, alumina capacity will be increased from 3.5 lakh tpa to 4 lakh tpa. The expansion project involves installation of a cogeneration power plant for generating power. The steam extracted from the turbines would be used for the alumina plant process, resulting in higher efficiency. BHEL will supply the main equipment for the project. The expansion is to be completed in two years. The expansion of smelting capacity together with installation of another power generating unit would entail an investment of Rs 500 crore to be funded from internal accruals and loans from financial institutions and banks. Putting the emphasis on production of value added products through forward integration, Hindalco is setting up a 5,000 tpa foil plant in Daman. The choice of the location is in keeping with its strategy of having its plants located near the smelters.

A comprehensive technological upgradation of the hot and cold rolling mills is also being undertaken with equipment procured from Davy McKee Poole, UK, and Tata Construction and Projects. As a first step towards improving the quality of rolled products and extrusions, the company is installing a state of the art vertical ingot casting machine and billet casting machine sourced from Wagstaff Engineering, USA. It has also purchased a continuous ingot casting machine from Brochot of France to cater to the international market.

The company has decided to enter into a new collaboration with Kaizer International, US, for smelter technology. For alumina and fabrication technologies, Hindalco's choice is Reynolds and Raytheon Engineers and Constructors, USA.

Hindalco has decided to go in for its second integrated aluminium project near a port, either in Orissa or Andhra Pradesh, at an estimated investment of Rs 6,000 crore, with a capacity of at least 1,00,000 tonnes of ingots. The company's diversification plans include a foray into non-aluminium areas such as power, steel and cement. Begin-

ning with power, the company plans to take up steel and cement projects at a later stage. For the green field power facility, Madhya Pradesh is Hindalco's choice.

The company has been awarded ISO 9000 certification during the year under review. The certification by RWTUV of Germany was given for the company's operations in totality.

Aluminium price increases coupled with a reduction in import duties from 50 per cent to 40 per cent have benefited the company. Since the domestic price of aluminium ingots are linked with the international price, Hindalco has benefited from the price rise on the London Metal Exchange. This rise, expected to continue, augurs well for Hindalco. Another boost will be from the automobile industry which is expected to grow at the rate of 20 per cent per annum.

JINDAL STRIPS

Rise in Steel Demand

Jindal Strips, the flag ship company of the Delhi-based O P Jindal group, is one of the largest composite steel producers in the private sector. The company, having started its operations with a single plant at Hissar, has come a long way and today is a multi-plant, multi-location company, and one of the few integrated steel companies in the country manufacturing white metal strips, pipes and billets and slabs.

The company closed the financial year with a sales turnover of Rs 708 crore, up by 30 per cent from Rs 544 crore in the previous year. An increase of 21 per cent in other income saw total income rise to Rs 756 crore. While interest costs came down by 1 per cent, provision for depreciation and tax rose by 53 per cent and 11 per cent, respectively. The company ended up comfortably with a net profit of Rs 73 crore, up by 43 per cent from Rs 51 crore in the previous year.

The company exported goods worth Rs 7 crore, against Rs 10 crore in the previous year. Imports rose from Rs 132 crore to Rs 164 crore, primarily due to a rise in the import of raw materials from Rs 111 crore to Rs 144 crore.

Strengthening its position as the largest stainless steel producer in the private sector along with a shift to more value added products like industrial grade steel which offers higher margins, seems to have been the strategy of the company. During the year under review, the company installed a sponge iron manufacturing unit at Raigarh, with a capacity of 4 lakh tonnes per annum.

Financial Indicators	Hindalco		Jindal Strips		GNVVC	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	95629	74950	70835	54419	67144	63308
2 Value of production	97609	75488	74917	54568	66765	59864
3 Other income	1980	538	663	549	275	192
4 Total income	109541	82122	75580	55117	67040	60056
5 Raw materials/Stores and and spares consumed	26857	25336	16606	35418	19818	18564
6 Other manufacturing expenses	19999	17500	10573	5777	12142	11040
7 Remuneration to employees	5922	4980	1200	854	3958	2939
8 Other expenses	6390	5159	7154	4713	12451	11141
9 Operating profit	50373	29147	9797	8355	18671	16372
10 Interest	4757	4804	1468	1477	6371	7901
11 Gross profit	46356	24795	10315	7059	12314	8492
12 Depreciation	3295	2686	3036	1979	3122	2983
13 Profit before tax	42992	22040	7279	5080	9192	5507
14 Tax provision	13800	6250	10	9	0	0
15 Profit after tax	29192	15790	7269	5071	9192	5507
16 Dividends	2576	1886	1018	974	2673	1743
17 Retained profit	26616	13904	6251	4097	6519	3764
Liabilities/assets						
18 Paid up capital	4801	4337	2035	1950	14648	12245
19 Reserves and surplus	214179	162259	32470	23295	44230	20905
20 Long term loans	37278	26527	59327	47374	38210	42931
21 Short term loans	6572	3547	10161	6001	21881	15682
22 Of which bank borrowings	5105	2326	10161	1201	16188	8773
23 Gross fixed assets	221173	197014	62936	50253	124240	112026
24 Accumulated depreciation	88253	78077	9511	6976	59237	56121
25 Inventories	16392	14271	24610	13617	13405	14311
26 Total assets/liabilities	275018	205879	145255	97325	131625	101747
Miscellaneous items						
27 Excise duty	17441	17219	8953	5841	2296	2000
28 Gross value added	46803	30145	14609	9392	22676	19368
29 Total foreign exchange income	6767	4718	668	1022	1830	81
30 Total foreign exchange outgo	6271	3064	18538	114104	9324	7375
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	34.8	36.4	48.8	55.9	51.0	62.2
32 Sales to total net assets (%)	36.4	38.1	68.1	69.1	56.4	69.0
33 Gross value added to gross fixed assets (%)	21.2	15.3	23.2	18.7	18.3	17.3
34 Return on investment (gross profit to total assets) (%)	16.9	12.0	7.1	7.3	9.4	8.3
35 Gross profit to sales (gross margin) (%)	48.5	33.1	14.6	13.0	18.3	13.4
36 Operating profit to sales (%)	52.7	38.9	13.8	15.4	27.8	25.9
37 Profit before tax to sales (%)	45.0	29.4	10.3	9.3	13.7	8.7
38 Tax provision to profit before tax (%)	32.1	28.4	0.1	0.2	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	13.3	9.5	21.1	20.1	15.6	16.6
40 Dividend (%)	55.00	45.00	50.00	50.00	20.00	18.00
41 Earning per share (Rs)	60.80	36.41	35.72	26.01	6.28	4.50
42 Book value per share (Rs)	309.7	206.1	169.6	129.5	40.2	27.1
43 P/E ratio (based on latest and corresponding last year's price)	16.1	31.6	8.4	16.9	8.6	21.8
44 Debt-equity ratio (adjusted for revaluation) (%)	25.1	29.7	171.9	188.1	64.9	129.5
45 Short term bank borrowings to inventories (%)	31.1	16.3	41.3	8.8	120.8	57.8
46 Sundry creditors to sundry debtors (%)	169.7	92.1	86.5	78.3	60.3	48.2
47 Total remuneration to employees to gross value added (%)	12.7	16.5	8.2	9.1	17.5	15.2
48 Total remuneration to employees to value of production (%)	6.1	6.6	1.6	1.6	5.9	4.9
49 Gross fixed assets formation (%)	169.2	-	25.2	-	10.9	-
50 Growth in inventories (%)	14.86	-	80.73	-	-6.33	-

The company has plants in Hissar in Haryana with totally integrated stainless steel facilities. Vasind in Maharashtra with facilities to manufacture cold rolled mild steel products and in Raigarh in Madhya Pradesh where its sponge iron plant is located. Production in the Hissar division was 1,00,012 mt and at Raigarh 2 52 591 mt. The Vasind division produced 1 27 585 mt of cold rolled strips during the year.

The industrial growth in 1994-95 provided the much needed impetus to the production of steel which picked up significantly after being sluggish for the last two or three years. Production of saleable steel increased by around 8 per cent in April-November 1994 as compared to the corresponding period in 1993. Similarly production of finished steel also increased by around 10.5 per cent in the same period. It is estimated that the demand for finished steel would be around 23 million tonnes in 1996-97. In view of this, the company has major expansion, diversification and modernisation plans, the objective being not only to increase production but also to improve per unit realisations by producing value added products.

The company's Rs 100 crore expansion at Raigarh will increase its sponge iron capacity to 5 lakh tonnes. The company has a captive iron ore mine which meets the raw material requirements of the plant. An expansion plan of Rs 350 crore at Hissar is on the anvil. The plan envisages the setting up of a new melting shop at a cost of Rs 100 crore and a new rolling mill. Stainless steel output at Hissar is slated to increase from 1 lakh tpa in 1994-95 to 2 lakh tpa in the current financial year. The plan is to further increase capacity to 2.50 lakh tonnes. With this, the market share of the company would increase from 15 per cent to about 34 to 40 per cent.

A hot strip mill with a capacity to roll 5 lakh tpa is expected to be commissioned during the year, orders for which have already been placed. The expansions are to be financed through internal accruals and term loans. The company is also setting up a 45 mw captive power plant that will use waste heat from its sponge iron plant. The engineering capability of the company has made it possible to install plants quickly and at low cost. By buying equipment and making some on its own, the company has benefited from low investment costs. Its cold rolling plant for instance cost just 25.33 per cent of what a new plant would. Though Jindal Strips is investing in new equipment, it will still manage to keep capital costs low as portions which are not critical are built in house. Even with new equipment, the cost of its cold rolling plant is 60 per cent that of a new one.

Higher Profits

Gujarat Narmada Valley Fertilisers Company (GNVFC) manufacturing chemical fertilisers and petrochemicals closed the financial year ended March 1995 with net sales of Rs 671 crore, up by 6 per cent against Rs 633 crore in the previous year. Other income increased by 43 per cent. Total income rose to Rs 670 crore up by 12 per cent from Rs 601 crore. Interest costs were down by 19 per cent. A marginal rise in the provision for depreciation coupled with a zero tax provision like in the previous year saw the company end up with a net profit of Rs 92 crore up by 67 per cent from Rs 55 in the previous year. A dividend of 20 per cent has been declared by the directors compared to 18 per cent declared last year.

Investments of the company for the year under review increased to Rs 147 crore from Rs 16 crore. Under the public sector units disinvestment scheme of the government the company was a successful bidder for 40 000 shares of ONGC and 1 lakh shares of IOI and has paid a sum of Rs 6 crore and Rs 7 crore respectively.

The improved performance of the chemical plants saw the production of ammonia move up by 4.9 per cent to 4.97 lakh tonnes compared to 4.73 lakh tonnes in the last year. Production of urea also increased by 5.2 per cent to 6.87 lakh tonnes from 6.53 lakh tonnes. Production of methanol went up by 14.9 per cent to 1.26 lakh tonnes. The formic acid plant produced 8,241 tonnes of formic acid in 1994-95. However sales of formic acid declined by 15.6 per cent from Rs 25.78 crore in the previous year to Rs 21.76 crore. Sales of urea went up by 21 per cent to Rs 217 crore up from Rs 180 crore in the previous year. Similarly sales of methanol increased by 49.4 per cent to Rs 137 crore from Rs 92 crore. Sales of ammonium nitro phosphate and calcium ammonium nitrate touched Rs 97 crore and Rs 45 crore respectively.

The performance of the electronics division suffered as a result of the stiff competition in the domestic market arising from the easy availability of imported printed circuit boards (PCBs). Considering the unfavourable market conditions, the company produced only 6 139 square metres of PCBs against the installed capacity of 44 000 square metres. The turnover of electronics division during the year was Rs 7 crore. The PCB plant has been accredited with ISO 9002 certification.

The company performed well on the export front and export earnings reached Rs 18.06 crore compared to Rs 8.1 lakh in the previous year. It exported 14,896 tonnes of methanol to South Korea, Singapore, Dubai and the Netherlands.

The acetic acid project which is scheduled to be commissioned by July 1995 is the first of its kind in the country with synthetic methanol carbonylation technology from BP Chemicals UK. The requirement of basic raw material for the said project will be met from the company's methanol plant, resulting in lower cost of production and increased profitability. The capacity of the plant has been set at 1 lakh tonnes per annum. A part of the production has been earmarked for export.

The company is installing a synthetic gas generation unit (SGU) at its methanol plant at an estimated cost of Rs 30 crore. The commissioning of this gas unit by end 1996 will enable the methanol plant to work independently of the ammonia plant. The unit will generate synthetic gas to produce 30 000 tpa of methanol from the existing methanol plant.

The company plans to enter fertiliser trading and has concluded a memorandum of understanding with a company in west Asia to set up a urea plant. It also proposes to diversify into telecommunications. Also on the anvil is an argon gas recovery unit and expansion of its existing methanol production capacity.

Narmada Chematur Petrochemicals, a subsidiary, is implementing the aniline and HDI projects. The company has started marketing aniline which, according to company reports, has been well received. Another subsidiary, Gujarat Narmada Auto, which has been incurring losses, has been referred to BIFR. Its operations are to be wound up as there is no concrete proposal for its revival.

IN NEWSPRINT AND PAPERS

Expansion Project

Tamil Nadu Newsprint and Papers promoted by the government of Tamil Nadu is a pioneer in bagasse based newsprint and owns the country's largest bagasse-based paper plant. It has a present capacity of 300 tpa of newsprint/paper and is the only manufacturer using a process which can be switched to making either newsprint or writing paper. The company has the distinction of being the first paper mill to introduce pink and high bright newsprint in the country.

The company's mill is located in Kagitapuram in Tiruchirappalli district of

Tamil Nadu, south-west of Madras. The location has advantages in terms of nearness to the sugar mill supplying bagasse, proximity to river Cauvery for sourcing water, access to broad gauge railway track for transportation of coal and a well developed road infrastructure.

The company produced 28 659 mt of newsprint for the year ended 1994-95 against 33 970 mt produced in the previous year. Production of printing and writing paper stood at 64 401 mt, up from 60 663 mt in the previous year. Based on market trend the company reduced the production of newsprint while increasing the production of printing and writing paper. The company notched up sales of Rs 210 crore against Rs 205 crore recorded in the previous year. A rise in the provision for depreciation from Rs 15 crore to Rs 17 crore and a zero tax provision saw the company close the financial year with a net profit of Rs 56 crore against Rs 54 crore. A dividend of 27 per cent has been recommended by the directors.

Entering the export arena for the first time in 1994-95, the company exported 7 168 mt of wood free paper to Egypt, Jordan, Iran and Sri Lanka valued at Rs 1 crore. Imports stood at Rs 195 crore. During the year under review, the company successfully assisted the International Finance Corporation in setting up a bagasse based pulp project in Thailand.

To aid its power needs the company has set up a 15 mw wind farm at an outlay of Rs 50 crore. The company has diversified into the leasing business which is to be further strengthened in the coming years.

The company, using bagasse for production of newsprint and paper, is outside the purview of the National Forest Policy. Moreover the printing and writing paper being produced by Tamil Nadu Newsprint and Paper is subjected to excise duty at a lower rate of 5 per cent against 20 per cent payable by companies using wood/waste paper/bamboo. Against this backdrop, the company's expansion plan is well-timed. The expansion plan involving doubling of capacity from the current 90 000 tpa is progressing fast with a few sections of the project being commissioned in March 1995. Commercial production is expected to commence in January 1996. The estimated cost of the project is Rs 584 crore. The World Bank has sanctioned a loan of US \$ 75 million with a rupee term loan of Rs 100 crore being sanctioned by the IDBI. The company proposes to put in Rs 75 crore through internal generation of funds. It is also coming out with a public issue of Rs 220 crore in which Rs 23.85 crore is being offered to NRIs on repatriation basis.

Liquidity Strain to the Fore

Developments in the foreign exchange market led money market movements in October, aggravating the liquidity strain in evidence since the beginning of the financial year

I Resource Crunch

THE economic scene in October was overwhelmingly dominated by the volatility and uncertainty in the domestic money and foreign exchange markets, essentially reflecting the growing liquidity strain. The rupee depreciated substantially – an ‘over correction for price differentials’ as admitted by the RBI governor – in sharp and quick movements in two bouts within a span of six weeks which finally prompted the RBI to take some measures and to intervene in the market. The pressure on the domestic foreign exchange market combined with the RBI sale of dollars though in dribbles tended to accentuate the already difficult liquidity situation in the money market. Many banks were noticed drawing on their overseas accounts to fund their money market positions. Later when the rates in the call money market firmed up to as high as 85 percent they liquidated their dollar positions for arbitraging in the rupee market.

The signs of the resource crunch were visible early in the current financial year with the growth in bank deposits and other financial assets getting slackened; this trend has since persisted. Aggregate deposits of scheduled commercial banks have increased by Rs 29 677 crore (8.1 percent) over March 17 level against Rs 36,517 crore (11.6 percent) in the similar period last year or, still worse, by a mere Rs 9 516 crore (2.5 percent) over March 31 against Rs 18,420 crore (5.5 percent) last year. The sluggishness in domestic savings seem to be getting further reinforced by the loss of foreign exchange, which since

March 31 has been of the order of \$ 2.56 billion (or worth over Rs 8,000 crore). This is happening at a time when non food credit expansion by banks has been rising at a faster pace than in the previous year (Table 1). Apart from the pressure on commercial bank credit the fiscal situation has remained tight. Despite a sizeable revenue accrual during the first half of the year and despite significant mobilisation through loan floatations, the use of ad hoc by the central government has again crossed the limit of Rs 9,000 crore. Rs 10 610 crore as of October 6 and Rs 9 395 crore as of October 13.

II Money Market Upheaval

Foreign Exchange Market

The developments in the foreign exchange market led the money market movements during October. After about seven per cent loss in the nominal effective exchange rate of the rupee in the first fortnight of September which depreciated the rupee from Rs 31.84 to a dollar to Rs 34.15 to a dollar, the market believed that the rupee had stabilised at Rs 33.50/90 to a dollar. The authorities had sought to make out earlier that this correction was necessary to adjust for the relative inflation rate and the appreciation of the dollar vis a vis the other currencies in general. It represented economic fundamentals – a view which did not appear to have been shared by the market. The growing trade deficit following rapid increases in imports, the transfer of non IMF debt service payments to the market and reduced current transfers

have all brought about a shortage of foreign exchange in the market.

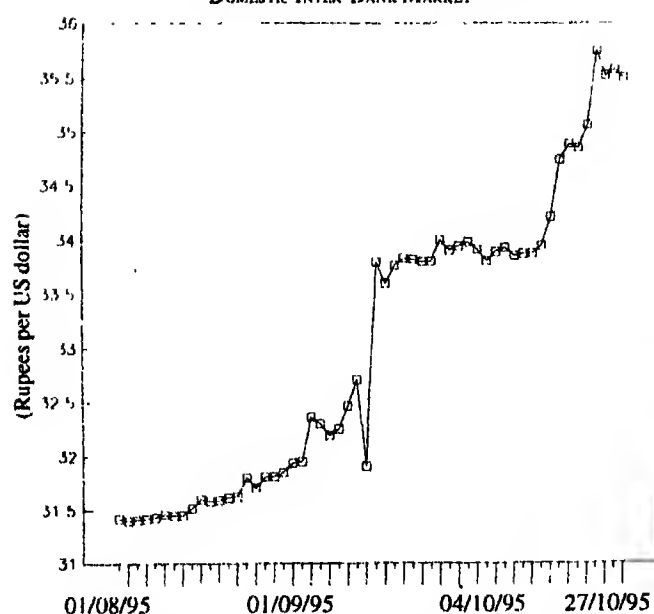
The disturbances in the foreign exchange market became self reinforcing in nature. Expecting a fall in the value of the rupee, the importers rushed to the market to cover their positions which were kept complacently open as the rupee was stable at 31.37 since March 1993 when the exchange rates were unified. Upon seeing the rupee depreciate, the exporters naturally held back their remittances. Exporters who had covered forward began to cancel their contracts which further raised the temporary demand for dollars in September. Apparently even a change in the financing pattern for export import trade has accentuated the supply demand imbalances in the domestic exchange market. Earlier under an assuredly stable exchange rate system, exporters were using pre-shipment credit in foreign currency which tends to hasten export receipts and importers supplier credit which tends to postpone the payments. The rupee depreciation altered this scenario with many exporters and importers shifting from foreign currency credit to rupee finance; this has the implication of slower export receipts and faster import remittances, particularly in the context of prohibitively high cost of hedging. Coming on top of an already fund starved market, the additional demand for dollars for various purposes took the market into a tailspin again by mid October and the rupee crossed Rs 35 to a dollar and threatened to cross even Rs 36.

It was at this stage on October 16 when the rupee dollar rate touched Rs 36 that the Reserve Bank of India entered the market to arrest the fall (Graph A). It initially sold small amounts of dollars in the market. Starved of dollars, the market lapped up these small amounts in no time and the rates continued to gyrate in sharp movements. By the third week of October, the nervousness of the market had only accentuated on account of hunking of Diwali holidays. On October 24, the Reserve Bank came in with large amounts

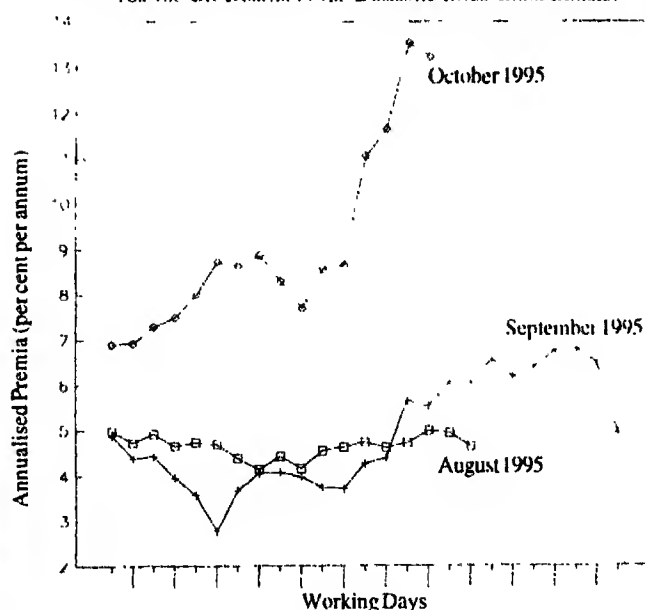
TABLE 1. A FEW MACRO FINANCIAL INDICATORS: VARIATION

									(Rupees crore)	
Increase during	M ₁	Total	RM Currency in Circulation	Key Sources of RM		Foreign Exchange Reserves (Excluding Gold)	Other Deposits with RBI	Scheduled Commercial Banks Aggregate Deposits	Bank Credit (Non food)	Investment in Govt Securities
				Net RBI Credit to the Centre	RBI Credit to Banks					
1994-95										
March 31 1994 and June 24, 1994	5488	8978	8686	1707	678	3183	1622	5543	8919	11228
June 24 1994 and October 14 1994	25134	5217	-508	5775	1176	9015	220	23063	14746	1644
1995-96										
March 31 1995 and June 23 1995	2922	9217	10171	12999	-1520	-4703	3634	12219	6725	1996
June 23, 1995 and October 13 1995	21200	4288	504	844	2794	2512	2327	21735	16969	5327

GRAPH A: SPOT QUOTATIONS FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



GRAPH B: ANNUALISED DAILY 0-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



and finally managed to halt the downward journey of the rupee. Between October 16 and 31, the Reserve Bank had reportedly injected an estimated \$300-500 million into the market, though exact amounts are not known. Importers, who were lulled into exposing themselves to uncovered positions earlier, suddenly pushed up the forward premia, say for the six month from 6 per cent to as high as 13-13.5 per cent (annualised) towards the end of October (Graph B). More significantly, the premia for the shorter maturity forward covers turned out to be as high as 20 per cent for one month or 15 per cent for three months (Graph C).

On October 29, P Chidambaram, minister of state for commerce, who made a strong statement regarding the level of the rupee suggesting that it would not be allowed to go below Rs 34-Rs 34.50 a US dollar, that

stirred the market; he urged the importers not to panic and the exporters to remit their export earnings to augment the supply of dollars. This was immediately backed by Reserve Bank governor C Rangarajan, who sought to reassure the market the very next day that the central bank would stand ready to intervene with the objective of moderating the volatility in the exchange market, though with a proviso "while being consistent with the fundamentals". The projected current account deficit of 1.5 per cent of GDP for 1995-96 was considered reasonable and fully sustainable. The RBI also followed it up with some measures: 15 per cent surcharge on interest charged on the relevant portion of cash credit for imports; increase in rates of interest on NRE deposits; fresh NRE and NRNR deposits exempted from CRR; exporters are to be discouraged from

extending credit to buyers beyond 90 days; and importers to repay import creditors only through sale proceeds. After the above assurances and measures, the rupee moved in a narrow range of Rs 34.40/90 and generally stabilised at Rs 34.60, but significantly the forward premia continued to firm up.

Call Money Market

Signs of liquidity crunch were already visible in the call money market in the last week of September when the rates in the call money market had ruled in the range of 16-21 per cent. The RBI intervention to arrest the fall in the rupee's exchange rate further affected the domestic money market which was already squeezed of liquidity. The result was that, by the end of October, the call rates zoomed from 15-20 per cent to 75-80 per cent requiring the RBI to intervene to even

TABLE 2: CALL MONEY RATES

(Per cent per annum)

Items	October 1995				September 1995				
	27(RF)	20	13(RF)	6	29(RF)	22	15(RF)	8	1(RF)
Weekly range	0.50-17.00 (0.50-6.00)	12.50-19.00 (5.00-9.50)	1.00-23.00 (0.50-11.75)	14.00-18.00 (10.75-13.00)	0.25-22.00 (2.00-40.00)	12.50-18.50 (11.00-60.00)	1.00-11.25 (8.00-95.00)	10.50-11.50 (6.00-6.75)	0.50-11.25 (5.00-5.50)
Weekend (Friday)	0.50-0.25	14.75-15.50	1.00-1.50	17.00-18.00	0.25-0.50	15.75-18.50	1.00-2.00	10.50-11.25	0.50-1.00
Weekly weighted average*	na	15.79	15.21	16.70	14.40	13.80	10.81	10.98	10.44
DFHI lending rates (range)	na	13.90-18.50	3.00-19.50	14.75-18.00	3.00-20.00	12.75-17.25	11.00-11.25	10.85-11.50	0.50-11.25

* Weighted average of borrowing rates reported to the RBI by selected banks and DFHI, weights being proportional to amounts borrowed. Figures in parentheses represent weekly range during similar period last year.

TABLE 3: DAILY CALL MONEY RATE QUOTATIONS OF HIGHS AND LOWS: SIMPLY STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Four Weeks of the Month	October 1995: Weekended				All Five Weeks of the Month	September 1995: Weekended				
		27 (RF)	20	13 (RF)	6		29(RF)	22	15 (RF)	8	1 (RF)
Mean	14.33	10.91	15.25	14.54	16.03	10.68	9.94	14.19	9.51	11.00	8.35
Standard Deviation	5.12	6.32	1.95	6.72	1.22	4.15	5.88	1.79	3.60	0.32	4.02
Coefficient of variation (percentages)	35.74	57.95	12.79	46.21	7.61	38.86	59.17	12.62	37.84	2.91	48.14

out the extreme scarcity of funds. By the month-end, the RBI had provided support to the money market to the extent of Rs 2,500-3,000 crore. The daily quotations of call money rates during October always remained above those of September (Graph D).

The month of October began with three holidays at a stretch after a half-a-day's trading on Saturday, September 30. The first week of October naturally opened on a firm note at 15-18 per cent. In addition to holidays, the firmness in the rates was also attributable to Rs 1,500 crore flowing out of the system towards payment of the floating rate bonds and 91-day treasury bills. It was reported that banks needed to keep additional CRR during this week on account of inflated net demand and time liabilities on September 30 due to the bulge in bank deposits arising from half-yearly closing.

During the next week, Rs 1,120.66 went out of the system on account of payment of the second instalment of the partly-paid security issued in September. Although this was the second week of the reporting fortnight, banks continued to borrow at high rates as many of them had left their positions uncovered during the first week in the hope that the rates would drop in the second week.

These banks were seen to be borrowing at 23 per cent on October 12 as it was the last day for CRR coverage and one-day repo was banned; some of them even borrowed unusually at 7 per cent on the reporting Friday.

The market opened at a high of around 18 per cent during the third week. The Reserve Bank intervened in the market to the extent of Rs 2,000 crore during this week to cool the market. In addition, Rs 659.50 crore were expected to flow back into the system through the redemption of 364-day treasury bills on October 27.

Though the call rates fell during the reporting week ended October 27, the extent of volatility as represented by the coefficient variation of the highs and lows in fact rose rather

significantly (Table 3). The relative fall in the rate was on account of some easiness in demand for funds, especially from the government which had not come to the market after the October 14 notation. It was also reported that State Bank of India was a large lender in the market during this week which softened the rates.

The last week of October, which was the first week of the reporting fortnight closing on November 10, however, saw extreme pressure on the call rates which soared dramatically to a high of 85 per cent in a matter of just two days (November 1-2). The rates were also extremely volatile with intra-day gyrations ranging between a peak of 75 per cent and a slump at 25 per cent. Even

TABLE 5: AUCTIONS OF 364-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
October 12	33	206.00	10	43.00	91.39	9.42
October 26	50	774.50	40	659.50	91.35	9.47
1995						
October 11	18	135.00	5	11.00	88.55	12.93
October 24	18	121.00	9	76.00	88.54	12.94

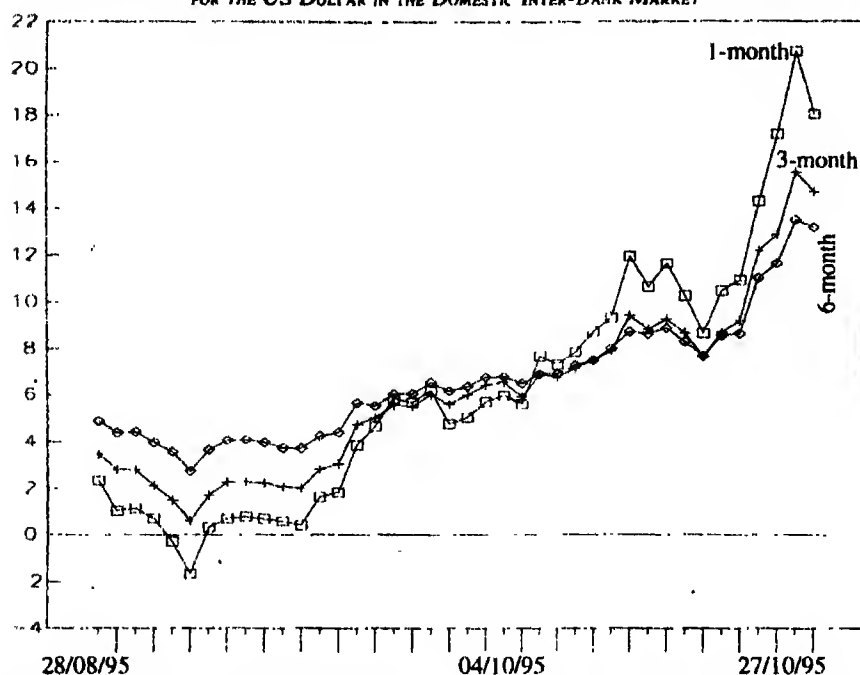
TABLE 4: AUCTIONS OF CENTRAL GOVERNMENT DATED SECURITIES

(Amount in rupees, crore)

Date of Issue	Notified Amount	Maturity Period (Years)	Maturity Year	Number of Bids Received	Total Face Value of Bids Received	Number of Bids Accepted	Total Face Value of Bids Accepted	Subscription by RBI	Cut-off Yield/Coupon Rate (per cent)
1994-95									
May 24	1,200.00	10	2004	176	3,945.05	29	1,043.50	156.50	12.35
June 28	900.00	7	2001	143	2,002.50	55	900.00	0.00	12.08
July 26	900.00	6	2000	222	4,468.00	2	900.00	0.00	11.64
July 29	On Tap	6	2000	20	1,840.00	20	1,653.68	0.00	11.64
August 26	10,741.81	7	2001	-	8,693.73	-	8,078.36	0.00	11.75
	(Conversion)								
November 15	2,000.00	8	2002	215	4,375.50	119	2,000.00	0.00	11.55
December 29	3,722.36	3	1997	-	103.02	-	101.25	0.00	11.00
	(Conversion)								
February 03	2,000.00	5	2000	142	2,393.00	106	2,000.00	0.00	12.71
	(Zero Coupon Bond)								
Total (1994-95)							16,676.79		
1995-96									
April 27	7,603.08	5	2000	76	1,653.58	60	1,584.56	0.00	13.25
	(Conversion)								
May 05	1,000.00	10	2005	98	1,299.10	55	959.10	40.90	13.75
May 30	1,500.00	7	2002	101	1,158.50	59	694.50	805.50	13.80
June 08	1,000.00	10	2005	120	1,201.32	120*	1,000.00	0.00	14.00*
June 22	1,709.66	10	2005	142	803.61	142	803.61	906.05	14.00*
July 10	4,045.66	2	1997	-	803.08	-	803.08	-	13.25
	(Conversion)								
July 26	3,000.00	5	2000	237	4,808.80	103	3,000.00	0.00	13.85
	(Zero Coupon Bond)								
August 17	2,000.00	3	1998	248	3,666.88	179	2,000.00	0.00	13.65
August 31	2,000.00	2	1997	203	2,714.86	154	2,000.00	0.00	13.50
September 11	On Tap	10	2005	99	4,482.63	99	4,482.63	0.00	14.00
September 29	...	4	1999	75	1,554.31	75	1,554.31	0.00	13.73
October 14	3,000.00	2	1997	84	3,000.00	84	3,000.00	0.00	13.50
Total so far (1995-96)							21,881.79		
Memo items: State Government loans (issued with pre-determined coupon rates)									
1994-95									
April 25	2,644.00	10	2004	-	4,511.00	-	4,511.00	-	12.50
September 12	613.14	10	2004	-	3,991.43	-	613.14	-	12.50
1995-96									
May 22	1,500.00	10	2005	-	3,017.88	-	3,000.00	-	14.00

t-) means not available * Issued with pre-determined coupon rates of 14 per cent each ... not notified \$ Two applications of Rs 10,000 each were allotted in full; other oversubscribers received partial allotment.

GRAPH C: ANNUALISED DAILY 1-MONTH, 3-MONTH AND 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



the RBI intervention in the foreign exchange market which had absorbed rupee resources contributed somewhat to this. Moreover, a state loan flotation of Rs 1,500 crore to be held on November 6, the bank's commitment to the IDBI issue (Rs 1,100 crore) which fell due in the first week of the reporting fortnight, and the third instalment of Rs 1,100 crore towards the partly-paid security due for payment in the second week of the reporting fortnight, would together soak up at least Rs 6,000-7,000 crore from the system thus threatening to cause an acute shortage of funds in the immediate future. The Reserve Bank intervened in the market to the extent of Rs 3,000 crore (outstanding as on November 4) in just two days through reverse repos with

DFHI and STCI. Banks also reported to have availed of refinancing against government securities to the extent of Rs 500 crore during these two days.

Open Market Operations

In keeping with the tight monetary policy, the open market operations of the Reserve Bank continued to remain passive. The securities it offered for sale were long-dated securities while the market completely lacked interest in these and instead traded in short-dated securities due to the liquidity crunch. There was only one purchase deal of Rs 5 crore in a floating rate bond which the RBI purchased at par.

TABLE 6: AUCTIONS OF 91-DAY TREASURY BILLS

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price in Rupees	Cut-off Yield Rate (Per Cent Per Annum)	Amount Outstanding*		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
1994											
October 07	100	12 (1)	37.00 (25)	9 (1)	30.00 (25)	45.00	97.75	9.21	4650.00	749.00	3901.00
October 14	100	16	38.50	10	20.50	79.50	97.75	9.21	4550.00	828.50	3721.50
October 21	100	37 (1)	404 (25)	6 (1)	75.00 (25)	0.00	97.92	8.50	4400.00	828.50	3571.50
October 28	250	36 (1)	808.75 (25)	5 (1)	225 (25)	0.00	97.96	8.33	4400.00	828.50	3571.50
1995											
October 06	500	10 (2)	25.50 (800)	4 (2)	13.6475 (486.3525)	0.00	96.93	12.67	6501.00	834.00	5667.00
October 13	500	22 (2)	184.40 (350)	19 (2)	172.13 (327.87)	0.00	96.91	12.75	6501.00	661.25	5839.75
October 20	500	18 (4)	163.95 (331.80)	13 (4)	136.45 (331.8025)	31.7475	96.90	12.80	6501.00	220.25	6280.75
October 27	500	20 (2)	328.46 (15.06)	19	327.96 (15.0575)	156.9825	96.88	12.88	6501.00	193.00	6308.00

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total.

* Outstanding amounts are estimated for all weeks of October 1995.

III

Primary Market Operations

Dated Securities

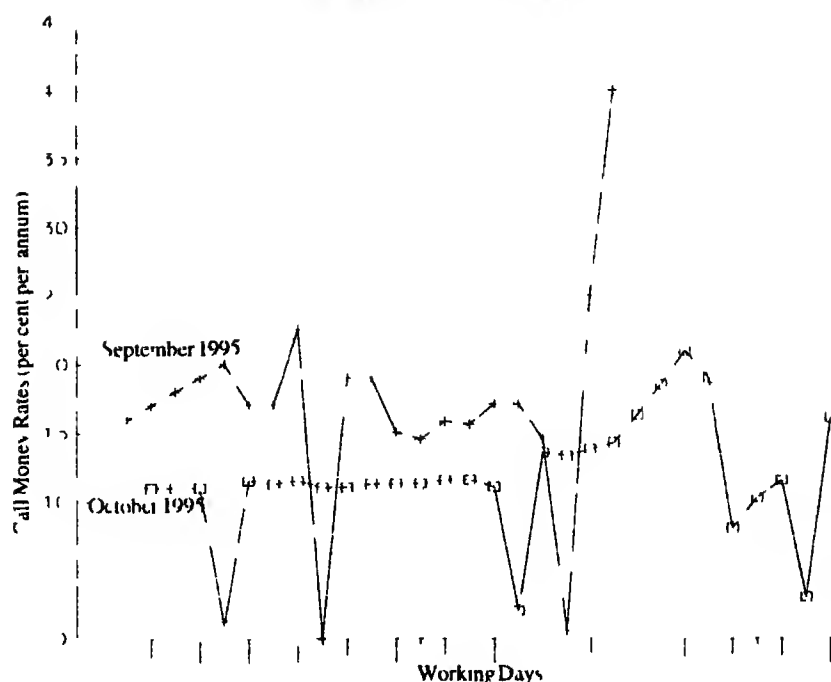
Only one fresh dated security was floated by the government during the month. Issued on October 14, this was the second series of the 13.5 per cent two-year security floated earlier this year. The paper aimed at mop up Rs 3,000 crore being issued on the same day when redemption of the 12 per cent 1994 paper was due. The latter paper was to be redeemed actually on October 15 but was redeemed on October 14 as the next day happened to be a Sunday. It was reported that the ministry of finance and the RBI had 'persuaded' public sector banks to reinvest the redeemed amounts in the new 13.50 per cent paper, with even amounts being indicated to each bank. The paper was naturally fully subscribed. Financial institutions, such as the LIC, and the UTI were reportedly large buyers of this paper. The anxiety of the government and the Reserve Bank to horde from the market was later explained when it was found that, as on October 6, the government's resort to ad hoc borrowing had again crossed the Rs 9,000 crore limit.

With the above floatation, the government has achieved a gross market borrowings of Rs 21,882 crore so far during the current fiscal year (Table 4) as against the budgeted amount of Rs 41,000 crore.

364-Day TBs

The Reserve Bank raised a meagre amount of Rs 87 crore out of bids worth Rs 256 crore received in two auctions of 364-day TBs during October. The cut-off yields on the TBs have shown fractional increases from 12.91 per cent towards the end of September to 12.93 and 12.94 per cent respectively, in the two October auctions (Table 5).

GRAPH D DAILY TOP END QUOTATIONS OF CALL MONEY RATES
SEPTEMBER 1995 AND OCTOBER 1995



Incidentally in September the government issued a floating rate bond (FRB) at a rate of interest linked to the cut oil yields on this instrument

91 Day TBs

The government raised a total of Rs 2,000 crore through four auctions of 91 day TBs during October but with a significant firming up of the cut oil yield from 12.68 per cent in the final auction of September to 12.88 per cent in that of October (Table 6). The

share of non competitive bidders in this at Rs 1,161.08 crore was more than 50 per cent. However while initially these bidders contributed a large amount their share gradually fell with their contribution getting reduced only to Rs 15.06 crore in the month's last auction as against Rs 800 crore in the first auction. The decrease in the amount bid by non competitive bidders was compensated for, to a small extent by the increased interest from the competitive bidders who bid larger amounts towards the month end. The renewed

interest from competitive bidders in this paper was on account of the shortfall faced by many banks as a large amount of TBs were redeemed over the past couple of months and the need to re build short term investment portfolio by them to meet the ensuing busy season credit demand. Yet the Reserve Bank could neither avoid a gradual increase in the yields on this paper nor could it avoid devolvement on itself which totalled Rs 188.73 crore in the last two auctions of the month.

PSU Bonds

With the impending divestment of equities by the government of four public sector undertakings (ninth round of bidding first this year) in an environment of liquidity shortage and rising interest costs, not many other PSUs approached the market with new bond issues. Apparently these four equity auctions evoked very poor response. Successful bids as low as Rs 168.62 crore against the earlier expectation of about Rs 2,000 crore, there is a budgetary target of Rs 7,000 crore to be fulfilled.

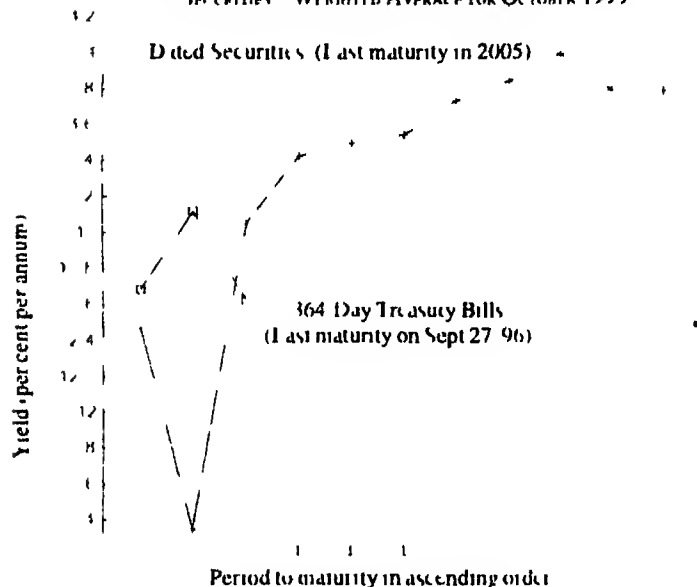
Amongst the few other floatations the Nuclear Power Corporation (NPC) floated a six year bond for Rs 100 crore at 16.25 per cent. The issue closed on October 16 and was reported to have attracted only Rs 50 crore despite attractive conditions. NHPC too was less fortunate and could raise only Rs 66 crore as against a target of Rs 300 crore through its taxable bond at 16.5 per cent. IRFC was in the market in the last week of October with its tax free bond worth Rs 250 crore at 10.50 per cent and was reportedly doing well. LIC was in the market to privately place Rs 200 crore at 15.5 per cent whereas the IDBI with its deep discount and

TABLE 7 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING OCTOBER 1995

Descriptors	Week ending October Amount in Crore of Rupees												Total during October		
	27			20			13			6					
	Order		Actual Traded Amount	Order		Actual Traded Amount	Order		Actual Traded Amount	Order		Actual Traded Amount	Order	Actual Traded Amount	
	Buy	Sell		Buy	Sell		Buy	Sell		Buy	Sell				
1 Treasury bills															
i) 91 day bills	7.31	7.31	7.31				10.00	10.00	10.00				17.31	17.31	17.31
ii) 364 day bills	5.00	5.00	5.00				28.00	28.00	28.00	13.00	13.00	13.00	46.00	46.00	46.00
Sub total Traded value	12.31	12.31	12.31				38.00	38.00	38.00	13.00	13.00	13.00	63.31	63.31	63.31
2 Dated securities															
A GOI securities															
i) Converted	26.00	26.00	26.00	9.00	9.00	9.00	32.00	32.00	32.00	35.00	30.00	30.00	102.00	97.00	97.00
ii) Regular	-	-	-	29.43	29.43	29.43	92.73	92.73	92.73	20.71	30.71	20.71	142.87	152.87	142.87
iii) Zero coupon	-	-	-	17.00	17.00	12.00	40.00	40.00	30.00	-	-	-	57.00	57.00	42.00
B State govt's stocks	9.85	9.85	9.85	0.01	0.01	0.01	0.16	0.16	0.16	-	-	-	10.02	10.02	10.02
Sub total Traded value	35.85	35.85	35.85	55.44	55.44	50.44	164.89	164.89	154.89	55.71	60.71	50.71	311.89	316.89	291.89
3 PSU bonds															
i) Tax free	-	3.20	-	5.50	6.30	5.20	10.12	10.12	10.12	9.70	9.70	9.70	25.02	29.32	25.02
ii) Taxable	4.35**	4.35**	4.35**	13.22	13.22	13.22	16.20	16.50	15.20	10.90	10.90	10.90	44.67	44.97	41.67
Sub total Traded value	4.35	7.55	4.35	18.42	19.52	18.42	26.32	26.62	25.32	20.60	20.60	20.60	69.69	74.29	68.69
4 Commercial papers	28.00	28.00	28.00	15.00	15.00	15.00	-	-	-	-	-	-	43.00	43.00	43.00
5 ID+IB	-	-	-	0.10	0.10	0.10	2.28	2.28	2.28	11.00	11.00	11.00	13.38	13.38	13.38
Grand total (volume)	80.51	83.71	80.51	88.96	90.06	83.96	231.49	231.79	220.49	100.31	105.31	95.31	501.27	510.87	480.27

(-) No trading ID Non-SLR Institutional Bonds IB SLR Institutional Bonds @ Includes 12.08 per cent Government Compensation Bond 2001 worth of Rs 4 crore

GRAPH E YIELD CURVES FOR 364 DAY TREASURY BILLS AND GOI SECURITIES WEIGHTED AVERAGE FOR Q4 (OCT) 1995



regular bonds could raise only Rs 70 crore in two weeks. NABARD and IRBI approached the market with their 10-year bonds at the same 14 per cent rate of interest for Rs 83.50 crore and Rs 87.50 crore respectively. Meanwhile the 17.5 per cent bond of issue of Krishna Bhagya Jala Nigam (KBJNL) has obtained its target amount of Rs 150 crore because of the high yield and also because of Karnataka government guarantee. This issue in fact compelled other PSUs to push up the yield offers.

Gujarat Lease Finance tapped the market to raise Rs 50 crore by privately placing two short term (15/18 months) papers. The Gujarat Industrial Investment Corporation was in the market to raise Rs 55 crore.

As resources were scarce and the cost high in the domestic market IDBI and ICICI looked towards international markets. Both had sought extension of time limit on their external commercial borrowings from the government.

Tapping New Sources

Due to continued liquidity shortage in the financial system PSUs could raise only about 10 per cent of their targeted market borrowing of Rs 6,000 crore during the year. While some PSUs have started tapping the new sources like RRBs, PFs, etc., many others have shifted to lease finance for their fund requirements. The latter PSUs are IRFC (Rs 1,800 crore), PFC (Rs 250 crore) and MTNL (Rs 1,150 crore). Lease finance seemed to be the preferred avenue as it offered tax shelter to the investors, most of whom - be they corporates, financial institutions or even banks - were showing trends of high profits in the first half of 1995-96. The Reserve Bank has apparently clamped a ban on such deals being routed

through banks by finance companies as it amounted to double financing of the same leased assets.

Also while the primary market activities were mostly concentrated in high rate taxable bonds, the eventual rescinding of Section 80M benefits under the Income Tax Act on inter-corporate dividends gives a much needed fillip to primary tax-free bonds as corporates are planning to replace preference and equity share holdings by tax-free PSU bonds. Accordingly PSUs have been bracing up to restructure their bonds in terms of put options and discounts and such other facilities for the prospective corporate subscribers.

Commercial Paper

Despite an increase in the number of companies rated by CRISIL, many preferred not to enter the CP market as ultimately funds raised through this instrument would lead to reductions in their existing cash credit limits. During the month a total of Rs 186.5 crore worth of CPs were floated, the largest being Rs 100 crore by Infrastructure Leasing and Financial Services (ILFS). Voltas and Pfizer were amongst the companies to issue their CPs. Kotak Mahindra was reported to have rolled over its commercial paper worth Rs 6-7 crore on October 31 at 16.5 per cent.

The primary CP rates which were in the range of 13.5-14.25 per cent towards the end of September were hiked to the higher range of 14.5-15.5 per cent towards the second fortnight of October.

ICD Market

The inter-corporate deposit market was reasonably stable although the rates were high during October with low demand for funds. AAA (triple A) companies could borrow in this market at 17.5-18.5 per cent whereas AA

(double A) companies could borrow at 25 per cent. Interestingly, scarce resources and the desire for earning better returns on small surpluses have led a few leading finance companies to offer syndicated inter-corporate deposits.

Other Markets

There were very few issues of certificates of deposits (CDs) when they were issued, the ruling rates were 14-14.5 per cent. Further, an issue of pass-through certificates of Rs 9.36 crore by Alarcity Housing noticed in the last month's review was received well in the market.

IV Secondary Market

Disturbances in the foreign exchange and money markets adversely affected the secondary market operations in money market instruments, with the size of secondary transactions dwindling to the lowest levels in months except for repo transactions in government securities associated with the funding requirements in the call money market. Total traded amount, as shown in the RBI's SGI accounts (excluding repos), was of the order of Rs 1,760 crore during October as against Rs 3,323 crore during September and Rs 3,599 crore in August (Appendix Table). Likewise, the actual traded size on the National Stock Exchange (NSE) was considerably less at Rs 480 crore during the four weeks of October as against Rs 1,164 crore in September (five weeks) and Rs 1,354 crore during August (four weeks).

Government Securities

The redemption of the 12 per cent 1995 paper on October 14 created a shortage of short term paper in the market towards the end of the month. As a result, the focus in the secondary market for dated securities shifted from short term paper to longer duration maturities. Initially, there was considerable interest in 12.75 per cent 1996, 13.5 per cent 1997 and 12 per cent 1999, as also in Zero coupon bonds 1999 and 2000. There were small trades in 91-day TBs which had become active once again in the secondary market since late September. There was not much interest in 364-day TBs. Prices of short duration securities suffered an erosion due to firming up of interest rates, while long duration papers stood their ground. Price of 12.75 per cent 1996 fell from Rs 101.19 on September 30 to Rs 99.57 on October 30, while that of 14 per cent 2005 (II) edged up from Rs 101.10 to Rs 101.27 during the same period.

Yield Curve

Apart from the dwindling of transactions in the secondary market, there has occurred some significant disturbance in the yield curves for 364-day TBs and dated government

APPENDIX TABLE SECONDARY GOVERNMENT PAPER OPERATIONS RBI & SGL DATA

Descriptions	Week ending October 1995 Yield to Maturity on Actual Trading												(Amount in rupees, crore)		
	27			20			13			6			Total for the Month of October 1995		
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
1 Treasury Bills															
A 91 Day Bills															
i) Oct 21 1995							2.58	13.11		2.58	12.57		5.16	12.84	
ii) Oct 28 1995				55.56	12.64		31.00	13.26		90.00	13.15		176.56	13.01	
iii) Nov 04 1995	6.46	12.69		109.50	14.05		5.62	13.05		22.95	12.67		233.08	12.79	
iv) Nov 11 1995				10.00	12.94		18.72	13.07		10.00	13.06		137.45	13.80	
v) Nov 18 1995	11.50	13.07		12.00	12.82		1.90	13.67		15.00	13.10		50.77	13.04	
vi) Nov 25 1995	14.00	12.71					1.01	12.90		3.05	13.06		42.91	12.93	
vii) Dec 02 1995	0.87	12.76		2.00	12.72								1.93	12.99	
viii) Jan 13 1996				317.00	13.12		60.83	13.19		236.58	12.55		7.00	12.73	
Sub total	32.83	12.84											617.40	12.91	
B 364 Day Bills															
i) Dec 08 1995				5.00	12.68								5.00	12.68	
ii) Aug 07 1996	15.00	12.92		8.50	12.91		43.00	13.14		38.00	13.22		104.50	13.13	
iii) Sept 27 1996	0.50	12.57					15.00	12.63					15.50	12.63	
Sub total*	15.50	12.91		13.50	12.83		58.00	13.01		38.00	13.23		125.00	13.04	
2 Govt Dated Securities															
A Converted (Per Cent Year)															
i) 12.00 1995										268.00	23.95	11.85	268.00	23.95	11.85
ii) 12.75 1996	14.62	13.52	12.80	23.36	13.46	12.79	89.00	10.80	12.63	82.10	10.95	12.67	209.08	11.35	12.66
iii) 12.00 1999				0.25	13.87	12.62	10.00	13.84	12.63				10.25	13.84	12.63
iv) 12.50 2004										0.19	13.99	15.10	0.19	13.99	15.10
Sub total	14.62	13.52	12.80	23.61	13.17	12.79	99.00	11.11	12.63	350.29	15.75	12.04	487.52	8.00	12.22
B Regular (Per Cent Year)															
i) 10.75 1996										1.25	12.47	10.93	1.25	12.47	10.93
ii) 12.00 1997										15.00	13.05	12.19	15.00	13.05	12.19
iii) 13.50 1997	10.05	13.33	13.47	72.21	13.37	13.18	229.68	13.35	13.49	1.00	13.39	13.48	312.93	13.43	13.49
iv) 12.30 1998							20.00	13.50	12.68				20.00	13.50	12.68
v) 13.65 1998				2.10	13.49	13.61	5.04	13.56	13.63				7.14	13.54	13.62
vi) 13.73 1999 (FRB)										5.00	13.73	13.73	5.00	13.73	13.73
vii) 14.00 2005				16.75	13.74	13.87	3.53	14.00	14.00				20.28	13.79	13.85
viii) 14.00 2005 (II)	3.00	13.75	13.82	7.80	12.79	13.85	8.80	13.76	13.83	8.27	13.81	13.87	27.87	13.78	13.85
Sub total	13.05	13.43	13.55	98.86	13.47	13.57	267.05	13.47	13.45	30.52	13.35	12.89	409.48	13.46	13.44
(A+B)*	27.67	13.48	13.15	122.47	13.17	13.42	366.05	12.83	13.23	380.81	13.42	12.11	897.00	1.79	12.78
C Zero coupon (Per Cent Year)															
i) 0.00 1999							25.00	13.97	10.68	5.00	11.09	10.77	30.00	13.95	10.70
ii) 0.00 2000				40.00	13.97	12.78	20.00	13.96	12.39				60.00	13.97	12.72
D RBI's Open Market Operations															
(A+B+C+D)	27.67	13.48	13.15	162.47	13.59	13.13	411.05	12.95	13.03	385.81	13.06	12.09	987.00	2.90	12.68
3 REPO															
i) 91 Day T Bill				1.00			84.69						85.69		
ii) 364 Day T Bill	65.00			100.00			111.00			208.00			184.00		
iii) Govt Securities	775.00			1732.25			7868.00			418.45			5793.50		
Sub total	840.00			1833.25			8063.69			626.25			6363.19		
4 State govt securities	0.01	11.83	12.07	0.39	13.67	13.76	0.10	12.34	12.39	0.17	14.06	10.84	0.61	13.49	12.96
Grand total	916.00			2326.67			3593.67			1286.76			8123.09		

* means no trading YTM = Yield to maturity in per cent per annum CY = Current yield in per cent per annum * Yield rates of these sub groups of TB and dated securities have been used for the graphs @ The SGL data show YTM gross of vouchers for tax deducted at source (TDS) these negative YTM's are not included in the graph

Notes: 1) Yields are weighted yields weighted by the amounts of each transaction 2) Current yield has not been worked out for treasury bills

securities Curve I which depicts YTM's of all government securities transacted during the whole of October in an ascending order of their maturities shows a very gentle upward movement. On the other hand the yields for 364 day TBs depicted in a similar manner in the same curve show a total inversion due to an acute demand for TBs maturing towards the end of the year.

Indices on Returns and Capital Appreciation

The bond index computed by the ICICI Securities covering government securities of one to ten year duration which have fixed coupons and are being traded shows that while the composite return that the government papers offer over the base period (August 1 1994) has risen by about 5.3 per cent until the end of October the capital value of the papers depreciated by about 6 per cent

suggesting a rise of about 11.3 per cent in the yield rate (table below)

1 SEC BOND INDEX (I BEX)				
Total Return Index	Change	Principal Return Index	Change	
01.08.94 1000.00		1000.00		
31.10.95 1052.75	+52.75	939.94	-60.06	

PSU Bonds

Though trading in PSU bonds continued to be dull there has occurred a shift in favour of taxable bonds during October probably due to the rescinding of 80 M provisions as cited above. Total traded amount in taxable bonds in September was Rs 19 crore (five weeks), whereas in October it was Rs 44 crore (Table 7)

The YTM for the PSU bonds displayed an upward trend from 16.57 per cent in the first week of the month to 17.91 per cent towards the end of the month. No much selling pressure however was seen.

Commercial Paper

Considerable interest was evinced in the secondary market in CPs during the last week of October. NSE screen showed that Rs 43 crore were done in four CPs towards the last two weeks of the month. The papers traded were those of SAIL, Hoechst, Philips, Tube Investments and Voltas.

[Statistical compilations and graphs for this note have been done by V P Prashant. Paramita Debnath has prepared background notes on private debt instruments and money market ratios.]



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NEW DELHI

Liberalisation Chicken Coming Home to Roost

B M

The fragility of the external payments position, exposed by the market-driven devaluation of the rupee and the depletion of foreign exchange reserves, has shown that the priority assigned to external liberalisation in the government's economic policies is wholly misconceived and is fraught with tragic consequences.

CONTRARY to official claims, the rupee is still very much under pressure and is likely to sink further before it stabilises at about Rs 40 to a US dollar. Stabilisation at that level too is likely to result in substantial drawing down of the exchange reserves. The reserves are reported already to have been eroded by over two billion dollars from the peak level touched early in 1995. The fund maintained by the Reserve Bank of India to contain losses on account of fluctuations in the value of the rupee in relation to foreign currencies in the open market has come down from over Rs 7,500 crore in June 1995 to about Rs 4,000 crore. The balance of payments position has come under strain at a time when the current account deficit is widening and the debt service obligation is large and pressing.

The build-up of exchange reserves, from a low of \$ 1.1 billion in June 1991 to \$ 20 billion at the end of 1994-95 was claimed by the government as a great achievement of its economic policy and management. That the burgeoning exchange reserves were putting a burden on the overall economic, and in particular monetary, situation was played down. That such measures as partial convertibility of rupee in early 1992 and abolition of dual exchange rate system later that year resulted in further devaluation of the rupee was also dismissed as not worth notice. The assertion of commerce minister Chidambaram that after the latest 'correction' of the exchange parity to neutralise the effect of inflation in the last two years "the rupee can only appreciate now" lacks credibility. It may not be amiss to recall a similar assertion in July 1991 of finance minister Manmohan Singh, immediately after the two-step devaluation of the rupee, that the "rupee can henceforth only gain". Chidambaram is going to be proved as glaringly wrong as Manmohan Singh.

When the exchange reserves were burgeoning, the governor of the Reserve Bank had claimed that "while earlier the loans taken [from foreign sources] had been

spent, they have now been consolidated and this reflects in the forex position". An RBI expert group has recorded that over \$ 24 billion were purchased from the market during 1993-95 which resulted in the foreign currency assets of \$ 20 billion. This was the reason for the stability of the exchange value of the rupee during this period. The inflow of foreign exchange in various forms tended to strengthen inflationary pressures which surfaced sharply in 1993-94 with a return to double-digit inflation even as growth impulses in the economy, especially growth of industry, remained sluggish and the fiscal position of the government deteriorated. Even the World Bank in its country report on India referred critically to the problems thrown up by the build-up of exchange reserves in this fashion. It also frowned upon the low level of imports by India in spite of the liberalisation-globalisation policy accepted by the government.

After quantitative restrictions on imports were lifted, there was to begin with, what the *Economic Survey* of the finance ministry called, "normal growth of imports". The trade gap widened to over three billion dollars. Subsequently, however, imports began to dip and the negative trade gap shrunk in 1993-94 to less than one billion dollars. There were noises that the RBI was artificially keeping the rupee 'stable' while costs of production in the economy were rising. There was a demand in some quarters for measures to depreciate the rupee to attract foreign capital, step up investment and promote exports, though there are also fears that inflationary pressures might become unmanageable.

After the government floated the rupee and made it convertible on trade account early in 1993, there was every possibility of the rupee suffering further devaluation. This would have been welcome to exporters but was bound to have adverse impact on supplies and prices in the domestic market. The value of the rupee was kept 'stable' by 'sterilising' exchange reserves but this was by itself not

adequate to check inflation, step up investment or impart a thrust to exports even as the problem of servicing of the country's huge foreign debt became more intractable. This compelled the government to be cautious in rushing into full convertibility of the rupee. But it has not been able to withstand the pressure for opening up the Indian market for import of consumer goods, even as a meaningful way of utilising the accumulated exchange reserves for productive purposes and expansion of economic infrastructure has eluded the government. It is not surprising, therefore, that as soon as signs of industrial production picking up emerged after a prolonged hold up, a piquant situation has appeared in which both the exchange reserves and the exchange value of the rupee have come under pressure.

The pressures on the rupee and exchange reserves have been attributed to shortage of dollars in the market to finance the import needs of industry. The speculative rush of importers for dollars is supposed to have aggravated the position. The RBI, anxious to prevent depletion of exchange reserves, is thought to have made matters worse by the decision that foreign exchange for servicing the outstanding foreign debt not only of the corporate sector but the government too would henceforth have to be raised from the market and would not be paid out of the reserves held by it. This is said to have triggered the slump of the rupee. While finance minister Manmohan Singh has been unusually reticent, the minister of state under him said that the rise in industrial output and implementation of new projects entailing large-scale imports of equipment and raw materials had created a huge demand for foreign exchange. This had also activated "strong lobbies" for disturbing rupee-dollar balance, according to him. The problem, it is admitted by exchange dealers, will be compounded because of the concomitant rise in the rupee costs of imports and fall in foreign exchange earnings from exports. Either way the impact on the domestic market of the devaluation of the rupee is bound to be inflationary. Exporters, at the same time, have tended to park their earnings abroad, as they believe that rupee will fall further. The current account deficit is widely expected to be over \$ 5 billion this year. Combined with further devaluation of the rupee, there is bound to be a sizeable depletion of exchange reserves. This will add to the political woes of the Rao government in the election year. The government will be forced to revert to the policy of deflating domestic economic activity and a slump in the industrial sector is very likely. The periodic devaluation of the rupee is bound, in popular perception, to expose the vulnerability of the Indian

economy as a result of its mindless exposure to global market forces.

The problem may not have yet acquired crisis proportions as in 1991. But the so-called economic liberalisation and globalisation policy, misconceived and misdirected, will surely lead to a similar denouement. The indicators are already ominous. Deterioration of the external payments position may also create a situation where there may be large scale flight of capital from India. The much advertised bid to attract foreign capital, especially portfolio investment in stocks and shares, to step up investment for the growth of the economy, expansion of infrastructural facilities is losing momentum. This is not happening because of the fishy Enron deal which has been questioned and exposed. The loss of international confidence in the ability of the Indian market to absorb profitable foreign investment is really the problem because domestic savings and investment have not picked up.

It is not fortuitous that foreign trade gap is again widening. The drive launched with much fanfare to accumulate foreign exchange reserves and open the Indian market for foreign capital, technology goods and services, while it has increased external debt, has neither augmented resources for investment nor stimulated efficient economic activity and competitive strength of Indian enterprises in the domestic or the global market. On the contrary multinational corporations have secured special privileges and a commanding position to turn Indian business interests and skills, technological, managerial and marketing, into their commission agencies. The chief of the Confederation of Indian Industry pompously declared the other day in a press interview that majority shareholding in so called joint ventures was passing into the hands of foreign companies and this, what he called 'strategic alliances', was the way to the future for Indian business. In this arrangement the Indian partners provide their distribution networks in the domestic market plus of course political contacts, and the foreign partners bring in capital and technology.

The fragility of the external payments position, exposed by the market driven devaluation of the rupee and depletion of exchange reserves, has clearly shown that priority given to liberalisation in the official structural adjustment process is wholly misconceived. Domestic liberalisation which must be a well planned and well directed easing of the discretionary bureaucratic control system to activate domestic enterprise and skills to promote savings and efficient investment must be the first concern of the state, even as external liberalisation or what is euphemistically called globalisation of the

economy has to be carefully regulated. To supplement domestic investment with foreign inputs to improve the efficiency of domestic business enterprise in the public and private sectors. The examples of Japan and South Korea are often cited in this context. It was in some countries in South America that external liberalisation was given priority in the economic policy package. This had disastrous consequences as in Mexico. India too is being attempted to be pushed on to the disastrous Mexico route.

The Rao government not derived proper lessons from the Mexico fiasco. The key issue that the Mexico experience throws up is that failure to undertake efficient mobilisation of domestic resources, human and material, and helpless reliance on foreign capital is dangerous. The upshot of the Mexico crisis has the plan for pumping in of further billions of dollars as credit to bail the country out of the external payments crisis. This involved mortgage of the oil wealth of Mexico, its prime national asset, to US corporations which further weakened Mexico and its ability to get out of the payments crisis and return to the growth path. The position of Mexico has only worsened in the last one year after the ten year long so called reform of its economy. The point is that the concessions already offered by the Rao government and more in the offing to attract foreign capital, especially in the energy and infrastructural sectors, are tending to be the beginning of the process of going the Mexico way. The build up of exchange reserves by foreign borrowing and inflow of foreign capital, huge as they may appear to be at some point of time, is no assurance that a relapse of the balance of payments crisis and flight of capital cannot be suddenly brought on by manipulating capital movements to and out of India. But the government, even in the midst of the growing pressure on the rupee and the emerging payments crisis, has chosen to go for large scale CKD and SKD import of luxury cars for assembly in India, is applauded in some interested quarters as

a move to expand the auto industry in India. Just as in respect of foreign power plants with guaranteed high returns on investment, a move for foreign cars and consumer durables to be imported or assembled in India would entail a huge drain of foreign exchange, not only in the future and put India under severe external payments strain and periodic foreign exchange crisis.

The secretary in the finance ministry, while tracing the background to the latest fall in the exchange value of rupee, admitted that investment was low in 1993 and picked up only in 1994 which, at once, brought pressure on the rupee. The deficit on current account is growing and is expected to be 1 per cent of GDP in 1995-96 against 0.5 per cent in 1994-95. A current account deficit of 1.5 per cent of GDP may appear to be within manageable limits. But a pick up in investment and growth in India has already got linked to rise in current account deficit and pressure on rupee. This is clearly the implication of Montek Singh's statement, sets not only a limit to the growth prospects of the economy but also portends serious payments problems in the event of growth picking up. The finance secretary smugly talked of India not facing a Mexican plight. But the Mexico experience must be taken seriously as a warning bell for India and its self-styled reformers and globalisers. After all as Montek Singh stated, Mexico embarked on its reform programme early in the 1980s, a decade before the Rao government was pushed to tread a similar road. It took nearly a decade and half for the Mexican economy to plunge into crisis. The globalisers abroad and in India have begun to canvass with even greater vehemence after the external payments problem has become more difficult, that the opening up of the Indian market for the entry of foreign capital, especially in the infrastructural sectors, on a still bigger scale than so far, the only solution of the payments crisis. The prescription would be laughable if it were not so fraught with tragic consequences.

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'Private Banking' and Depreciation of the Rupee

Kannan Srinivasan

The recent volatility in the foreign exchange market has been discussed almost entirely in terms of the Reserve Bank of India's behaviour, whether it intervened 'in time' or in the right way, and so on. But considering the scale on which portfolio funds and 'other capital' have entered India in the last two years, the recent developments need clearly to be looked at in the context of international capital flows

THE current panic in India's foreign exchange markets ought to alert us to the fragility of the base on which the liberalisation programme has been erected. The single demonstrable achievement of the 'reforms' programme has been the build up of the foreign exchange reserves, but that build-up has taken place due to inflows of hot money – portfolio investment, the entry of funds through the havalas route, and such mysterious channels as the 'other capital' head in the capital account of the balance of payments. Such capital is particularly prone to fly abroad again whenever there is a foreign exchange crisis.

The press has reduced the discussion of the recent volatility in the foreign exchange market to one of the RBI's behaviour, whether it intervened 'in time' or in the right way, and so on. But portfolio funds of the order of \$ 7 billion entered India during April 1993–March 1995, and other capital accounted for another \$ 4 billion or so during the same period. So we clearly need to look at the recent crisis in the context of international capital flows.

In the last three years, there has been much comment on the increased volatility of such flows. But one aspect has been neglected. That is the increased importance of 'private banking' to the international banks. This is particularly relevant in the case of India. It is well known that most of the portfolio investment and NRI deposits are the funds Indians have taken abroad. Another avenue for such flight capital's entry and exit is through the under-invoicing or over-invoicing of trade (the 'havalas' route). It is the movements of such flight capital that will determine whether and how fast the rupee will depreciate.

DEBT CRISIS

The global phenomenon of such flows of money arose from the rescue operation for the international banks performed after the LDC debt crisis. Contrary to popular perception, this debt has been no disaster for the international commercial banks. Their

losses may be outweighed by the returns of the original loans to the third world combined with the important new business opportunities which have arisen as a direct consequence of that lending.

During the years 1972–1982, sovereign long-term lending was significantly more profitable than most OECD business. As countries borrowed amounts they were unlikely to repay, short-term lending at very high interest rates earned handsome returns. The management of flight capital boomed in 1982 when Latin American countries stopped repayment. It has flourished ever since.

As the Fund Bank restructuring gathered pace, banks launched asset management companies to invest in third world stock markets. They developed profitable stock market, consumer and merchant banking businesses in those countries. LDC profits have constituted a major portion of overall banking profits. Some banks have made money nowhere else.

At hearing of the Senate Subcommittee on International Finance and Monetary Policy, when asked (February 8, 1989) whether 'a lot of our banks really made money on the front end of these loans, a lot more money than a lot of us realise', Jeffrey Sachs – not known to be excessively tenderhearted to the third world – replied

all of the banks, everything (sic) in this country is (sic) out of the crisis right now. They did get the large front-end fees at the time. Indeed in the early reschedulings, the name of the game was when the country got into trouble, raise the spread for a few years. Finally that's been whittled down, but you know it is interesting with the hundreds of commercial bank restructurings, there hasn't been a single case of a submarket interest rate, not one single case. There's been a positive spread on every single restructuring that has been made. That is for 42 countries, each of which have (sic) had two or three rounds at this point.

For some years after 1982 it seemed that third world borrowers might default. From

this the banks have learnt the importance of avoiding long term commitments. All five important areas of LDC business done today – consumer finance, merchant banking, institutional investment, private banking and short term lending – involve limited and very temporary exposure to the uncertainties of world trade and third world economies, and provide great flexibility of entry and exit. Today's boom in emerging markets, and other swift flows of international capital is a direct outcome of that original involvement in LDC activity, modified to minimise risk.

PRIVATE BANKING AND CAPITAL FLOWS

A significant part of this swift global movement of capital has been intermediated by the *private banking* operations of international banks. Private international banking, as Columbia University professor *Karin Lissakers* calls it, the banking community's euphemism for the solicitation and investment of flight capital.

Money borrowed by third world countries returned to the international banking system even when – indeed especially when – countries defaulted. Inflows of flight capital from wealthy private individuals in defaulting LDCs have more than offset the amounts of money lent to those countries. Such capital has generally been taken out of a country in evasion of foreign exchange regulation. Often it has been criminally acquired from trade such as narcotics, or in bribes and commissions for contracts. These funds are re-lent or reinvested. Flight capital may even serve the same purpose in providing liquidity to the international banking system as did OPLC funds during the 1970s and 1980s.

Asia and Latin America provide the major growth in private international banking for these banks worldwide, not the OECD economies. In virtually every country in southern and central America, political and economic uncertainty persists. In Asia such risk is most strongly evident in the Philippines and south Asia.

To the banks, the first benefit is one of liquidity. For instance, such client assets exceeded \$ 52 billion for Chase Manhattan Bank alone in FY 1992. This is an amount equivalent to nearly its total deposit base of \$ 53.7 billion.

Now private bankers estimate that between 20 per cent and 40 per cent of such assets managed by a bank end up in its own deposit base. Private bankers recommend a prudential ratio of diversification of investments between real estate, bonds, money market funds, stocks and bank deposits. A significant percentage would also transit through the bank's deposit base as it must be deployed in one or other of these investments.

Chase's Annual Report (1992) points out that a dramatic growth in client assets – of 10 per cent every year – puts "us in the top 10 largest financial institutions serving the money management needs of the wealth market... The global private banking business has tremendous growth opportunities, particularly in Asia and Latin America." It estimates the private international banking market worldwide at "\$ 10 to \$ 15 trillion and no single institution can claim a dominating share". Its 1991 Report says: "Because private banking clients come from all over the world, Chase's private bankers are multilingual. The Chase approach to private banking is to build trusting relationships, ensure confidentiality..."

Similarly, in the case of Citicorp, such private banking clients provided funds of \$ 75 billion for investment – equivalent to nearly half of its deposit base of \$ 146.47 billion. Its 1992 Report says: "The Citibank Private Bank provides an integrated wealth management service through long-term, personal client relationships serving wealthy individuals, their families and, as appropriate, their businesses. In 1992, the Private Bank's worldwide client base expanded by 5 per cent to 74,000, and total assets under management rose 7 per cent to 75 billion ... The largest non-Swiss private bank in the world... with 91 offices in 28 countries". The Private Bank claims to deliver Citi's global expertise in the process of "protecting and enhancing its clients' real wealth". In 1991 Citibank noted that "... private banking activities in Asia and Latin America achieved record earnings... private banking combined net income for these regions increased 15 per cent over 1990 results".

Bankers Trust manages \$ 25 billion in private banking assets. Salomon Brothers says in its analysis of BT (March 1992): "the company's network extends beyond its four US offices – in New York, Chicago, Miami, and Los Angeles – to London, Hong Kong and Switzerland. The target market remains cross-border money flows" which can be "serviced from a limited number of locations".

American Express Bank (AEB) has seen capital flight money increase at rates of 15 per cent to 18 per cent through the late eighties early nineties. Such 'client funds under management' have actually exceeded the total deposit base of the bank. Five years ago (1987) its Annual Report declared that: "Private banking is the cornerstone of the American Express Bank strategy, in line with the bank's focus on low-risk, fee-generating services... private banking client holding grew 18 per cent to \$ 12.2 billion." By the following year such 'client funds under management' rose to \$ 14.29 billion. As the chairman boasted, these had actually tripled in five years – from \$ 4.5 billion

in 1983. As in the previous year, this exceeded the bank's entire deposit base – 'customers' deposits and credit balances' which amounted to \$ 13.035 billion. That "strong growth pattern" continued. By December 1989, capital flight money increased 18 per cent to \$ 16.4 billion. By 1990, however, the bank had become more coy. No specifics were provided (in numerical terms) of private banking clients or their assets.

The bank restricted itself to advertising its services. That Annual Report begins: "American Express Bank will become the world's pre-eminent exclusive global financial institution for wealthy individuals. We will meet their needs 24 hours a day, seven days a week, anywhere in the world, for wealth accumulation, wealth preservation and prestige convenience by providing the personal financial services they need to manage their wealth and to ensure access to it wherever they may be..." Appropriately enough this manifesto is called its *Vision Statement*.

Indeed this and other third world business have offset the losses that Amex and other banks have made in the OECD. Its \$ 205 million loss in the third quarter of 1992 was the direct outcome of US consumer credit card defaults. Similarly, the last time American Express posted a loss (of \$ 628.5 million in the first quarter of 1990) that arose entirely from OECD business.

FLIGHT CAPITAL TO THE RESCUE

Yet banks provide no account of what portion of the flight capital they manage actually ends up in their own deposit base. And the balance sheets of the important Swiss and English banks – which depend significantly on flight capital – contain little or no discussion of this activity. The US banks are relative newcomers to this business, having only developed it seriously in the last 20 years. But London and Zurich are very old centres of capital flight money. They do not need to advertise. National Westminster discreetly guides such clients to the international private banking business of its subsidiary Coutts and Co, headquartered at Zurich.

The Bank for International Settlements (BIS) maintains data on all deposits with BIS-reporting banks made by nationals of any country. But it does not list fiduciary assets (managed funds) or other assets such as real estate. So it is difficult to make assessments of the capital flight specific to a particular country. BIS data showed (1992), for instance, outstanding Brazilian debt at \$ 61.563 billion, but deposits with BIS reporting banks at only \$ 24.257 billion. Similarly, Mexican deposits are stated to be \$ 27.995 billion when private

Mexican funds abroad are believed to exceed \$ 70 billion. BIS data excludes trust funds and the majority of assets are in such trusts.

Such capital has been significant in economies such as the US and the UK both as a source of invisible earnings and of investment in government securities. Low taxes for non-resident investors encourage flight capitalists to take money out of heavily-indebted countries, third world flight capitalists whose countries have to reschedule their loans to US banks, play the ironical role of being lender to American banks, and to the US government, financing its budget deficit.

In both the case of the OPEC crisis and the LDC debt crisis, a perceived threat to capitalism became a significant asset. OPEC profits would, it was claimed, wreck the international financial system. Petrodollar funds flooded the banks beginning in 1974. Yet recycled, they provided the basis for great financial expansion. The same has been true of flight capital from the third world.

FLYING DUTCHMAN

This is what I had written in a newspaper in January 1994 when reviewing a research paper produced by Barings Plc: "So now India's foreign currency reserves and balance of payments depend critically on the perception of foreign institutional investors about this country; and how this fits into their overall logic of deploying their funds around the world." Quoting from the Barings' paper: "Two separate and parallel spheres of money exist – an industrial circuit and financial circuit... The more cash that exists in one circuit the less there is available for the other. Consequently, strong economies do not always have strong stock markets and weak economies do not always have weak stock markets: relative liquidity levels are important."

I summarised the paper as saying that "the single most important concern in this model is global flows of liquidity. Investors should then ride the tide of liquidity flowing into one economy after another in different places in the world. And they should exit when international capital flows out... The short-term nature of such capital flows should warn Indian policy-makers. Is this a reliable source of investment that will develop India's economy?"

"...International investment has recovered from the LDC debt crisis, the leveraged buy out crisis, the consumer finance and real estate disasters. It is now trying its luck with the emerging market funds. Bad news for India."

Personal Laws: Promoting Reform from Within

Imtiaz Ahmad

In the face of the enormous difficulties implicit in the enactment of a uniform civil code, the appropriate course would be for the communities themselves to undertake to rationalise those aspects of their personal laws which stand in conflict with constitutional provisions or fail to pass the test of equity, justice and good conscience. Both the initiative for reform as well as the creation of institutional structures for building consensus over such reform have to come from within the different communities.

UNIFORM CIVIL CODE (UCC) has become a contentious issue. The protagonists divided among a number of different positions insist that UCC should be enacted. The antagonists, among whom Muslims are the most vocal and articulate, are adamant that the democratic framework guarantees them the freedom and right to adhere to their personal laws and consequently remain opposed to enactment of UCC.

Even though a constitutional directive the enactment of UCC is fraught with problems. For one thing, little clarity exists as to the contours of UCC: whether it would be limited to issues of inheritance, marriage and divorce etc. or cover other aspects as well, including the discriminatory HUF tax provisions. Second, the legal diversities existing in the country are so massive (in some places the law changes every two hundred kilometres) that any attempt to enact UCC will generate widespread resentment and strife. Third, the existing laws are founded on at least four clearly distinct jurisprudential philosophies. Enactment of UCC cannot be based on any arbitrary selection of one jurisprudence over another (there is no basis for presuming, for example, that one jurisprudence is superior to another, or that Anglican jurisprudence should be the basis for all personal laws – Hindu, Muslim and tribal). It will involve reconciliation of the different jurisprudences, a basis for which still remains to be worked out. Finally, personal laws of some communities, particularly tribal communities such as the Nagas, Mizos, etc., enjoy constitutional or political sanction. Enactment of UCC would entail constitutional amendments which would not be easy.

Even as UCC has to remain a far cry on these counts, tension areas between the different personal laws and the law as evolved by the Supreme Court in civil matters have been thrown up. For example, to consider an instance on the Muslim side,

the law as laid down by the Supreme Court is that there can be no capricious and arbitrary divorce. Yet Muslim personal law as widely understood and applied so far by the courts contains provision for arbitrary pronouncement of divorce by a Muslim husband (customary law of certain scheduled caste communities in Uttar Pradesh also allows arbitrary divorce). Likewise, the right allowed to a Hindu father to disinherit one heir from share in acquired property which heir in present social conditions would invariably be a daughter, tends towards arbitrariness and would be infirm on grounds of denial of equality.

Against this growing tension between certain provisions of the personal laws of the different communities and the constitutional laws, the argument of the antagonists of UCC that within a democratic framework communities ought to have the right to adhere to their personal laws cannot be pushed too far. While the principle that the democratic framework should allow space for existence of personal laws is unexceptionable, it cannot by the standards of that very democratic logic be allowed to degenerate into a licence for the different communities to deny sections of their members rights to which they are entitled as citizens. In other words, the democratic principle that communities should enjoy space for practising their personal laws has to be subordinated to the internal restriction that the external protection to the personal laws would not be used to dominate the weaker groups within the communities. For, unless consensus exists on such internal restriction, the very idea of autonomous space for communities to follow their personal laws would stand in jeopardy. Any member within the community who feels aggrieved or oppressed would be free to approach the court that his or her fundamental right is being infringed and this cannot be allowed merely because the community is

assured an autonomous space in respect of practising its personal law. We would then return to square one and the state would have little option except to foist an imperfectly articulated UCC.

Enlightened public opinion has recently begun to veer round the view that in the face of enormous difficulties implicit in the enactment of UCC, the appropriate course would be for the communities themselves to undertake to rationalise through entirely internal initiative those aspects of their personal laws which stand in conflict with the constitutional laws or fail to pass the test of equity, justice and good conscience – a doctrine of Roman law followed in India. This course is recommended as it vests the right to rationalise or even to reform their personal laws within the different communities and upholds the principle imperative to a democratic polity that culturally distinct communities possess a degree of autonomy to exist alongside a majority nation.

The fundamental question in the pursuit of this course of action would be how the internal initiative within the different communities should be activated to translate itself into concrete action. Since the orientation to look towards the state for initiating any kind of public action is strong in our country, one course would be for the state to create an institutional framework within which such internal initiative might take effect. For instance, the state could set up a consultative machinery within the different communities to bring about consensus around the rationalisation of the different questionable provisions. Such a course would be wholly counter-productive if not downright self-defeating. It would contradict the principle of autonomous space for cultural communities which rests precisely on the argument that in a polyethnic society the state stands in danger of becoming the carrier of the values of the dominant community. It would also contradict the principle of separation of the sacred and the secular upon which the idea of a secular state is founded. Therefore quite irrespective of the nobility of intentions, a secular state cannot take upon itself to promote reform within the different communities and were it to do so its intentions would remain eternally suspect.

Under these circumstances, both the initiative for rationalisation and reform as well as the creation of appropriate institutional structures for building consensus over such rationalisation or reform have to come from within the different communities. Since the different cultural communities in India are at varying stages of social development, it is to be expected that the possibility for emergence

of such initiative and for a consensus to be eventually evolved would be varied. Even so, a beginning has to be made somewhere and this beginning has to be made by concerned sections in the different communities. These concerned sections would first have to create an institutional structure for rationalisation and/or reform and then go about dialoguing with the different segments of their community to work out a consensus.

There can be no uniform prescription for the process the concerned opinion in the different communities should follow. Allowance for variation in this respect has to be made depending on the advancement level of the communities. For the Muslims with whose problems I happen to be better familiar, it appears that two alternative possibilities exist. One course can be for concerned Muslims to begin lobbying for codification of Muslim personal law. The other course can be to work for piecemeal reform and take up on a priority basis those provisions where the contradiction between the constitutional law and the personal law is severe or the law as understood and applied at present is clearly in dissonance with the principles of equity, justice and good conscience.

Undoubtedly codification can go a long way toward removing the existing contradictions between the constitutional and personal laws as well as making them consonant with the principles of equity, justice and social conscience. However, there are two catches in this. First, codification led from the top often ends up creating unforeseen difficulties which are subsequently difficult to rectify. Second, codification can only follow emergence of an agreed upon draft code of Muslim personal law. Such an agreed upon code will present the same difficulties as those implicit in the rationalisation and/or reform of specific provisions. Indeed, there is every possibility that the difficulties may be greater as the process of codification of their law may be seen by the community as a wholesale change of Muslim personal law against which a strong sentiment already exists. Therefore, since social reform is a piecemeal process, the appropriate course would be to make a small beginning and work towards an eventual codification of the entire corpus of Muslim personal law.

Concerned Muslims or any group of them of whatever persuasion or bent of mind – progressive, conservative, fundamentalist or modernist – should first begin by identifying those specific areas where tensions between the constitutional and Muslim personal law are already evident. On the basis of general impressions, it is possible to suggest that the areas relate to inheritance, marriage and

divorce, but saying this alone would not do. One would be required to take a harder and more detailed look at the whole corpus of Muslim personal law to pin down very narrowly and pointedly the specific provisions which need rationalising.

Once identification of the specific provisions that need rationalising has been made, the second step would consist of finding out the Koranic position on them. Since Muslims argue that their personal law is divinely ordained (which contention for the time being need not be contested), it would help matters greatly if it can be shown to what extent the specific provisions as understood and applied in India are actually at variance with the Koranically ordained position. Such scrutiny would actually strengthen the legitimacy for rationalisation and/or reform.

After both these exercises have been completed, an attempt would have to be made to ascertain whether and to what extent the provisions in question as understood and applied in India are responsible for creating hardships for the different sections within the Muslim community. This is necessary in that a great deal of what hardships are alleged to be caused as a result of the provisions as practised at present are based on hearsay and popular beliefs which may not really be entirely true on the ground. For instance, it is often alleged that easy divorce renders the plight of Muslim women, especially in the poorer families, extremely difficult. Yet it may turn out on close empirical study that the hardships on this count may not be quite as severe as is often projected. It may be the case that the provision for remarriage existing under Muslim personal law and absence of social stigma to a divorcee actually mitigate considerably the vulnerability of a divorced Muslim woman.

One is not saying that this is indeed the case. In the absence of adequate and sound empirical research on the social aspects of Muslims, any such assertion would be extremely erroneous. Nonetheless, if one is serious about promoting legal reform from within, whatever is suggested by lay opinion would have to be matched with realities on the ground. Provisions which lead to widespread hardships should be addressed first; action on those provisions which do not result in extensive hardships should be postponed until later.

After these preliminary exercises have been gone through, a campaign specifically addressed within the community should be mounted to enlist popular support for rationalisation and/or reform in the desired direction. This campaign should have two thrusts. On the one hand, it should attempt

to approach the sections which are directly affected by the existing provisions in order to convince them about the necessity of rationalisation and/or reform from their viewpoint and to enlist their support in favour of such initiative. On the other hand, it should try to create a framework for dialogue and debate between the protagonists and antagonists of contemplated rationalisation. Given the hardline position of the large majority of the ulama and leaders of conservative Muslim opinion who find and use the Muslim personal law issue as a means of consolidating the community and whose political interests and source of patronage such rationalisation would threaten substantially, strong opposition and resistance from them against any attempt towards rationalisation and/or reform is to be anticipated. Hence, also the necessity for a dialogue.

As this campaign is under way, concerned Muslims as a collectivity or any group among them should set up a committee of Muslim jurists, lawyers, willing ulama, law teachers, social scientists, professionals and members of the middle classes to work out in detail the precise form the rationalised provisions should take. In other words, the precise wording of the provisions should be worked out. The provisions could then be codified. Once such piecemeal codification has been achieved, the groundwork for codification of the entire corpus of Muslim personal law would have been laid.

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Russian Elections: No Exit from the Labyrinth

Dev Murarka

The elections to the Russian State Duma, scheduled for December 17, will not mean very much. The Duma is an institution pre-castrated by the constitution. It is powerless to do anything legally or constitutionally against the whims and will of the president. These in-built weaknesses have been made worse by the behaviour of some groups and individual members of the present Duma, who have done their best to discredit the institution.

ON December 17 elections will be held for the Russian State Duma, the legislative body of the country, following the expiry of its first two-year term. The present Duma was elected in December 1993 for a two-year period only, half of its constitutional term, under the shadow of the October 1993 shelling and dismissal of the Supreme Soviet by president Boris Yeltsin. The next one will be for the normal four-year period. The election campaign has been virtually in full swing for several months, though it is in violation of the rules, and the political temperature has steadily climbed. Those contesting the elections are in a state of rising high fever. The people, on the other hand, remain cool, by and large even indifferent. They do not feel that the elections will change anything.

Some doubts still persist if the elections will take place at all. Despite repeated assurances by Yeltsin that the elections to the Duma, and to the presidency in June next year, will be held on schedule, a few observers remain sceptical and fear that under one pretext or another these will be postponed, particularly the presidential one. These fears are exaggerated and the Duma elections will certainly take place. It is another question whether Yeltsin will respect the results and what kind of political map of Russia is likely to emerge from the elections.

The election system is rather complicated and not really conducive either to fully representative or constructive results. The Duma has 450 members. Of these, 225 are elected on the basis of direct territorial simple majority voting, the country being divided into equivalent number of constituencies. With some exceptions, all constituencies have an equal number of voters. These are known as Single Mandate Territories. In order to qualify for the contest each candidate has to submit a list signed by a minimum of 1 per cent of registered voters supporting his candidacy. If less than 25 per cent of the registered votes are cast, the election is considered null and void and re-polling must take place.

The remaining 225 members are elected by a countrywide single constituency, called the Federal Election Territory. Candidates to the Federal constituency can be nominated only by a group or party. No group can nominate more than 270 candidates. However, each group, to be accepted as valid, must submit a list of 2,00,000 signatures of voters supporting it. But no more than 7 per cent of these signatures can be from one territorial constituency, which means that a group must gain support for registration as a contestant in no less than 15 constituencies at least. This is to ensure that a group has a wide range of geographical support. Of course, there is no satisfactory way of verifying such large numbers of signatures and the system is liable to abuse by all sides, including the Central Election Committee, the body in charge of supervising the elections, which can arbitrarily reject a group's application under one pretext or another. Moreover, the committee is appointed by Yeltsin and not everybody is certain of its absolute impartiality.

All the votes cast in the Federal Territory are divided by 225, establishing a coefficient. The number of votes received by each group are then divided by this coefficient to determine how many Duma members a group will be entitled to. If a party list receives less than 5 per cent of the total votes cast in the election, it does not qualify for members in the Duma. Seats thus remaining are distributed proportionately among the winning groups.

At present there are no recognisable political parties in Russia in the proper sense of the term except for the Communist Party of the Russian Federation (CPRF). Opinion polls consistently suggest that it will be the largest group in the new Duma, its rating ranging from 14 to 25 per cent. This impression has become stronger following the recently held local elections in Volgograd where the communists did extremely well on a rather low poll of 40 per cent. In general, a low poll will favour

them while a high poll will reduce their share of votes.

However, although it derives from it, the party should not be taken as a monolithic successor to the old Communist Party of the Soviet Union. It is not the only party which identifies itself as communist. Secondly, even within its ranks the authority of its leader, Gennady Zyuganov, is not unchallenged. As for its ideology, it has moved closer to social democratic concepts with greater emphasis on social justice. Critics, of course, maintain that this is merely the new image projected by the party and its substantive ideology has not changed. The negative and tendentiously selective approach of the party to recent history also keeps alive strong suspicions against it.

Yeltsin recently raised alarm and called for intensive propaganda against the communists. Of course, he understands perfectly well that such diatribes can be only counter-productive. However, the Duma elections are a crucial prelude to the presidential election. It can be taken for granted that Yeltsin will be a candidate and play to win any way he can. So, in reality it will suit Yeltsin, firstly, to have a large number of communists and radical extremists in. This will help him in mobilising all the anti-communist votes in his favour. It also suits him to have as many fragmentary groups as possible so that the Duma remains ineffective compared to the huge presidential-administrative structure, which virtually duplicates and in reality overrides the executive office of the prime minister. In 1993, to create a scare-crow, he had helped Vladimir Zhirinovskiy and his group. Now also a predominantly communist-extremist Duma will ensure continuing western support for Yeltsin.

There are three other groups which are certain to follow close on the heels of the communists. One of them is prime minister Viktor Chernomyrdin-led Nash Dom Rossia (Our Home Russia) or NDR. It is an artificial creation, made on the orders of Yeltsin who conceived the idea of forming two centrist blocs. The other was formed by Ivan Ribkin, the speaker of the present Duma. It has failed to gather much momentum.

The third group included in top rankings is YaBLoko led by Grigory Yavlinsky, a bright young economist and liberal reformer. He is celebrated as the author of the 500 days economic reform programme during the Gorbachov period which was not adopted. The name of the party is a concoction of the surnames of its three founding leaders. One of them has left the group but Vladimir Lukin, a former ambassador to the US and specialist in foreign affairs, remains. The name of the party, which essentially appeals to the intelligent middle class, has caught

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on because it is the Russian word for apple. Also, it has attracted attention because of its rational and principled opposition to the president and the government.

The fourth in the ranking is the Kongress Russkikh Obshchin (KRO) or the Congress of Russian Communities. Its leader is Yuri Skokov, who has strong connections to the military industrial complex. He is considered by many to be Yeltsin's favourite as a future prime minister. However, it is Alexander Lebed, the deputy leader of the group who is the charismatic figure. He is a former general who opposed the war in Chechnya and was removed. He is enormously popular with the army as well as the public. This fits in with the Russian tradition of going after strong and martyred personalities.

According to some analysts the NDR will come second. Because of Chernomyrdin's close connections to the gas and oil industry, many ironically call NDR as *Nash Dom* (Gasprom) or *Our Home Gasprom*. Of course swings in public opinion or other unexpected events with a bearing on politics may render these estimates wrong by the time balloting takes place. The YaBlok and KRO groups will vie for the third, even second place.

It is difficult to say with certainty which other groups will manage more than 5 per cent of votes. One of them will certainly be the group called *Zhenshchini Rossii* or the Women of Russia which is becoming influential. In any case, such groups are not likely to number more than three or four, their votes varying between 10 and 5 per cent. If it is assumed that the three top groups could garner something like 50-60 per cent of total votes cast, of course this does not mean that disqualified groups would have no representation in the Duma. But in this case they will be represented only by those elected from single mandate constituencies with their endorsement. Very often candidates standing from single mandate constituencies are also on group lists. So if a group fails to negotiate the 5 per cent barrier, it has the chance to ensure its representation through the single mandate constituencies. If a group wins more than 5 per cent of votes in the Federal Territory it has the choice of nominating those members who have not won in the single mandate voting.

By midnight on October 23, when the time for presentation of documents to the Central Election Committee expired, 43 groups or parties had succeeded in doing so. Originally 69 groups had notified their intention to register. But the rest of them failed to fulfil all the requirements laid down. Of the 43 groups, some might still be disqualified after further scrutiny.

The prevailing proportional election system certainly vitates against the formation of bigger parties. All those leaders or groups

which believe and strive for power want to achieve it independently and not as part of a bigger entity. After all, the Russian party system is still at a stage of formation and as yet not conducive to stable proportionate representation. Even Russian political figures have come to realise that the system is cumbersome and most likely it will be changed and simplified before the next round of elections to the Duma, most favoured being single constituency direct voting with some safeguards.

In the reality of Russian politics, the elections to the Duma by themselves do not mean much. It is an institution politically pre-castrated by the constitution. Intentionally and structurally so. It is virtually powerless to do anything legally or constitutionally against the whims and will of the president. These in-built debilitating weaknesses have been made worse by the behaviour of some groups and individual members of the Duma who have done their best in this manner to discredit it. Most notorious and destructive of them have turned out to be Vladimir Zhirinovskiy, the leader of the Liberal Democratic Party of Russia (LDPR) and a fellow member from his group Valery Marichev. (Crowing endlessly Marichev turns up at the Duma in all kinds of outfits, treating it as a circus venue. In general the two and their group have conducted themselves in the most brazenly scandalous fashion, even physically attacking other members in the chamber, including women, creating scenes and diversions disrupting the work of the legislature, bringing public ridicule upon it. Besides, there is widespread corruption among its members. Thus, the elections are taking place when the public is greatly disillusioned and dismayed. That it has not become apathetic and remains silent only confirms the depth of its feelings, though some hold the view that despite its shortcomings the Duma has served as a safety valve keeping people off the streets.

As Ramazan Abdulatipov, a deputy chairman of the Council of the Federation of the Federal Assembly of Russia (the upper house of parliament) has observed: "Today Russian parliamentarism is not so much the political lever of democratic transformation of political institutions and economic system, as a tragicomic decoration in the absence of democracy."

The people see it all. The lack of Duma's political muscle as well as its less than worthy conduct. No wonder they are displeased and unimpressed with all this and cynical about the usefulness of the institution. Worse still, the opinion is widely held that in qualitative terms the new Duma will be no better than the present one. Because of the dual system of electing the members, all the mischief-makers will be back in the chamber, even

if their present group strength is diminished. This disfigures a large section of the electorate from voting at all.

Some analysts are of the opinion that not more than 50 per cent, at best 60 per cent of the electorate will bother to vote at all. In single mandate territories it might be even below this level. Besides, there is a persistent feeling that voting is unlikely to be very honest, there will be manipulation of voting boxes and even of the counting procedures. The standard of morals in public affairs in Russia today is so low in general that nothing can be or will be done about these abuses. If past experience is anything to go by. Another discreditable aspect of the situation is that some criminal elements, among the candidates on party lists and on their own in single mandate territories.

Even before the elections have taken place reports of malpractice from all sides have come in. It begins with the collection of signatures. According to an *Interfax* (October 18, 1995) report, these signatures were being bought freely, the price of a single signature ranging from the equivalent of one dollar to five dollars. In the recent elections for the post of the governor in Ekaterinburg (former Sverdlovsk) about one and a half dollars was paid for each signature. In some places wheat flour or vodka was distributed, the level of pauperisation being such.

This is not all. Other sorts of abuses have been practised elsewhere. For instance, details of households were bought from organisations having them. And every area has many such organisations who look after houses and buildings. The names in their records were signed on the list of signatures for this or that candidate. There are no effective means of checking these signatures or of the methods used to obtain them. For each such group details 4-5 thousand dollars was the asking price. Besides up to 20 per cent of signatures were affixed by the groups and parties themselves even before they went out collecting other signatures. Only limitation of funds keeps the maximum price level down to 3-5 dollars for such signatures. For instance, it appears that NDR, which has run the most extensive campaign of all, has paid only the equivalent of about 20 cents.

Also for sale are places on the list of candidates. To be on the list of the more promising parties a candidate may have to pay \$ 2,000,000. Being on the list of a less powerful party may be somewhat cheaper. It is also estimated that election campaign expenses in a single mandate constituency may be up to \$ 3,000,000.

A striking feature of the present election campaign is the absence of any serious programmatic discussion. Every group, even the most right wing one, promises reforms though it interprets the concept in its own

idiosyncratic way. They mean different things when swearing by reforms. The dominating, if not the obvious, issue of the elections is the nature of the state: of what sort it should be and what role it should play. This is an unavoidable fundamental issue in the wake of the not so distant trauma of the collapse of the Soviet state which still touches mass consciousness.

Roughly speaking, four basic approaches characterise all thinking. The first two approaches have at their centre the idea of restoration, though of different kinds and of varying shades. In the first place are those imbued with the spirit of the restoration of the pre-communist past. They want a return, it not to all the past institutional forms, then at least to its spirit of national and imperial glory, akin to the spirit of romantic nationalism, increasingly touched by slavic and the Orthodox Church philosophy.

The second approach favours restoration of the communist past. But only a few want it back in its full panoply. Many of the older generation want it back in a modified form with emphasis on state guaranteed welfare. This argument mostly appeals to those impoverished by reforms and those who believe in a strong centralised state. Their attitude also incorporates some elements of nationalism but by and large their concern is with materialist aspects of relations between the state and society.

The third approach is that of radical-extremists, no matter by what name they call themselves. Some like Zhirnovsky, even attach a liberal, democratic tag to themselves. These elements also play with a more aggressively racist slavic tag. In the present-day context their concept is closer to a totalitarian state than that of the communists and some of them are openly fascist.

Lastly, there is the vast, amorphous spread of thinking which perceives Russia as a modern, democratic, liberal but powerful state. It covers most of the political groups which are not included in the forementioned categories, and to a moderate extent might even include some of them. Where they differ is in their concept of a modern state and even more strongly on economic policies to be followed. And apart from the communists it is the groups in this category which are centrally predominant in politics. It includes the NDR, YaBLoko, Yegor Gaidar's Demokratcheskii Vihor Rossii (the Democratic Choice of Russia) or DVR, and others. They are not particularly concerned with religion or slavic nationalism though the more establishment-minded of them are inclined to toy with them.

Underlying this question of the kind of state people want to see are problems of everyday life, of law and order, of social justice, of growing levels of poverty, and

so on. They want a state which can successfully deal with them. However, no party or group has any really concrete proposals for overcoming these problems.

One of the consequences of this preoccupation with a powerful state at the heart of mounting election fever has been the worsening of relations, at least temporarily, between Moscow and Washington. As the accusations of a sell-out to the west by Yeltsin and his foreign minister Andrei Kozyrev, not only by the radical nationalist and chauvinist elements but even some of the liberals, have mounted, Yeltsin has adopted a shrill, strident tone of asserting Russian greatness and parity as a superpower.

A particular issue has been made of the Yugoslav situation. Imagining that a pro-slav position will simultaneously please a section of the Russian public, blunt the thrust of the domestic opposition and put recognisable distance between Russia and America, Yeltsin began to make a great show of supporting the Serbs and condemned what he termed the pro-Bosnian position of Washington and NATO. The NATO bombing of the Bosnian Serb military positions in September-October provided an obvious pretext for Yeltsin's bistrionic hysterics in public on the matter.

Unfortunately, it turned out that the Russian position was more pro-Serb than that of the Serbs themselves and devoid either of subtlety or realism. Yeltsin and his advisors failed to recognise that the bombing was a consequence of prolonged obduracy on the part of the Serbs and tactical in intention, aimed at making them agree to a compromise and peace in Bosnia. By and large this proved to be so. The Serbs relented under pressure.

While continuing to protest against the western approach, in the end Russia had to accept the new reality created by the American determination and pressure to put an end, at least for the time being, to the interminable conflict in former Yugoslavia.

As if to draw attention to its wrong-footed approach to the bombing of Bosnian Serb military positions, the question of command of new Russian and NATO troops to be stationed in Bosnia as part of the new peace deal has made into a bone of contention. Russia wants joint command by rotation to which the NATO seems unable to agree. At the time of writing, the issue still remains unresolved.

There is, of course, the more important issue of the extension of NATO membership to some of the east European states to which Russia, not without reason, objects.

However, whatever its effect on the Duma and later the presidential election, with such antics all that the Russian leader has succeeded in doing is to reawaken distrust of Russia in the west, particularly among the former Warsaw Pact members some of whom

have increased their pressure for joining the NATO. As for Russia's status in the world a veteran Russian observer, Stanislav Kondrashov, has pointed out, "Mystifying millions of Russians by its superpower gestures, the Kremlin plays upon their still surviving superpower consciousness and thus puts brakes on their acceptance of the new changed status of Russia in the world arena" (*Izvestia*, October 13, 1995).

This lack of real status was underlined by foreign minister Kozyrev himself, who wistfully pointed out in a television interview that the American representative to the peace initiative, Richard Holbrooke, was everywhere accompanied by two plane loads of assistants and advisors, including a cartographer and up-to-date communication facilities. In contrast, Russian representatives in twos or threes, had to travel by scheduled flights. Curiously enough, this financially unsustainable role of Russia as a 'great power' was hinted at by Yeltsin himself at a press conference on October 19, 1995 when he intimated that the cost of maintaining Russian troops for peace-keeping amounted to three billion dollars annually, which was too much for Russia. It almost seems that Russia wants to maintain its superpower status on the strength of monetary support by others.

This did not prevent Yeltsin from publicly humiliating his foreign minister by undertaking at a press gathering to sack him as soon as a suitable replacement could be found. True, he changed his mind the next day. However, it provided a fascinating glimpse into the prevailing feudal quality of personal-political relationships when swallowing all the denigration heaped upon him by the president, a smiling Kozyrev turned up at the air port to join the 'vozhd' (the supreme leader) on official visits to France and the US.

Whatever the election results, in the light of all the difficult domestic and foreign policy problems which are becoming grave by the day, the new Duma and the president will have to learn to reconcile themselves to realities and attempt to bring some order to the house of Russia. It is more than an open question whether they will prove capable of doing so, given Yeltsin's penchant for keeping all power in his own hands, and a powerless Duma determined to demonstrate that it possesses some semblance of authority. It may once again turn into a dialogue of deaf and unequal branches of power, without an exit from the foggy labyrinth. This will increase the risk of some new political crisis flaring up in the period between the Duma election this December and the presidential election next June. The conflict, most likely will centre on the question of presidential election, though the latest bout of illness has weakened Yeltsin's position.

On Contempt, Contemners and Courts

Vinod Vyasulu

For a society to grow and develop it is essential to build suitable institutions. The success of the east Asian 'tigers' is largely attributable to their ability to foster such institutions. On the other hand, this country's record in creating and nurturing institutions has been very poor. The issues raised by the recent order of the Supreme Court holding a principal secretary to the government of Karnataka guilty of contempt are a reflection of this general institutional decline and decay.

THE recent order of the Supreme Court holding the principal secretary, housing and urban development of the government of Karnataka guilty of committing contempt of court by wilfully not implementing its order in a service matter has opened up a Pandora's box of issues.¹ There have been many articles in the press, but most of them have either applauded the court for its firm action, utilised the opportunity to criticise the bureaucracy for which there is surprisingly little goodwill, or sympathised with the concerned official for the plight he unwittingly found himself in.² Everybody has been busy expressing an opinion: the opposition parties have got together to demand the resignation of the government. The assembly has been in turmoil over this issue. Comparisons are being made with the symbolic punishment meted out by the court to the former chief minister of Uttar Pradesh, Kalyan Singh, for his role in the Babri masjid affair. It is a regrettable fact that in much of the discussion, many have cast doubts on the wisdom of the court,³ especially in terms of the severity of the sentence. For the smooth functioning of Indian democracy, this is a dangerous sign. The Supreme Court must not be questioned.⁴ In fact, this judgment should be seen as an opportunity to re-examine our system⁵ and improve upon it, not to cry over spilt milk.

This order must be seen as a contribution by the Supreme Court towards a betterment of our administrative systems by means of a timely warning,⁶ and not as an intrusion into the realm of the executive.

The unusually firm decision of the court has thrown the IAS officers, particularly in Karnataka,⁷ into confusion.⁸ Many, particularly the more honest and sincere ones, are now petrified of working in accordance with the established practices which they feel should have protected their senior colleague, but have not.⁹ There is

a sense of outrage that an honest and respected officer has been thus punished,¹⁰ when others, at high levels, who are suspected to be corrupt go scot-free.¹¹ They admit that the existing practices do not often function well in service matters, and that the engineer who filed these cases may have had a genuine grievance; but argue that the fault did not lie with the officer who has been punished by the courts.¹² There has been failure at many levels. There is also anguish at the fact that the political masters, who effectively wield power, are nowhere in the picture.¹³ All this cannot but be detrimental to the functioning of the administration in the state; hence the need for careful reflection and necessary action without undue delay.

This article does not pretend to be such a reflection, which anyway must come from those who are directly involved in these issues. It is an effort to raise questions that may contribute to a deeper understanding of what is at work here. Thus, from the beginning it must be noted that this is a very limited exercise; and that it is not the intention to apportion blame or to defend any point of view in this contentious matter. But can we learn anything from this event? Can the general public contribute to a process of betterment of systems? If so, how? If this event reveals something of the typical way in which government functions, then it is fair to say that useful lessons can be learned from this experience. Perhaps such questions can contribute a perspective that insiders sometimes lack, but need. It can bring in inputs from the public that government usually does without.

DILEMMA IN RETROSPECT

A perusal of events, to the extent it is possible from the outside,¹⁴ and with the benefit of hindsight, suggests that the

principal secretary of the department of housing and urban development was caught between the devil and the deep sea. He had before him an order from a division bench of the high court that had to be implemented; and there was also then an order from the Supreme Court that was not absolutely clear in what it ordered; and there was a contempt of court petition against him in the Supreme Court. The relevant passage from the Supreme Court order of July 26, 1993 is as follows:

It is clarified that this court does not intend to upset the rights given to the applicant Dhananjaya by virtue of the order passed by this court in the above appeal. He will be entitled to all the benefits flowing from those orders. Under these orders whatever rights have been accrued to the applicant Dhananjaya he is entitled to all the benefits and to effectuate the said rights, if it is necessary, it may be open to the corporation to create supernumerary post for the period in question and give the benefits to the applicant for which he is entitled as per the judgment of the division bench. The state government is directed to issue necessary orders in this behalf.

The key question here is what the rights of Dhananjaya were that were to be protected. Only if necessary was a post of chief engineer to be created: the court used the word 'may', not 'shall'.¹⁵ In its order dated March 31, 1994, the high court had rejected the rights as claimed by Dhananjaya, and in issuing this order the division bench took note of the Supreme Court order of July 27, 1993. On this basis, the government of Karnataka issued an order on July 10, 1995; and it was on the basis of this order that the principal secretary has been found to be guilty of contempt. But until the high court orders were set aside, creation of a supernumerary post may not have been consistent with the spirit of the high court order. It could be argued that the order issued, based on the high court interpretation of the Supreme Court order, did not violate the Supreme Court order because it only said that the corporation "may...create" such a post if needed. When it was found on the basis of the high court judgment that it was not required, creating it would have been wrong indeed.¹⁶

Dhananjaya filed a special leave petition against the high court order in the Supreme Court, but withdrew it on February 28, 1995. But he continued with the contempt proceedings on the ground that the order of July 26, 1993 was not complied with.

The key was in what the entitlements of the engineer concerned were, and in the

complex operation of government bodies, this had to be carefully determined. The principal secretary presumably had no wish to antagonise any court, in the event, he fell foul of the Supreme Court because the reasoning given was not accepted by the court,¹⁷ because of the assurance given to the Supreme Court on May 10, 1995 by the counsel for the state government seeking time [which was granted] for the implementation of the Supreme Court order. What exactly was to be implemented seemed to be clear: benefits as flowing from the high court order, which took into account the Supreme Court order, especially after the affidavit of the chief secretary. The point here is that, in whatever he did, the principal secretary went strictly by legal advice and not by any personal whim in the situation as it prevailed.¹⁸ What is to be done in such a situation is a question that faces any official. And it requires a clear-cut answer.

Article 21 states that no one shall be deprived of his liberty save according to procedure established by law. In this particular case, it has been argued that this has been overlooked.¹⁹ What protection does the system offer for decisions taken in good faith?²⁰ Of course, if the decision were mala fide, punishment is called for. The issue comes up here because everyone, including the chief minister and the leaders of the opposition, are agreed that there was no mala fide involved.

ON SERVICE MATTERS

The issue began about 20 years ago with a case filed by an engineer in the service of the Bangalore City Corporation. There were different courts involved; there were different judgments at different points of time; there was legislation with retrospective effect; there were appeals in the Supreme Court; there were special leave petitions that were filed and withdrawn. There were a number of contempt of court proceedings. It has been noted that the engineer concerned belonged to the scheduled caste, and this has made the issue politically delicate.²¹ The last was the order of the Supreme Court of August 22 finding the principal secretary guilty of contempt.²² On September 12, the principal secretary surrendered to the police commissioner of Bangalore and was lodged in the central jail to serve his sentence.

Those in government service have learned to live with inevitable delays. They have learned with bitter experience that the system no longer seems to work at the level of departmental appeals. Not many years ago, an appeal to the head of the organisation, more often than not, resulted in the dispute being settled. But today, for any number of reasons, discretion is rarely used, and

assessments rarely made. In our large offices, rules are mechanically followed by the petty bureaucracy that deals with the files: sometimes the correct and relevant rules are not referred to, but once something is on record, no one dares point out an error, let alone overrule a lower level official. There is little of what the courts have called 'application of the mind' in many offices.

Today an appeal is seen only as a necessary part of the procedures to be followed before approaching the courts. No one seems to expect that the appellate process will resolve the issue. For many who go to the courts, it is not a judgment, but a stay order that is important.²³ Everyone knows that these things take years to settle. Officials know that even if they win, the government will routinely appeal to the higher courts and so the process is endless and expensive. This has had a pernicious effect on morale in most government organisations, and on all organisations that get funds from government at any level. It is here that the tragedy of the public begins: the way bank officers hold the public to ransom on service matters is only one instance of this syndrome.

Thus the case filed by this engineer was treated in a routine but normal manner. Whatever the merits of this case, the basic problem is one of an inflexible and rigid system that cannot respond in time to grievances. Why cannot we simplify these systems? Why cannot the Bangalore City Corporation be free to create posts as it deems fit, subject to its own resources?²⁴ The buck must stop at a suitable level in the organisation: 'reference to government' must stop. This is clearly a political matter, and one that is likely to be resisted by both civil servants and politicians as neither would like to give up power it has grown accustomed to wielding. The administrative system has far too much of centralisation; even when some delegation is done, the routine is to refer to government. Unless this rigid system is dismantled, such cases will continue to crop up, and officers will continue to face such problems at different levels. This complexity was important in the current case in Karnataka involving the Bangalore City Corporation, in which the Corporation did not have the requisite powers. It is difficult to pinpoint an individual as being responsible when the normal rules of business are being followed. Therefore it is essential to focus attention on administrative reform: on simplification of systems, on autonomy to organisations, on encouraging an application of the mind, and so on. Unfortunately, there seems to be little thought or effort in this direction even after this incident.

Again, one must examine whether the current system, in which service matters reach the courts under Articles 32 and 226,

and the kind of protection that is offered under Article 311, need an reinterpretation.²⁵ Case law over the years has generally established that it is the employee who is right.²⁶ In the resulting environment, those who are sincere find it difficult to work. The result is demoralisation in the service. There are faults on both sides in this process. Can the whole system be made manageable? If not, should it not be dismantled and replaced by a more flexible one?

Thus, unless there is a radical restructuring of the services, not in terms of rules, but in terms of how the system works, such incidents will keep recurring.

OF LEGAL ADVICE

In the current case, the principal secretary, who has been found guilty of contempt acted on the advice of government lawyers. The order that has been found deficient by the Supreme Court bench was drafted on such legal advice; the assurances that were given to the Supreme Court were given by government advocates on the basis of their reading of the law and the facts of the case. The official went strictly by advice from competent bodies in a situation in which the legal orders of the Supreme Court were not very clear. Was the commitment given to the Supreme Court by the counsel for Karnataka in accordance with the administrative realities that the principal secretary had to work with? This is important as it was on the basis of this assurance that the Supreme Court has acted.

The aggrieved engineer had in fact filed a special leave petition in the Supreme Court against a judgment of the high court that found him ineligible for certain benefits and then withdrawn²⁷ it to file a contempt of court proceeding.²⁸ Why was this done? Was the advice given to the principal secretary sound? Was only the principal secretary responsible, or also the chief secretary, who had also filed a similar affidavit in the court? If not, why? Does he have any remedy?

Cannot the advocates who gave such poor advice also be deemed to have committed contempt of court? Just as there is now a system of medical malpractice, has not the time come to go into the question of legal malpractice, if indeed there was any? This is not to say that the lawyers concerned were guilty or deficient in any sense,²⁹ but whether their advice has landed an official who has no personal interest in the case in jail, do they not share at least some of the responsibility? What compensation is the aggrieved official, who has had to spend a month in jail, entitled to if he is indeed a victim of events and circumstances? And who can provide it?

Is it desirable that the Supreme Court hears appeals in which no substantive question of law is involved? In all countries, the highest court in the land concerns itself with issues of law and its interpretation. But the Supreme Court in India has over the years, particularly in service matters, become a court of appeal under the writ jurisdiction. Were there any issues of law involved here? Were there any issues of Fundamental Rights?¹⁰ What are they? What is the role of the Supreme Court here: to ensure that the high court decision is implemented, or to give a fresh decision?

This provision for writ jurisdiction was included in the Constitution to provide a check against the abuse of power by the state and to protect fundamental rights. In what sense are service matters relating to promotion a protection of fundamental rights? How does the right of equality guaranteed in Article 14 come into the picture?¹¹ So far as I understand, promotion is not a fundamental right, and if there are grievances in any organisation, then they should be dealt with at a lower level of the judiciary in accordance with the law of the land. This is how the private sector functions; and this is how, I submit, the public sector should. Even if it is felt that special security of service should be given to a certain section of the bureaucracy, does the Bangalore City Corporation come under that category of institutions? Why?¹² And do service disputes here have to be resolved by the Supreme Court on merit, rather than on basic questions of law? Are the lower level courts so deficient in dispensing justice? If they are, then is not the basic issue one of making them work properly?

One has also to recognise the unfortunate fact that the faith in the courts and the judiciary is not absolute today, as it should be. The courts themselves have recognised this recently, and set up a system to deal with erring judges. Earlier, the controversies around justice V Ramaswamy (against whom impeachment proceedings were actually initiated, and which fell through because of large-scale abstentions by members of the ruling party) and chief justice A K Bhattacharya of the Bombay High Court had done little to enhance the image of the judiciary.

A respected foreign scholar¹³ has this to say about our judicial system:

The proceedings are extraordinarily dilatory and comparatively expensive; a single issue is often fragmented into a multitude of court actions; execution of judgments is haphazard; the lawyers frequently seem both incompetent and unethical; false witness is commonplace; and the probity of judges is habitually

suspect. Above all, the courts are unable to bring about a settlement of the disputes that give rise to litigation.

This, if true, is a deplorable situation. Perhaps the court has chosen this occasion to cut the Gordian knot. What are the consequences of this for all of us?

ON PUBLIC PERCEPTIONS

What came out clearly from the media reports and letters to the editor in many papers was a deep hostility to the bureaucracy, especially to the IAS as a cadre. They have been portrayed as uncaring mandarins who have finally got what was coming to them. Many expressed the view that the principal secretary was indeed guilty of disobeying the Supreme Court, and that he had been appropriately punished. There was great amusement at the picture of 'IAS officers on dharna', and a feeling that at long last they have got a taste of what the public gets all the time. Why is this so? The IAS has to ask itself this question.

That the bureaucracy has lost all touch with the public is a basic truth. The corruption that one meets with in daily life, the bribes to officials to get work done, the collusion between officials and politicians wherever any regulation is involved, is a daily reality that members of the public face.¹⁴ Whether it comes to 'buying' a driving licence, or to paying 'office expenses' to register as an organisation that has to pay Profession Tax, or to providing an incentive to get some legitimate work done, this daily irritant is enough to make anyone called a government official a hated figure.

And since IAS officers are perceived as the head of this bureaucracy, the hate runs off on them as well. It is further aggravated by their aloofness from the other services, from the perception that they grab posts from other services,¹⁵ and so on.¹⁶ Even in the current situation, when the contempt proceeding put all officials in a spot, and they could have found allies in the IPS, the IRS and so on, it was largely treated as an IAS matter. And when finally an appeal was made to other services to show solidarity with the aggrieved officer, he was seen as an IAS officer and not a government servant who was in trouble.¹⁷ The IAS officers have also not helped the situation by demanding from the Fifth Pay Commission that they be given 30 per cent more than other services.

ON REMEDIES

The chief minister of Karnataka has made great efforts to set the situation right from its own point of view, which sees the principal secretary as unjustly victimised.¹⁸ This included an appeal to the Supreme Court to

show mercy, which was rejected by the court on the grounds that the government of Karnataka was a third party with no interest in the case. The appeal of the principal secretary, apologising humbly and seeking mercy was also turned down. One of the judges asked the lawyer to mention who had responsibility, as then that person would be issued a notice. When this was not answered, the petition was dismissed. The government of Karnataka has also moved a request for a Presidential Pardon under Article 72 of the Constitution. This is pending;¹⁹ in the meantime the officer has served out his sentence.

What is surprising at first glance is that no appeal was made to the governor of Karnataka under Article 161 of the Constitution to commute or reduce the sentence imposed on the officer. This would not have offended the orders of the Supreme Court, because the governor also has such inherent powers that stem directly from the Constitution; it would have established the fact that the state government accepted that a failure of the system had taken place for which it was responsible, and it would have led to the officer getting a reprieve that all seem to believe is his due.

Another reason for the pardon being given relates to the severity of the sentence. This is not the first time that a government official is being hauled up for contempt of court.²⁰ But it is the first time that the court has awarded such a harsh sentence.²¹ While this may have the salutary effect of making officials more circumspect, one is left to wonder why, in this case such punishment has been meted out. What are the factors that weighed with the court? Was the interference of a fellow IAS officer the cause? If so the court has also punished him by having its reprimand included in his personal file. Was there reason for such severe punishment on this particular principal secretary?

In this situation, if a petition was made by the chief minister, it would have been open to the governor to think about it, and if deemed fit, to issue a pardon exercising his own independent powers. This option was not exercised. One wonders why this option was not chosen.

One reason that has been advanced is that powers of pardon of both the president and the governor (under Articles 72 and 161) are limited in that they relate to offenses committed under any law relating to a matter to which the executive power of the union or the state respectively extend. And here the Supreme Court has not acted under the Contempt of Court Act, but invoked its *sui generis* powers inherent under Article 129 of the Constitution as a court of record. And since no law was violated, the question of pardon does not arise.

If so, in seeking presidential pardon for the jailed officer, the government of Karnataka has been poorly advised. This is an example of the way the whole case has been conducted: the system has indeed failed, and the orders of the Supreme Court have brought it out into the public for possible remedy. This is really the last opportunity for reform, and for presenting it starkly before us we should be grateful to the Supreme Court.

BY WAY OF CONCLUSION

The point has been made by many that it is essential for a society to build suitable institutions to enable it to grow and develop. The success of the East Asian Tigers is largely attributed to their ability to foster such institutions.

While India has many strengths, from its vigorous democracy to its long traditions and rich resources, India as a country has been very poor in creating and nurturing institutions. Such institutions as existed suffered major blows in the 1970s, after the deaths of Nehru⁴² and Shastri, in the hands of their successors.⁴³ This decline in institutions is evident in all spheres of life. Neither the bureaucracy, nor the judiciary, nor even the universities and others, have escaped this general fate. Administration has become the routine and mindless application of irrelevant rules in decaying organisations. This poor foundation of institutional functioning is a major weakness that the reform process under way must seriously address.

This is a matter that has implications for the new economic policy. While deregulation is needed and is to be welcomed, what the reforms require is not just less government interference, or even less government, but more of effective institutional regulation on the basis of clear guidelines that are uniformly implemented. The Supreme Court has again raised this issue by stressing the importance of a public regulator for the use of airwaves for TV, in which the government is only one interested party.⁴⁴ The proposed Telecom Regulatory Authority of India is another case in point. There will have to be many more. But these institutions have to function impartially and effectively, if the economy is to move ahead as hoped. Therefore, institutional development is one of the most important priorities today. The decline of the last few decades has to be reversed: and the lessons learned from this episode must be built into the design of these bodies. It is clearly a challenging task. It is instructive that the need for it emerges from an introspection brought on by a contempt case.

The issues we have been discussing, and the incident that gave rise to this discussion, are a symptom of this general institutional

decline. In this situation, a tit for tat attitude will only make things worse. An eye for an eye will only make the whole world blind.

What is required is a great deal of restraint and circumspection on the part of all who are concerned with the nation's development; this is a necessary, but by no means sufficient condition, for us to progress and build. The Supreme Court itself has recognised the need for restraint in invoking its powers of punishing for contempt.⁴⁵ A great deal of tolerance is needed. Several other things, not discussed here will have to be taken care of at the same time. Whether we can rise above petty issues that will dominate us in the guise of major principles, is something that remains to be seen. We have no Mahatma Gandhi today to show the way. Each of us has to be a little Mahatma; and I am afraid, most of us are not up to this task.

Notes

[The comments of N R Madhava Menon on an earlier draft are gratefully acknowledged. Needless to say, he cannot be held responsible for the views expressed.]

1 The events have been well documented in notes circulating among the IAS officers of Karnataka. Some of the issues have been brought up in them.

2 For an intelligent exception, see Renuka Vishwanathan's articles, 'Court of No Appeal' in *The Sunday Herald*, October 2, 1995, in which she discusses the appeal process in the context of the contempt law in the Supreme Court.

3 See for example the write up in *India Today*, October 15, 1995; also the article by B K Chandrasekhar and K Ishwar Bhat in *The Times of India*, Bangalore, October 14, 1994.

4 On this basis, the former chief secretary of Karnataka, T R Saish Chandran, a highly respected individual, has suggested that all departments in future have legal cells to follow up on court orders. This is, I understand, the normal practice in the income tax and audit departments.

5 The article by the former judge of the Supreme Court, H R Khanna, on judicial activism, in *The Hindu*, September 27 and 28, 1995, are illuminating. He touches also on the question of contempt in this article.

6 See the erudite article by N R Madhava Menon, 'Constitutional Balance Between the Executive and the Judiciary and the Exercise of Contempt Power', *National Law School of India*, October 1995

7 The IAS Officers' Association has not been able to define a common view on the ongoing events; while the officers share a sense of both fear and outrage, the association has shown a singular lack of leadership.

8 Around the same time, there were reports in the press of IAS officers in Kerala and Tamil

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- Nadu also being hauled up for contempt of court. Officers of other services, especially the IPS, were hauled up in UP. The Karnataka episode does not seem to be unique: this is clearly a sign of the times.
- 9 The press has been full of reports about the differences among members in the association in its meetings on this affair. It is reported that the secretary has resigned; it is also reported that some have resigned from the membership of the association itself, so fundamental are the disagreements over this issue.
 - 10 In an unprecedented move, around 70 IAS officers in Karnataka, in their individual capacities, sat near the Gandhi statue in Bangalore on Sunday, September 24, 1995, to express their solidarity with the jailed officer
 - 1 A senior officer, V Balu, has openly expressed these views in a meeting organised by the Press Club in Bangalore on September 24
 - 2 This is matter of some controversy, even among legal scholars. See for example the contrasting views of Chandrasekhar and Bhat, *op cit*, on the one hand, and Madhava Menon, *op cit*, on the other, on this specific issue.
 - 3 There is however, a certain amount of respect for the chief minister for the efforts he has made on behalf of the unfortunate official. It must be noted, though, that after the assembly met, the chief minister gave a speech which gave the impression that he was washing his hands of the whole affair. One can only guess at the pressures that he is under.
 - 4 I have drawn on the summary of events referred to above, and on newspaper reports over the issue as the drama unfolded; and several informal papers drafted by various persons in a position to know what was going on. The caste factor has been highlighted in the newspaper reports.
 - 5 It may be noted that the creation of a post of chief engineer entails many things. Apart from the salary and perks of the chief engineer, a whole paraphernalia has to be brought into existence: posts at lower levels, division of work and so on. These are executive responsibilities that stem from an order to create a post. They involve financial commitments, and the government is in the throes of a fiscal crisis. As tax payers, there is concern over the growth of the government bureaucracy. These are dimensions of a judicial order that must not be forgotten.
 - 6 This was the substance of the affidavit filed by the then chief secretary to the government of Karnataka, J C Lynn. A case of contempt had been filed against him also; but it had been dropped after his affidavit. The principal secretary's argument was the same, his affidavit was similar in content.
 - 7 The Supreme Court recorded that it does not attribute any mala fide to the officer, in its order finding him guilty of wilful disobedience.
 - 8 A legal luminary like Madhava Menon does not agree with this view; see his article referred to above. Yet, many have been arguing that implementing the high court order was the right thing to do in this situation. The dilemma of a serving official is clear, when even experts disagree. In the event, the official went by the advice of a senior counsel, Santosh Hegde.
 - 19 B K Chandrasekhar and K Ishwar Bhat, 'The Vasudevan Case: Interpreting an Ambivalent Ruling', *The Times of India*, Bangalore, October 14, 1995
 - 20 This of course has to be conveyed to the court, and the court has to be convinced. But who gets the benefit of the doubt when there is some ambiguity?
 - 21 It is unfortunate but true that a communal/caste dimension has been given to the case, with the official concerned being a brahmin and one of the judges on the bench being a dalit himself. There is also the complication of another IAS officer having tried to 'influence' the court by meeting one of the judges. While caste is a reality in this country, bringing it up in this type of context tends to cloud the issue and make normal administration difficult.
 - 22 There have been developments since: the Supreme Court held that the government of Karnataka did not have the *locus standi* to intervene on behalf of the official. And the official has served out his sentence in the Bangalore central jail as a civil prisoner.
 - 23 It must be noted in passing, with sadness, that this is true even of the so-called superior services like the IAS and the IPS who have had recourse to the courts. In Karnataka, two chief secretaries have been suspended. The rot has set in at the highest levels as well. The IAS Officers' Association of UP has demanded that the power delegated to the state by the union, of suspending officers of the all India services, must be withdrawn. This will have many serious implications, such as centralisation through the backdoor, that need now to be considered.
 - 24 At the centre, the rot started in the 1970s, when Indira Gandhi began to centralise powers, and her successors have continued with the system. For example, the appointments subcommittee of the cabinet must 'vet' all appointments of above a certain level in all government organisations, from the public sector companies to the IITs and IIMs. Why is this necessary?
 - 25 Whatever the protection under Article 311, now the court has shown that officials have no protection when it comes to the contempt provisions, which are the inherent powers of the courts under the Constitution. It must be noted that the legislature too has such powers, and that these have been exercised by some legislatures in recent years. Nothing stops them from hauling up officials, who may then get caught in the crossfire of contempt proceedings by different authorities.
 - 26 For the not unreasonable reason that often government managements have indeed behaved in a high-handed and arbitrary manner. The lack of accountability in the system as long as rules are mindlessly followed has led to this.
 - 27 A puzzle that remains to be explained.
 - 28 I understand that, at the moment, there are around 3,000 contempt cases pending in the Karnataka High Court, which has devoted Mondays only to these hearings. Why are there so many of these cases? I wonder how many are pending before the other high courts and the Supreme Court itself.
 - 29 I would like to refer here to the erudite discussion in N R Madhava Menon, 'Law and Ethics', B V Narayana Reddy Memorial Lecture, Indian Institute of World Culture, Bangalore for such a plea from a legal luminary.
 - 30 Many judgments of the Supreme Court have in the past led to constitutional amendments. Therefore, it is desirable, in the present case, to examine this aspect as well, as it may lead to helpful changes in the larger interest.
 - 31 Of course, if this is concerned, then clearly it must be defended, if needed all the way to the Supreme Court.
 - 32 I would like to refer to the erudite discussion of the Article 12 question in Ramaswamy R Iyer, *A Grammar of the Public Sector*, Rawat, Jaipur, 1990.
 - 33 Oliver Mendelsohn, 'The Pathology of the Indian Legal System', *Modern Asian Studies*, Vol 15, 1981.
 - 34 I have discussed these problems in articles in the *Indian Express* and *The Hindu*.
 - 35 For example, the post of comptroller and auditor general has been given to IAS officers; look also at the Election Commission, or many public sector enterprises, universities, research institutes, etc, to see the basic truth here.
 - 36 The Indian Revenue Service officers are up in arms about the fact that an IAS officer is the member-secretary of the Fifth Pay Commission, and are planning to go to court to seek his removal from this post as they do not believe he will be objective in his work in the commission.
 - 37 In this specific case, there was widespread support from officers in many of the other services.
 - 38 One wonders whether the chief minister met the chief justice in this connection, and if so, whether this is correct. If not, would it also qualify as interfering with the course of justice, as the intervention of Swatantra Rao was seen by the court?
 - 39 It is being rumoured that the government of India finds it not possible to make a positive recommendation to the president. If this is so, it raises another question, why does the president have to go by the recommendation of the GOI in this matter? Does this come under the limitations imposed on the president by Article 74? On what matters can the president act on his own?
 - 40 Secretaries to the government of India and chief secretaries to the state government have in the past been in the dock, and their apologies have been accepted by the Supreme Court.
 - 41 And after it, in the case of officers from Kerala and Tamil Nadu, the court has been much more lenient.
 - 42 It can be argued that it began in Nehru's time. It was he who introduced the Ninth Schedule into the Constitution, it was he who began the misuse of Article 356 by dismissing the Kerala government headed by E M S Namboodiripad, and so on.
 - 43 Even the Supreme Court was not spared, as the Emergency experience of supersession of senior judges in the appointment of the chief justice shows.
 - 44 Secretary, Ministry of Information and Broadcasting vs Cricket Club of Bengal, 1994.
 - 45 This has been pointed out at great length by Menon, *op cit*.



SECURITIES TRADING CORPORATION OF INDIA LIMITED

Regd. Office



**Statement of Shri D. Basu,
Chairman of the Board of
Directors of Securities Trading
Corporation of India Limited at
the First Annual General Meeting
of the Company held at Bombay
on October 30, 1995.**

I have great pleasure in welcoming you to The First Annual General Meeting of your Company.

The setting up of the Securities Trading Corporation of India Limited (STCI) as a distinct entity dedicated to the task of promoting the development of an active secondary market for Government dated securities marks a significant event for the gilts market. The Company commenced its operations in three segments, viz. Government dated securities, Treasury Bills and call/notice money market during the year.

Performance of the Company

The report of the Directors and the audited accounts of the Company for the year ended March 31, 1995 are already in your hand. I therefore propose to briefly touch upon the highlights of the Company's operations.

The Company commenced trading in Government dated securities from the third week of September 1994 and extended its operations to repo transactions from the last week of December 1994. The turnover achieved by the Company in Government dated securities and Treasury Bills was of the order of Rs. 39,631 crore and Rs. 310 crore, respectively. The Company's borrowings and lendings in the call/notice money market aggregated Rs. 18,825 crore and Rs. 7,593 crore, respectively.

The Company's income before depreciation and taxation amounted to Rs. 3,451.25 lakh on an average paid up capital of Rs. 186 crore approximately. Being a dealer in Govern-

ment securities, the Company, unlike banks, is required to 'mark to market' its entire portfolio of securities. After making adequate provision in this regard as also for depreciation on fixed assets and taxation, the net profit amounted to Rs. 414.67 lakh. Your Directors are of the view that taking into consideration the risk factors associated with the business of Government securities, it would be prudent to build up reserves at the early stage of the Company's development. Hence the Directors do not recommend any dividend for the financial year ended March 31, 1995.

During the current financial year (up to October 27, 1995), there has been a significant increase in the turnover of the Company in each segment of its activities which would clearly indicate that the turnover in Government dated securities and Treasury Bills for the full financial year 1995-96 would reflect a satisfactory growth of activity.

The Company's turnover in Government dated securities and Treasury Bills was nearly 32 times and 13 times the averages of month end stocks held during the first half of 1995-96, of which the turnover on outright basis was nearly 2 times and 12 times respectively. The Company has been regularly participating in the primary auctions in both Government dated securities and Treasury Bills. Its success ratio at the auctions during the current financial year so far (upto October 28, 1995) has been 42 per cent in the case of Government dated securities and 51 per cent in the case of Treasury Bills. These ratios are well above the ratios indicated by the RBI guidelines for Primary Dealers in Government securities.

Recent Market Developments

Pursuant to its efforts at product development in Government securities market, the Government of India issued for the first time in September 1995 floating rate bonds (FRB) of four year maturity, with half yearly coupon rate linked to a base rate, viz. the average rate of the implicit yields at cut off prices of 364 days Treasury Bills auctions during the previous six months ending August and February, plus a margin of 1.25 per cent, but with a floor coupon rate of 13 per cent. This new product is a welcome addition as the FRBs provide a hedge against interest rate risk. The cut-off yields at the auctions of both 91 day and 364 day Treasury Bills reached a peak of 13 per cent and 13.20 per cent, respectively in July-August 1995 and moved southward till the middle of September 1995 whereafter they resumed their northward movement in tandem with the tight conditions in the call money market. The call money market of late has been witnessing tight conditions culminating in the call rate touching 20 per cent on certain days. What is worrisome is the fact that the call rates have shot up despite the recent relaxations in the refinance facilities made available to banks by RBI against the

collateral of say that you intermediate operations discourages in Government secondary market, therefore, o

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nar Building, Sir P.M. Road, Bombay-400 001

ent securities. I am happy to say that one of the principal reasons for the RBI for money market activity in the call money rates is the secondary market. For developing an active market, stability in call rates is, important conditions

of Treasury Bills in the system has reduced since the middle of 1994. A large volume of Treasury Bills of competitive bids put out by the RBI for 91 day Treasury Bills has been received. As a result, a relatively high number of competitive bids has been received at the auctions. As the RBI is usually holders till the end of Treasury Bills available for sale, it is replenished and this does not pose a problem. It is hoped that the volume of Treasury Bills at the auctions will go up with time, may I also urge the RBI to take measures to encourage the market for 91 day Treasury Bills. This will facilitate more active

Secondary market

ware, several measures have been taken to develop an active market for Government securities. The RBI is but one of the participants in this regard. The RBI in this regard for an institutional framework for the market. RBI announced Dealers (PD) in Government securities. It would be a good idea to have a minimum turnover requirement for PDs to offer to achieve a minimum turnover in Government securities. A further fillip. There are, of course, concerns which need

to effectively perform their functions, the cost and availability of funds are crucial. As it is, the market is in terms of buying and selling. A source of funds for stocks held is well as the availability of Government dated securities. In this context, a gradual market with more participants and mechanisms through which they can meet a part of their funding requirements of securities issues. A fear is expressed in an active repo market would be of outright sales/purchase of securities, however that in the

early stages of the development of the market when only a handful of PDs would be in place, the repo market should turn out to be a good mechanism for meeting the funding and scrip requirements of dealers, which would encourage increased trading in Government securities on outright basis by providing holders the flexibility of choosing the time for such trading. I would therefore, suggest that RBI may consider widening the repo market both in terms of participants and the eligible Government dated securities. In this context, it is an encouraging sign that a large number of dated securities are now being offered by RBI in the primary market are declared as eligible to repos.

Secondly, with regard to funding sources for the PDs, while they will have access to such lines of credit as the RBI may provide, they will need to raise additional resources from the commercial banks and other sources. In this context, it is important that the commercial banks be free to lend to PDs at such commercial rates as may be negotiated between them even below their prime lending rates. Unless this is done, the cost of borrowings of PDs may become a constraint for the purpose of financing the holding of gilts.

Thirdly, to add depth to the secondary market, it is necessary to widen the base of the primary market for Government securities. With the Government's willingness to borrow at market related interest rates since June 1992, a beginning in this direction has already been made. However, a large section of the non-captive investors would be motivated to access the secondary market if such investors are provided with satisfactory custodial services by banks. Although a few banks have already moved in this direction, a larger number of banks may have to take up this activity in the institutional investors in the retail market. In this context there is a view that PDs could themselves establish a network of satellite dealers who could access Government securities for the retail investors. While this idea is certainly worth pursuing, it may however, take somewhat longer time to fructify. Furthermore, with the growth of the mutual fund industry, it should be worthwhile to set up separate mutual funds dedicated to gilts as is the trend in many developed markets. This would enable a large section of individual investors interested in risk free assets yielding steady income to invest in Government securities without procedural hassles. I would urge the mutual fund industry to look to the gilts market for accessing top quality assets with reasonable yields more actively than they have so far done.

A large volume of Government dated securities continues to be held by captive investors like banks and financial institutions, most of whom tend to hold on to them till maturity though trading opportunities are now available. In regard to banks, whatever their limited buying and selling interests arise is mainly on account of SLR

adjustments. To some extent, the present norms for valuation of Government securities by banks do not motivate them to trade in them. Once banks start marking to market their entire portfolios of Government securities, which they will need to do sooner or later to achieve full balance sheet transparency, interest in trading in Government securities is bound to receive a stimulus.

Achievements and Prospects

Since the commencement of trading in Government securities by the Company from September 1994, there has been a good interest in the Government dated securities market. The daily releases by the RBI of transactions put through Subsidiary General Ledger accounts (SGLs) in Bombay indicate that the volume of turnover on outright basis in Government dated securities is gradually picking up. The daily opening indicative two-way quotes being released by your Company since the last week of June 1995 for a variety of Government dated securities have been well received by the major players in the market and has created a sense of transparency in pricing as well as improved marketability. In the coming months, the Company's thrust would be in the direction of achieving a larger turnover in Government dated securities by continually refining spreads between its bid and offer prices. It is also the intention of your Company to widen gradually the list of Government dated securities in which it makes indicative two-way quotes.

It must be recognised that the business of dealing in Government dated securities involves a higher interest rate risk than that in the short term money market instruments. Furthermore, while the PD system is in place in full strength, the market would become more competitive resulting in pressure on the Company's margin. As such, the Company would need to be cautious particularly in the initial stage of its operations. It would however be the earnest endeavour of your Company to work towards achieving a high volume of turnover and earn sufficient income so as to ensure to its shareholders adequate return on investment while also building up its reserves.

Acknowledgement

I take this opportunity to thank the Government of India, Government of Maharashtra, the Reserve Bank of India, commercial banks and co-operative banks and all India financial institutions for their co-operation and support.

I would like to place on record my deep appreciation of the sincere and dedicated efforts put in by the officers and staff of the Company for stabilising the operations of your Company in a short span of time and at the same time earning a profit in the very first year of its operations despite difficult market conditions.

.....
This does not purport to be proceedings of the Annual General Meeting of the Company

Discourse of Difference

Nira Wickramasinghe

Ideologies of the Raj, The New Cambridge History of India, III 4 by Thomas R Metcalf, Cambridge University Press, 1994; pp 244.

THE original *Cambridge History of India*, published between 1922 and 1937 did much to formulate a chronology for Indian history and describe the administrative structures of government in India. Needless to say, it has been overtaken by mass of new research published over the last 50 years and stands today solely as a source or as a testimony of how the Raj historians wrote history, and constructed a historiography where the past was always the present. The massive six volume *Cambridge History of India*, writes Thomas Metcalf, 'sought to comprehend all of India's past in a single narrative that led inevitably to the Raj' (p 155). The *New Cambridge History of India* series, to which Thomas R Metcalf's book belongs, is designed to take full account of recent scholarship and changing conceptions of South Asia's historical development.

Thus, *Ideologies of the Raj* examines the ways in which the British sought to justify and thus legitimate their rule over India. Indeed from the mid-18th century, as the East India Company embarked on its career of conquest, the British had to confront the question of how a people steeped in the ideas of nationalism and liberalism, could claim the right to control a vast Asian continent. Thomas Metcalf demonstrates eloquently that the British devised two divergent strategies to justify their authority: one defined essential characteristics which the Indians shared with the British themselves, while the other emphasised the presumed qualities of enduring 'difference'. Over time, however, it was the differences – differences of history, race, gender and society – which embedded themselves most deeply in the British idea of India, and so became predominant. Since the British constructed few explicit ideologies of empire, the author explores the workings of the Raj through a study of its underlying assumptions as revealed in policies and writings. This timely book fills an enormous gap in scholarship as the author, drawing from his own research as well as from the writings of younger scholars in India and elsewhere, provides us with a synthetic view of the ideologies of the Raj during the years of uncontested British supremacy from 1858 to 1918. As the British did not explicitly construct an ordering system of ideology for their imperial enterprise, Metcalf has attempted to tease

out information from an array of sources ranging from the census to the layout of British Indian residential areas, in addition to works of political theorists such as James Mill or Henry Maine and works of imaginative literature. The result is a rich bounty of insight and documentation. Of course, those familiar with the writings of B S Cohn or David Arnold will not be surprised or provoked by the argument put forward by Metcalf but the purpose of the author and of the series is not to be absolutely original, rather to present the most important findings in Indian history of the last few decades.

One of the greatest merits of Metcalf's approach is that it acknowledges the changes that took place in the ideological justifications of empire in the 18th, 19th and 20th centuries and does not paint a uniform and static picture of a Raj guided by one overarching ideology or theory of governance. As the author writes, "At no time was the British vision of India ever informed by a single coherent set of ideas" (p x). This book shows the subtle contradictions that informed these ideologies and the manner in which they were dealt with.

Chapter one examines the intellectual foundations upon which, during the 18th century, the British constructed their rule in India. The author surmises how in the last decades of the 18th century, shaped by notions of 'Oriental despotism' together with a belief in an India once magnificent but now fallen, the British began to put together what was to be an enduring vision of this land. Fundamental categories of analysis were set in place, a comparative philology was constructed and the enduring structures of what were to be 'Hindu' and 'Muslim' law were established. The contribution of Hastings and William Jones to forging an ideology for the new Raj, followed by that of the Romantics which include such figures as Thomas Munro, John Malcolm and Mountstuart Elphinstone who challenged much in the Cornwallis system with its faith in impersonal laws and limited government, is clearly explained in this introductory chapter.

Chapter two entitled, 'Liberalism and Empire', shows how with the coming of Lord William Bentinck as governor-general in 1828, free traders, utilitarians and

evangelicals created a distinctive ideology of imperial governance shaped by the ideals of liberalism informed by the thought of Adam Smith and Jeremy Bentham. But after 1857 the ideal that India could somehow be made over in the image of Britain had to contend with newly powerful, alternative visions of empire. After the 1857 mutiny and the establishment of the crown rule in India, liberalism witnessed a period of crisis. A form of authoritarian liberalism encapsulated in James Fitzjames Stephen's *Liberty, Equality, Fraternity* (1873), linked with parallel theories of scientific racism and historical jurisprudence powerfully reshaped Britain's imperial ideology where difference between Indian and Briton was emphasised.

The third chapter examines the persisting tensions between the claims of similarity and those of difference as they informed the ideology of the late Victorian Raj in the arenas of history, race, and gender, where the motto was the decline of India from an ancient aryan glory. Metcalf examines in a particularly innovative manner how India's downward trajectory – in the British view – was most visibly manifested in its art and architecture. The construction of gender within the empire did not take shape in an explicit formulation. Metcalf examines the British ideas of their own masculinity as they sought to 'rescue' India's 'degraded' women, at the notion of India as a 'feminised' land, at once seductive and dangerous, at the presumed 'effeminacy' of Indian men and the ambiguous position of the white woman caught up in the centre of hierarchies of race and gender.

Chapter four assesses how, in the light of their understanding of India's past – and its present – the British devised structures for ordering its society. Indeed the strategies devised by the British to comprehend India were never simply intellectual exercises, nor were they meant only in some general way to justify British rule over the subcontinent. Through them what the British conceived of as India's enduring difference was given shape in administrative practice. Indian ethnography asserted rigorously its scientific claims. Its categories, embedded in censuses, gazetteers and revenue records, became even more closely tied to the administrative concerns of the colonial state. The valorisation of caste difference as fixed and immutable found perhaps its most striking expression in the creation of the two opposed groups of 'criminal tribes' and 'martial races'. Further the notion that there existed distinct 'Hindu' and 'Muslim' communities in India took on a fixed shape. The British came to believe that adherence to one or the other of these two religions

was not merely a matter of belief but defined membership more generally in a larger community. To be Hindu or Muslim by itself explained much of the way Indians acted.

The fifth and last chapter explores the British response to the crisis of the Raj in the late Victorian and Edwardian era. It begins, in its first two sections, with a discussion of the cultural and psychological mechanisms the British used to cope with a land of both danger and desire. The last two sections, returning to politics, look first at the construction of constituencies meant to bulwark a vulnerable Raj, and then at a frontal assault, from within the ideals of British liberalism, upon the ideology of difference itself.

The epilogue looks at the ideology of differences during the era of contest between the Raj and nationalism in India and concludes that the enduring contradictions between the ideologies of liberalism, and of difference, have come back home as Britain copes with the multiculturalism of the 1990s.

The epilogue is followed by an excellent bibliographical essay which is both chronological and thematic.

This is in short an excellent book well argued and well written. One hopes that it will be complemented by another volume which will look at some issues which this book eludes. Indeed Thomas Metcalf willingly avoids examining the Indian response to the ideologies imposed upon them by the British and focuses exclusively on the ways in which a system of knowledge about the British and the Indian was created to sustain the British Indian Empire (p xi). His argument based mainly on currently fashionable theories of overwhelmingly dominant colonial discourse where western categories and modes of analysis are held responsible for the cutting-up of Indian society into distinct, often mutually opposed blocs of caste, tribe or religion leaves this crucial question unanswered: how and to what extent did this colonial discourse of difference really dominate the subcontinental mind?

author ends up with a new insight into the issues involved.

From pre-colonial time the land tenure system in Bengal included the categories of superior landlords (actually revenue collectors) and the actual cultivators (commonly known as *rayats*). The Permanent Settlement of 1793 lent this structural pattern an enduring life followed by different legislations of 1794, 1812, 1822 and 1844. Subsequent history witnessed at least two important developments: the growth of subinfeudation (thanks to regulation of 1819) as response to superior landlords' failure to grapple with the timely implementation of revenue collection responsibility; and the unbridled exploitation of the cultivating *rayats* by all categories of landed interests by dint of absolute control accorded to them over the toiling masses [Sen 1982]. The scores of surrogate developments witnessed capitalist incorporation of Bengal agriculture with the outer world through the introduction of cash crops (e.g. jute, indigo) and the institutional mechanisms embracing marketing network. However, the predominance of peasant production unit survived for a long time to come. In the words of one perceptive writer on the period, "The typical unit of production, which was preserved rather than transformed during the colonial and immediate post-colonial periods, was the peasant small holding" [Bose 1993: 68].

Successive developments also witnessed the rise of intermediate classes at the cost of those occupying the peak of the structure, commonly known as *zamindars*. Particularly the rise of the *jotedar* class preserved the pre-capitalistic niches of the colonial agriculture. Dwarfed peasants were gradually forced to resist unrestrained exploitation by the superior landed interests with the result of a series of enactment of tenancy laws in favour of the actual cultivators. In fact the oscillation of the tenancy laws towards the interest of the cultivating peasants began from 1859 pronouncedly with the enactment of the Act. It intensified with the promulgation of Bengal Tenancy Act of 1885. The acts of 1928 and 1940 were the concluding steps to the strong grounding of the peasants' rights before the ultimate demise of the *zamindari* system in the early 1950s of the present century, at least in legal terms. However, whom we are calling peasants were not a homogeneous body and one of the major thrust of the book under review is to bring home a fact that the peasants themselves were differentiated and inclined to exploit each other. In the wake of enactment of Bengal Tenancy Act of 1885 the transfer of land among the cultivators or *rayats* became widespread. Already they were accorded with the

Land and Peasantry under Late British Colonialism

Monirul I Khan

Agrarian System in Eastern Bengal, C1870-1910, by Nariaka Nakazato, K. P. Bagchi and Company, 1994, pp xxiii+337, Rs. 330.

DEVELOPMENT of the agrarian structure of Bengal in the last several decades encountered complexities of unfathomable depth. In point of fact the complexities were the outcomes of, *inter alia*, various development and changes that occurred in the land tenure system and the advent of colonialism was an important moment among them.

Agrarian System in Eastern Bengal C1870-1910 authored by Nariaka Nakazato, a Japanese social historian, dwells at length on the structural development in agriculture by way of focusing on the events in the land market that took place at the close of the 19th century and the early years of the following century. Its span is between 1870 and 1904. Against the backdrop of disparate findings and perspectives of previous studies on the development of the agrarian structure in Bengal during the colonial period the present study sets out its own agenda of inquiries — in author's words, "a consistent analysis of agrarian system in eastern Bengal during the height of British colonialism" (p vii).

At the opening of the book the author is seen to confront the major views formulated on the nature of structural changes in the agriculture of Bengal during the period of colonialism, a part of which is the focus of

Nakazato's own study. Incorporated views include the 'continuity' thesis of Ray and Ray, depeasantisation and differentiation thesis of Chaudhuri, 'semi-feudal' characterisation by Chatterjee and differential structure thesis of Bose. He departs from what others surmise and in course of the book comes up with his own. His attention is limited to eastern Bengal constituting of the districts of Dacca, Faridpur, Mymensingh and Barisal.

The methodology of the book bears a distinct feature. The author sifted through land transfer records of the settlement offices. The settlement records prepared by the Registration Department began to be published from 1865-66 bearing the title *Report on the Administration of the Registration Department in Bengal*. Accounts of land transfer in terms of possession and ownership are featured here with specific information on tenurial category, amount of land, its value, etc. The author stresses the reliability of the records he used in the following way: "The most authentic published source materials on the land market are the annual administrative reports of the Registration Department" (p 7). Weaving together disconnected information derived from a plethora of settlement records in an investigative and rigorous manner the

occupancy rights with a few preconditions, the 1885 Act reached the point of approving them of selling the rights of cultivation to others ensuring conformity with the local customs. The author examines the implication of such vigorous transfer of land by the peasant cultivators on the agrarian structure viz a viz that of the superior landlords, and contends that the process produced a new class of upper raiyats.

The book consists of three major parts of the depiction of two important planks of the colonial Bengal — the peasant and the landlord. Part one with the focus on land market consists of seven chapters, part two consists of eight chapters laying pivotal emphasis on the features, process and the operation of zamindari system derived from the official records of the estates. The third part encapsulates the conclusion of the book.

For the purpose of the examination of the land market it was divided into two segments. In author's own words — we should divide the land market into two corresponding segments: the peasants' land market (the market for the landed interests normally held by the peasant classes) and the landlords' land market (the market for landed interests generally possessed by the landlord classes)" (pp 8-9). The author is aware of the limitation of the method he has followed and reminds in the following terms — our method has not taken account of the fact that a clear line of division could not always be drawn between a landlord and a peasant in eastern Bengal (p 9). His next step is to verify the magnitude of land transfer in two different markets and it is captured that the most vibrant market was those of the peasants than the landlords. And the quantum of difference is indeed spectacular and widening over time. Nakazato comments "It will be clear that the land market had rapidly expanded in terms of both number and value. In particular, the peasants' land market moved forward at an extraordinary pace. Taking 1875-76 as the base year, it recorded an impressive increase of 6.9 times in number and 10.5 times in value. The landlords' land market by contrast registered only a modest growth — 1.4 and 2.2 times in number and value respectively. In 1875 the transaction carried on in the peasants' market accounted only for 22 per cent in number and 10 per cent in value of the total volume of trade. However, by 1904 these percentages had shot up to 58 and 34 respectively owing to the uneven development of the two segments of the land market (p 17). The author notes two diverse trends in the peasants' land market. On the one hand, a group of raiyats rose the structural ladder further while another group slid down. About the constitutive feature of the process it is noted — a great number of poorer raiyats were

turned into 'bargadars', while the upper strata of raiyats and some sections of landowners transformed themselves into the jotedar-type landlords. The latter exacted produce rent from the former at a much higher rate than the customary rate of rents (p 279). It is further commented, "the complex trends in land transfer seen in Dacca around the turn of the century boil down to a pair of sharply contrasted phenomena: the stagnation of the landlords' land market taken as a whole and the vigorous growth of the peasants' land market" (p 27). About the characteristic impact of the change on the agricultural system it is observed, "the new landlordism (was) semi-feudal landed property because it came into existence chiefly through the stratification of the peasantry which was the paradoxical result of the advancement of the peasants' power (p 293). It is noteworthy that the author consciously evades the term differentiation. It is reminiscent of the failure of the newly propertied peasant class to advance the production system to a more generative stage similar to the American or the Rich Peasant path of the emergence of capitalism [Byres 1991]. In fact, this finding opens completely new perspective for consideration: what were the causes of the failure of the development of capitalism in Bengal during the regime of colonialism. However, it does not come within the purview of the issues the present

study addresses. At the same time it should not be forgotten that the zamindars or the superior landlords did not give up completely their control to extract the benefits. They accepted the peasants' transferable rights of land in return of heavy fees they accumulated from the peasants [Islam 1988: 38].

In the second part the book dwells on different aspects of zamindari system. Although such attempt does not entirely match with the kind of things carried out in the first part of the book, it bears certain pertinence insofar as agrarian system remains the central focus of the book. Forty-one estates of varying sizes are subjected to investigation. The largest estate emanated an annual rent and cess demand to the amount of Rs 11,59,641 and the smallest one Rs 568. Discussions and analysis provide fascinating details about their social dimension, property implication, managerial approaches as well as the system of coercion. But what is lacking is the exploration of the changing features of the land system of Bengal at a particular period which happens to be the cardinal theme of the book.

Of the 41 estates chosen for examination one has been investigated at length. Among other dimensions, the emergence, operation, nature of tenures, management of financial affairs, geographical distribution and the

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economic base of the Kanakshar estate from the Faridpur district are probed. The estate originated with Jagabandhu Chatterjee who happened to be 'a petty official of some government office related with revenue business'. Regarding the zamindari status of the estate the study notes: 'The main portion of Kanakshar consisted of various intermediate tenures. The Chatterjees therefore had more of intermediate tenure-holders than of zamindars or independent 'talukdars'. However the colonial authorities treated them as 'proprietors' because they owned proprietary rights, that is, shares in some independent 'taluks'. The Chatterjees virtually were 'patnidar' of Kali Krishna Jagore of Calcutta' (p. 117-26). The selected estate was of medium sized 5459 acres of land with an annual rental of Rs 20,307. Jagabandhu's grandson embraced educational career to become 'bhadralok' or a member of educated middle class leaving behind zamindari. The development of the estate was on the other hand full of events with tussle between the landed interests reaching to the point of clashes and employment of intrigues like caste politics to expand and consolidate the zamindari. This particular estate consisted of a wide ranging array of tenures. It included 22 independent taluks, 47 intermediate tenures and 4 rent free tenures.

The communal and ethnic composition of the landlords was 31 Hindus, five Muslims and five Europeans while the caste composition was 11 brahmins, two baidyas and three kayasthas. Others' caste background could not be ascertained. About the longevity of the zamindars the book says that only three out of 41 existed before the appearance of the colonial rule, seven existed or appear to have existed since British rule and the rest emerged after the British assumed power in Bengal. Regarding the landed property of the estates it is noted, 'there were a class of landlords who built solid landed properties with a higher degree of direct contacts with the raiyats by means of concentration of landed interests in one area as well as by dint of the buying of tenures of lower grades. It was this type of landlords that constituted the mainstay of landlordism in eastern Bengal' (p. 195). Regarding the management system of the estates, a brief historical background of the land management system during the pre-colonial period is sketched to identify the major changes that took place with the emergence of colonialism. In the former system the village authority and the 'mandal' used to play exclusive role in regard to revenue collection and land management which gradually went into the hands of 'tahsildar' or revenue manager. Of course, there were management systems like 'khas', farm and

'pains', however, the predominant form was tahsildar.

Pre-capitalistic inclination of the landlords got surfaced with their use of indirect coercion on the cultivators to collect rent and maintain control. Sometimes they maintained mercenaries for this purpose. The author recalls the special role played by *abwabs*. 'In Bengal rent consisted of two parts, viz. legal rent and illegal cesses. The latter were usually called *abwabs* and the landlords were strictly prohibited by the colonial government from imposing them under pain of penalties. None the less it was an open fact they never stopped extracting *abwabs*' (p. 238). A number of case studies on the estates and reports are used to verify the issues of rent. Rent collection was pretty complicated. The factors like quality and kinds of crops, size of lands and others which under planned fix rent were hardly taken into account in Bengal. However, the author feels that the pitch of rent was moderate. For instance, survey and settlement operation estimated average pitch of cash rent paid by the settled raiyats at the rates of Rs 4-8-10, Rs 2-9-2 and Rs 2-13-0 per acre in Bakerganj, Faridpur and Dacca at the end of 19th century. But for the non-occupancy cultivators like the 'bagdars', it was pretty high. If 50 per cent of the produce was to be paid as rent then what is left for the consumption and investment for the cultivators? In the same vein, it is to be remembered that there was frequent *abwab* to be exacted from the settled cultivators. The second part of the book thus gives an appraisal of zamindari's 'thickly feudal character' although various things of it do not conform with the common notion of feudalism (p. 294).

What do we learn from the empirical details and analysis presented in Nakazota's study? The study is about a set of new dynamics and its consequences for the land market in eastern Bengal during the concluding phase of the British colonialism. The book has significantly enriched the debate. Still we come across conflicting views about the nature of agrarian structure and its dynamics of change in contemporary Bangladesh. 'Does the rise of a new peasant class as mentioned in Nakazota's study differ significantly from the class of 'jotedars', or the former are a class of men who owned sizeable portions of village lands and cultivated their broad acres with the help of sharecroppers, tenants-at-will and hired labourers [Raj and Ratna Ray 1975: 82]. Of course the 'jotedars' were a class unacquainted with the plough but how different are the accumulating peasants of Nakazota's study who grew rich on moneylending business and distanced themselves from the toiling masses in course of time? Perhaps there were certain deeply embedded structural factors which led the

new owners of the land to assume a feudal or semi-feudal character. Or should we accept the kind of interpretation forwarded by Shinn (1972) in the context of Russian peasant mobility pattern or its application by Van Schendel (1986) to rural Bangladesh spanning a period which partly overlaps with the one Nakazota deals with? Bose has emphasised. 'Social anthropological work on rural east Bengal has suggested that instead of a process of unilinear class differentiation there is considerable multidirectional mobility in peasant society, centripetal trend consisting of the descent of richer peasant households and the rise of relatively poorer ones effectively countering centripetal forces' [Bose 1986: 156].

This book is an important addition to the corpus of literature dealing with the agrarian structure of the colonial Bengal. It has drawn attention to a new horizon of inquiry, i.e. the enrichment of the Bengal peasants and their subsequent subsumption into a class more interested in productive exploitation of pre-capitalist times.

Note

1. Any enthusiastic reader would find not less than four distinct views about the characteristic features and dynamics of changes in the agrarian structure of rural Bangladesh presently [Khan 1995].

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Literacy in India and China

Jean Dreze
Jackie Loh

This paper examines recent census-based evidence on literacy achievements in China and India. China is found to be far ahead of India in the field of basic education. In particular, China is close to the elimination of illiteracy in the younger age groups, while India is nowhere near achieving that goal. Educational disparities follow similar patterns in both countries, but tend to be sharper in India. China's lead in basic education was established during the pre-reform period, based on a strong commitment to the widespread and equitable provision of schooling facilities at an early stage of development. This contrast in educational achievements in China and India is crucial in assessing their respective development experiences and reform programmes.

Introduction

COMPARISONS between India and China have often been made in the development literature. These comparisons can indeed be quite enlightening, given the similar challenges faced by the two countries in the late 1940s, and the different routes they have taken in addressing these challenges. Right now, economic growth tends to be the most common focus of comparison, and there is indeed much to learn from China's achievements in this field during the 1980s and 1990s. In assessing that success, however, it is important to take note of the social conditions that have formed the basis of rapid and participatory economic growth in China over that period. One of these social conditions, which is solidly rooted in the 'pre-reform' period, is widespread literacy.¹

The importance of literacy, of course, is not exclusively or even primarily related to its role in promoting participatory economic growth. The diverse social and personal contributions of basic education also include the intrinsic value of activities that require literacy and related skills (e.g., reading newspapers), lower mortality and fertility rates, more informed participation in civil society and political activity, and so on. Even more important, perhaps, is the role of basic education as a tool of empowerment and redistribution. In India, the persistence of widespread illiteracy among disadvantaged groups tends to reinforce diverse kinds of social inequality (e.g., relating to class, caste and gender), and the expansion of basic education must certainly be seen as an essential requirement of more rapid elimination of these inequalities, and of positive social change in general.

Against this background, a comparison of India's and China's experiences in the field of basic education may be of some interest. Indeed, the expansion of basic education at an early stage is an essential

feature of China's development experience, just as the persistence of widespread illiteracy is one of India's most serious social failures. In this paper, we attempt to bring out the main features of this contrast, and comment briefly on its causes and implications.

I

Methodological Issues

1.1. SOURCES AND DEFINITIONS

Recent censuses in India and China provide reasonably reliable sources of information on literacy rates.² India conducted censuses in 1981 and 1991, and China in 1982 and 1990. For convenience, we shall understand the reference year '1981-82' to mean 1981 for India and 1982 for China, and '1990-91' to mean 1991 for India and 1990 for China.

According to the official instructions to census investigators in India, a person is to be considered literate if she or he "can both read and write with understanding in any language".³ In cases where an investigator is in doubt about the reading or writing abilities of a particular person, the investigator is supposed to ascertain her abilities on the basis of simple practical tests: "The test that was applied for reading was the ability to read any portion of the printed matter in the enumerator's instruction booklet (provided the person was familiar with the language used in the booklet) and the test for writing was the ability to write a simple letter". Discussions with census investigators, however, suggest that actual tests of this kind are rarely performed.⁴ It appears that, in practice, the respondent's self-reported literacy status is usually accepted by the investigator.

The absence of objective literacy test in census investigations raises the possibility of two different kinds of reporting biases. First, there may be a systematic tendency

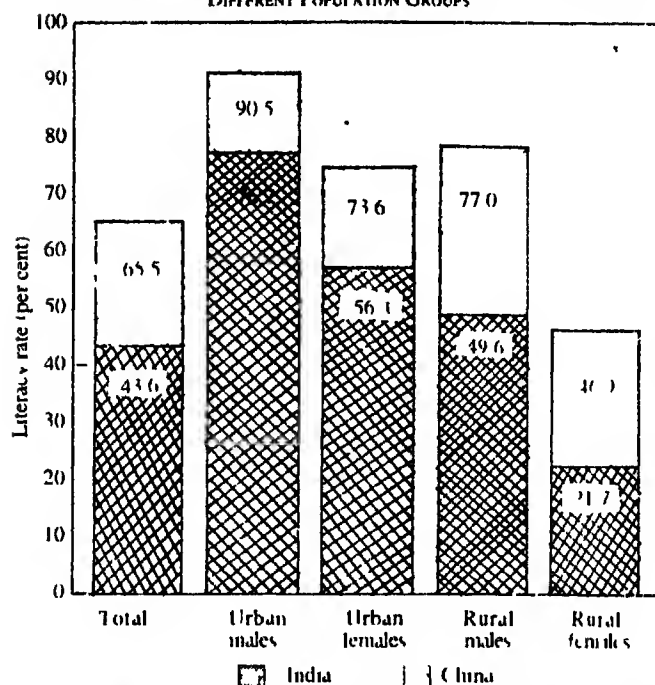
on the part of *respondents* to overstate or understate their literacy status. Second, *investigators* may have their own reasons to overstate or understate. Census investigations, for instance, are often conducted by local school teachers, who may be inclined to exaggerate literacy achievements in their own locality.⁵

It is unlikely, however, that these possible biases lead to major distortions in census-based literacy rates for India. Literacy rates based on census data are highly consistent overtime, and they are also broadly consistent with independent information collected by the National Sample Survey, based on similar literacy criteria.⁶

As far as China is concerned, census publications distinguish between different literacy levels: 'literate' (knowledge of more than 1,500 characters), 'semi-literate' (500 to 1,500 characters) and 'illiterate' (less than 500 characters).⁷ In practice, census investigators are expected to count a person as literate if she or he is able to read a newspaper and to write a simple letter.⁸ This criterion of literacy is quite similar to that used in Indian censuses. Following what appears to be standard practice in official Chinese publications, the literacy figures reported in this paper refer exclusively to 'full' literacy (1,500 characters or more), with the 'semi-literate' and 'illiterate' categories being amalgamated.

As with the Indian censuses, the recent Chinese censuses appear to provide a reasonably reliable source of information on literacy achievements. The general quality and consistency of these censuses have been extensively scrutinised by demographers, and there is, to our knowledge, no evidence of these results being flawed in a major way.⁹ The literacy rates derived from the 1982 and 1990 censuses for different provinces and population groups are themselves highly consistent. While it is important to submit these figures to further

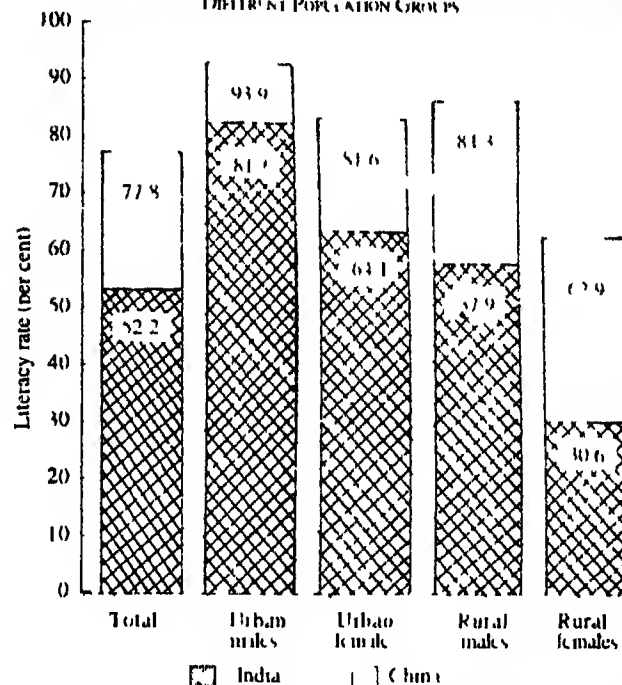
FIGURE 1A ADULT LITERACY RATES IN INDIA AND CHINA (1981-82) FOR DIFFERENT POPULATION GROUPS



Note: The Indian literacy rates apply to persons aged 7 and above, and the Chinese literacy rates apply to persons aged 15 and above. As discussed in the text, 7+ literacy rates in India are usually a little higher than the corresponding 15+ literacy rates.

Sources: CASS (1987) (based on census data) and Government of India (1987).

FIGURE 1B ADULT LITERACY RATES IN INDIA AND CHINA (1990-91) FOR DIFFERENT POPULATION GROUPS



Note: The Indian and Chinese literacy rates apply to the 7+ and 15+ age groups respectively (see text for discussion).

Sources: SSB (1993) and Tyagi (1993) (based on census data).

scrutiny, there are no grounds to reject them as things stand.

1.3 COMPARABILITY ISSUES

The comparison of census based information on literacy rates in India and China raises several methodological issues.

First, in order to compare like with like it is important to focus on the same age groups for both countries, as far as possible. The 'adult literacy rate' usually refers to the literacy rate in the age group of 15 years and above.¹⁰ Information on literacy rates for that age group is available for 1982 and 1990 in the case of China, and for 1981 in the case of India. Unfortunately, literacy rates for the 15+ age group from the 1991 census in India have not been released at the time of writing. For 1991 literacy rates are currently available only for the population as a whole ('crude literacy rate'), and for the age group of seven years and above. We will be using the latter, in this paper, for comparison with the 15+ literacy rates derived from China's 1990 census. Similarly, we will be using the cut-off of seven years and above for Indian literacy rates in 1981.

In this connection, we should mention that 7+ literacy rates in India are usually a little higher than 15+ literacy rates (this is because, as one might expect, the literacy rate in the 7-14 age group tends to be higher than the

literacy rate among persons aged 15 and above). For instance, in 1981, the 7+ literacy in India as a whole was 43.6 per cent compared with 40.8 per cent for the 15+ literacy rate. The same pattern can be observed in all Indian states (for 1981), with the 7+ literacy rate typically 2 to 4 percentage points above the 15+ literacy rate. Having said this, the 7+ and 15+ literacy rates are sufficiently close to each other in all Indian states (see Figure A1 and also Tables A1 and A2) to ensure that nothing will be lost in this paper by approximating the latter with the former.

Second, in interpreting literacy rates for the population as a whole, or even for the

TABLE 2 LITERACY RATES IN INDIA AND CHINA IN DIFFERENT CENSUS YEARS

	China 6+	India 7+	India 15+
1961/64*	43.2	78.4	-
1981/82	68.1 (2.6)	41.4 (1.9)	33.7
1990-91	79.4 (1.9)	-	52.2 (1.7)

Notes: The reference year is 1961 for India and 1961 for China.

The figures in brackets indicate the annual growth rate of literacy since the preceding reported census.

Sources: (i) China: State Statistical Bureau (1993b) Table 3.4, based on census data; (ii) India: Government of India (1987) Table C-2 and Tyagi (1993), Table 9, based on census data.

TABLE 1 LITERACY IN INDIA, CHINA AND KERALA

	Literacy Rates, 1981-82				Literacy Rates, 1990-91			
	Adults ¹		Adolescents (Age 15-19)		Adults		Adolescents ¹ (Age 15-19)	
	Male	Female	Male	Female	Male	Female	Male	Female
India	56	30	66	43	64	39	74	52
China	79	51	96	85	87	68	97	92
Kerala	88	76	95	92	91	86	98	98

Notes: * Age 15+ for China, 7+ for India and Kerala (Indian Census data for the 15+ age group in 1991 have not been published at the time of writing). As mentioned in the text, 7+ literacy rates in India are usually a little higher than 15+ literacy rates.

¹ The reference year for India and Kerala is 1987-88; the reference age group for Kerala is 10-14.

Sources: The Indian figures are compiled from Government of India (1987) Table C-2, Tyagi (1993) Table 10 and Sengupta (1991) Statements 3.5, 3.6 and 4.1. The Chinese figures are from State Statistical Bureau (1985), Table 49, and State Statistical Bureau (1993a), Table 5.12. All are based on census data except for the 1987-88 age-specific rates for India and Kerala which are based on National Sample Survey data.

15+ age group, it should be borne in mind that the Indian and Chinese populations have different age structures. For instance, old people represent a slightly larger share of the population in China than in India, and this has the effect of driving down the crude literacy rates (or adult literacy rates) in China for a given profile of age-specific literacy rates. This particular feature, of course, has to be considered along with other contrasts between the Indian and Chinese population structures (e.g. due to differences in fertility rates, or to the demographic effects of the 1958-61 famine in China).

Taking the whole age structure into account, it seems that age-structure effects play a negligible role in the particular contrasts that will be considered in this paper, and can be ignored for our purposes. Consider, for instance, the adult literacy rate (age 15+) in 1980-81. When 1981 age-specific literacy rates for India are combined with the age structure of the Chinese population at that time, they give an average literacy rate of 41.1 per cent for the 15+ age group; this is very close to India's actual adult literacy rate of 40.8 per cent in 1981 (obtained by combining the same age-specific literacy rates with the age structure of the Indian population). Similarly, the Chinese age-specific literacy rates give an adult literacy rate of 65.9 per cent when they are combined with the age structure of the Indian population, again very close to the actual 15+ literacy rate of 65.8 per cent in 1980 (obtained by combining these age-specific literacy rates with the age structure of the Chinese population). In other words, differences in age structure account for a very small part of the observed contrast in adult literacy rates in India and China.

Third, it can be argued that literacy is a more demanding achievement in China than in India. The Indian alphabets typically consist of a few dozen letters (e.g. the most widely-used among Indian scripts, 'devnagiri', is based on an alphabet of about 60 letters), which are relatively easy to assimilate compared with the thousands of characters required for literacy in Chinese languages. The number of characters or letters, of course, is not a definitive criterion of comparison, since literacy in Chinese only requires character recognition while alphabet-based reading involves the additional skill of combining letters into a recognisable word or idea. But the fact remains that literacy skills in Chinese typically take several years to acquire (and can only be retained with regular practice), while literacy in Indian languages can often be achieved within a few months.

Taken together, these different considerations suggest that China's lead over India in the field of basic education is actually a little larger than the literacy figures presented

in this paper suggest. While age-structure effects can be ignored without much loss of precision, the use of an age cut-off of seven years for India artificially raises the Indian literacy figures by a few percentage points. The fact that literacy is a more demanding educational achievement in China than in India also has the effect of making India look a little closer to China than it really is, when their comparative achievements are assessed on the basis of literacy rates. Even then, however, India does look remarkably backward in comparison with China, as will be seen in the next section.

II

Literacy Achievements Compared

II.1 THE BASIC FACTS

China is a far more literate nation than India. In 1990-91, almost half of the adult population in India was illiterate, compared with only 22 per cent in China. Even more significantly perhaps, by that time China had nearly succeeded in achieving universal literacy in the younger age groups, with illiteracy being overwhelmingly concentrated among the older age groups. In India, by contrast, there is still a massive problem of illiteracy in the younger age groups (Table 1).

Another serious aspect of India's failure in the field of basic education is the highly uneven distribution of educational achievements. Illiteracy, in particular, tends to be concentrated among disadvantaged social groups. Literacy rates tend to be much lower among women than among men, in rural than in urban areas, and among scheduled castes and tribes than in the population as a whole. There are, also, striking regional disparities in literacy rates, with Kerala being in the same league as the most advanced countries of the developing world while states such as Rajasthan or Bihar have literacy rates that are more typical of the least developed countries of sub-Saharan Africa. These diverse inequalities,

combined with a low average literacy rate, account for extremely low levels of education among the most disadvantaged sections of the population (Section II.4).

Educational disparities between different regions and social groups can also be observed in China, but these are generally less pronounced than in the case of India. As can be seen from Figures 1a and 1b, the difference in literacy rates between India and China is particularly large for disadvantaged groups (e.g. rural women), reflecting the greater intensity of educational inequalities in India. The rural-urban gap, in particular, is considerably smaller in China than in India. China appears to have been far more successful than India in promoting basic education in rural areas, and this is consistent with the general emphasis that the Chinese leadership has placed on economic and social transformation in the countryside (in contrast with the pronounced 'urban bias' of public policy in India). Similarly, educational policy in China has given overwhelming priority to the expansion of primary education, and this contrasts with the elitist bias of India's educational system, which combines a resilient neglect of primary education with enormous public investments in higher education. Educational achievements are not only much lower in India than in China, they are also much less equitably distributed.

One outstanding exception to the general

TABLE 4 LITERACY RATES IN SCHEDULED CASTES AND SCHEDULED TRIBES IN INDIA (1991)

	Persons	Male	Female
All India	52	64	39
SCs	37	50	24
STs	30	41	18
Excluding SCs and STs	58	70	45

Note: The literacy rates apply to persons aged 7 and above.

Source: Government of India (1992), pp 210-11, and Government of India (1993), pp 18-19 and 44-45.

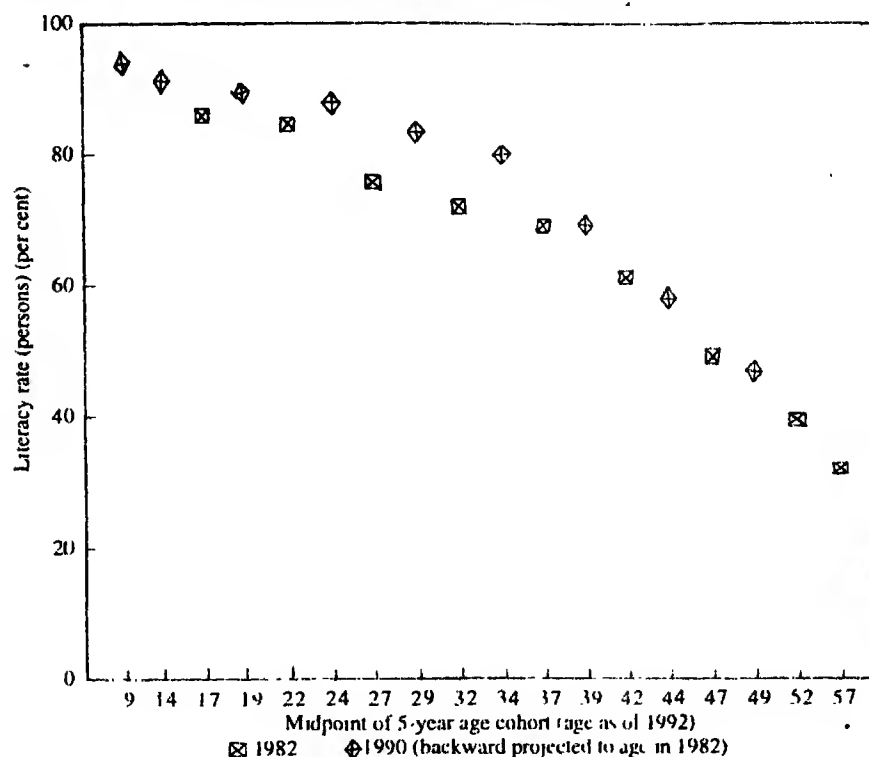
TABLE 3: AGE-SPECIFIC LITERACY RATES IN CHINA, 1982 AND 1990

Age Group	1982				1990			
	P	M	F	F/M*	P	M	F	F/M*
15+	66	79	51	65	78	87	68	78
15-19	91	96	85	89	95	97	92	95
20-24	86	94	77	82	94	97	91	94
25-29	78	91	64	70	93	97	89	92
30-34	74	87	60	69	88	95	80	84
35-39	72	86	57	66	83	92	73	79
40-44	61	78	43	55	80	90	69	77
45-49	48	68	26	38	72	85	58	68
50-54	38	59	15	25	60	77	41	53
55-59	32	53	10	19	47	67	25	37
60+	21	39	5	13	24	44	7	16

* The ratio of the female (F) to male (M) literacy rate.

Source: State Statistical Bureau (1985), Table 49, and State Statistical Bureau (1993a), Table 5-12.

FIGURE 2: COMPARISON OF 1982 AGE-SPECIFIC LITERACY RATES (ALL-CHINA) WITH ESTIMATES BASED ON 'BACKWARD PROJECTION' FROM THE 1990 CENSUS



Note: The crossed squares indicate the actual 1982 literacy rates in different age groups (the position of a crossed square in the horizontal scale indicates the mid-point of the relevant age group). The crossed diamonds indicate estimated literacy rates based on 'backward projections' from the 1990 Census (see text for further discussion of the projection method).

Source: SSB (1985) and SSB (1992)

pattern of educational backwardness in India is the state of Kerala. In fact, as will be shown in Section II.3, Kerala is not only far ahead of all other Indian states in terms of literacy achievements, it is also ahead of almost all the Chinese provinces (and in some respects, e.g., adult female literacy, ahead of all Chinese provinces). Aside from being a momentous success story in itself, Kerala's literacy record is also a useful benchmark against which to assess both the achievement of China (where educational expansion began much later than in Kerala), and the under-achievement of the rest of India. In the following elaboration of the basic issues raised in this section, this benchmark will be used to inform and supplement the broader cross-country comparisons.

II.2. HISTORICAL PERSPECTIVE

China's 1982 census appears to be the earliest available source of comprehensive information on the country's literacy status, with published figures available by gender, age, province, and residence (rural/urban). Two earlier censuses have been conducted in 1953 and 1964. The 1953 Census, however, apparently failed to produce reliable information on education or literacy.¹¹ The

1964 Census indicates that the national literacy rate for the 6+ age group was 43 per cent in that year (Table 2).

The historical record of literacy in India is far more complete, with fairly detailed and reliable literacy figures being available from decennial censuses from the late 19th century onwards. In comparison to China's 1964

figure of 43 per cent for literacy in the 6+ age group, the all India literacy for the 5+ age group in 1961 was 28 per cent. Thus, China already had a substantial lead over India in the early 1960s.

The rate of progress of literacy rates in India and China before and after 1981-82 may be worth mentioning. The annual percentage increase in literacy rates was 2.6 per cent in China during 1964-82, and 1.9 per cent during 1982-90, the corresponding figures for India were 1.9 per cent in 1961-81 and 1.7 per cent in 1981-91 (Table 2). These figures have to be interpreted with caution, since the growth rate of literacy is only one way of measuring the progress of literacy over time, and alternative measures of literacy expansion can lead to different rankings of the rate of progress in different periods and regions.¹² One reasonably robust observation, however, is that the pre-1982 period was one of particularly rapid expansion of literacy in China. Educational transformation in China, in other words, appears to have been particularly rapid in the period preceding the economic reforms initiated in the late 1970s.

An alternative, indirect way of assessing and comparing the progress of literacy in India and China prior to 1981-82 is to look at age-specific literacy rates in that year. To illustrate, the literacy rate in the 35-44 age group in 1981-82 can be taken as an approximation of, say, the literacy rate in the 25-34 age group 10 years earlier, or of the literacy rate in the 15-24 age group in 1961-62. Obviously, this 'backward projection' method can only be applied to the adult age groups, for which the implicit assumption of static literacy rates for given cohorts is not implausible. Even for adults, the backward projection method tends to overestimate literacy rates in earlier years,

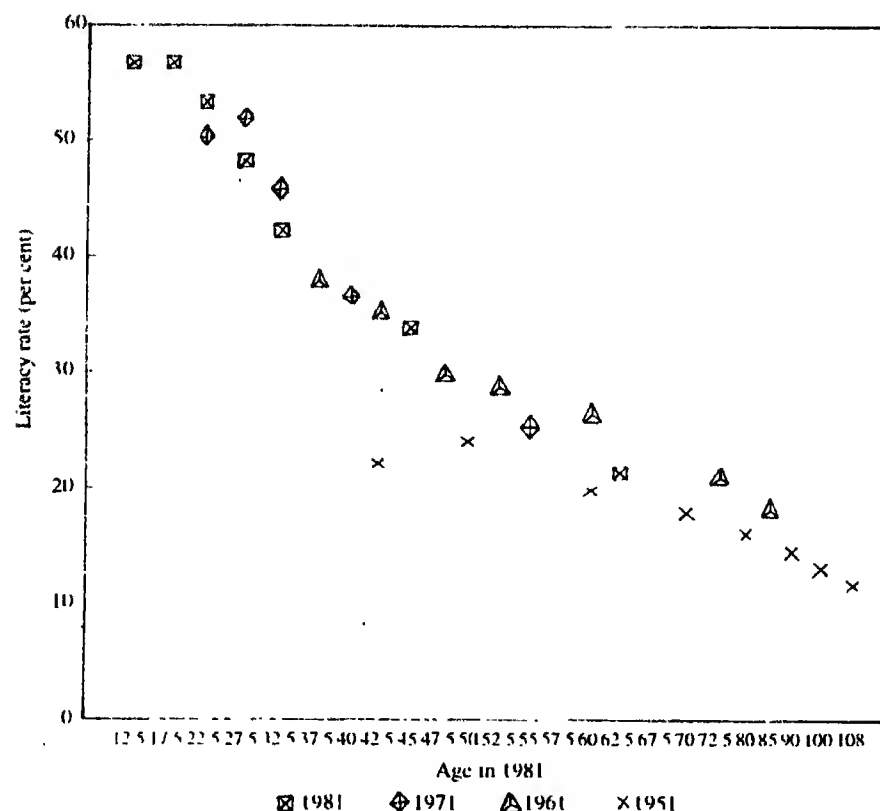
TABLE A1: LITERACY RATES IN INDIA, 1981 AGE 7+

States	U/R Combined, 7+			Rural, 7+			Urban, 7+		
	P	M	F	P	M	F	P	M	F
Total	43.6	56.4	29.8	36.0	49.6	21.7	67.2	76.7	56.3
Andhra Pradesh	35.7	46.8	24.2	27.9	38.7	16.8	61.0	72.6	48.7
Bihar	32.1	46.6	16.5	27.7	42.4	12.4	61.8	73.2	47.5
Gujarat	52.2	65.1	38.5	43.6	57.8	28.8	71.0	80.7	60.2
Haryana	43.9	58.5	26.9	37.3	53.3	18.8	66.8	76.1	55.8
Karnataka	46.2	58.7	33.2	37.6	51.1	23.8	66.9	76.5	56.4
Kerala	81.6	87.7	75.6	80.3	86.7	74.2	86.9	92.0	82.0
Madhya Pradesh	36.6	48.4	24.0	29.3	40.8	17.3	64.6	76.4	50.8
Maharashtra	55.8	69.7	41.0	45.7	61.7	29.5	74.3	82.9	63.9
Orissa	41.0	56.5	25.1	37.8	53.5	22.0	64.8	76.4	50.9
Punjab	48.2	55.6	39.7	41.7	49.6	32.7	65.0	70.8	58.1
Rajasthan	30.1	44.8	14.0	22.5	37.0	6.8	58.0	72.3	41.5
Tamil Nadu	54.4	68.0	40.4	45.0	60.1	29.8	73.3	83.8	62.2
Uttar Pradesh	33.4	47.4	17.2	28.5	43.4	11.7	54.9	64.8	42.7
West Bengal	48.6	59.9	36.1	40.2	52.8	26.8	70.7	77.2	62.5

Note: Tyagi (1993) and Government of India (1992) give somewhat different figures for female literacy in Madhya Pradesh (19.0 as opposed to 24.0); the reason for this discrepancy between these recent publications and the original source (Government of India, 1987) is unclear.

Source: Government of India (1987), Tables C-2 and C-2A.

FIGURE 3 COMPARISON OF 1981 AGE-SPECIFIC LITERACY RATES (ALL-INDIA) WITH ESTIMATES BASED ON 'PROJECTION' FROM OTHER CENSUSES



Note: The crossed squares indicate the actual 1981 literacy rates in different age groups (the position of a crossed square in the horizontal scale indicates the mid-point of the relevant age group). The other symbols indicate estimated literacy rates based on 'projections' from other censuses (see text for further discussion of the projection method).

Source: Census data (Government of India, 1954, 1964, 1976 and 1987).

for two reasons. First, mortality rates are typically higher among illiterates than among literates, so that the literacy rate in a particular cohort can be expected to increase over time even if the literacy status of the surviving individuals remains unchanged. Second, the literacy rate in a particular cohort can increase over time due to adult literacy programmes.

This overestimation issue can be illustrated by comparing the actual 1982 literacy rates in particular age groups in China with the corresponding estimates obtained by 'backward projection' from the 1990 census. The results are presented in Figure 2 (see also Table 3). As this figure indicates, the predicted and actual literacy rates are remarkably close to each other, suggesting that backward-projected estimates are reasonably accurate, at least over a relatively short period. Interestingly, the largest differences between actual and projected estimates are found for women aged 25-34 in 1982, possibly reflecting the effect of adult literacy programmes targeted at that age group.

The extent of overestimation over longer periods can be scrutinised using Indian data for the 1951, 1961, 1971 and 1981 Censuses (as stated earlier, age-specific literacy rates

for 1991 are not available at the time of writing). Figure 3, which is similar to Figure 2, compares actual literacy rates for different age groups in India in different census years with projections from other censuses. Here again, it can be seen that the projected figures are reasonably accurate, even when the projections span a relatively long period.¹⁷

It should be added that, if our interest is not in absolute literacy rates in earlier periods, but in comparing literacy rates in India and China at different points of time, the overestimation problem is not necessarily very serious, as long as the extent of overestimation is quite similar in both countries. In short, there is no serious reason to dismiss comparisons of literacy rates in India and China in, say, 1951 based on backward projection from the 1981-82 Censuses.

In Figure 4, we present age-specific literacy rates in India, China and Kerala in 1981-82. If the backward projection method is valid, this figure allows us to trace the evolution of literacy over time in these three regions. The emerging pattern is quite startling. The estimated literacy rates for the 30+ age group in 1951-52 (i.e. the actual literacy rates for the 60+ age group in 1981-82) are almost exactly the same for India and China, suggesting that the adult literacy situation in both countries was very similar in the late 1940s. At that time, Kerala was way ahead of both India and China. As early as 1961-62, however, China had nearly caught up with Kerala in the younger age groups; for instance, the estimated literacy rates for the 10-14 age group in 1961-62 (i.e. the actual literacy rates for the 30-34 age group in 1981-82) are almost as high in China as in Kerala. By 1981-82, there was virtually no difference between China and Kerala for the younger age groups, while India was left far behind.

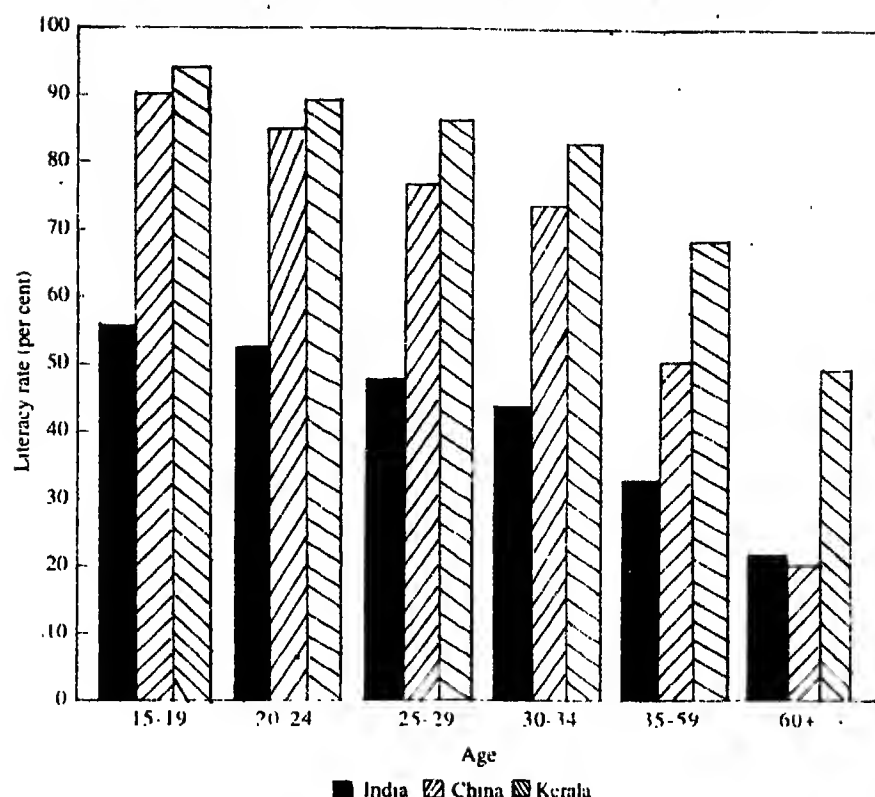
A more detailed breakdown of 1982 literacy rates in China by gender and age group is presented in Table 3.¹⁴ By backward projection, this table gives a more detailed picture of the evolution of literacy in China over time. The post-Liberation take-off is evident, for instance, in the large difference in literacy rates between the 40-44 age group (consisting of persons who would have been aged 10-14 in 1952) and older age groups.

TABLE A2: LITERACY RATES IN INDIA, 1981 - AGE 15+

States	U/R Combined, 15+			Rural, 15+			Urban, 15+		
	P	M	F	P	M	F	P	M	F
Total	40.8	54.9	25.7	32.8	47.4	17.6	65.1	76.3	51.9
Andhra Pradesh	32.5	44.5	20.2	24.6	35.9	13.2	57.8	71.5	43.2
Bihar	29.4	45.0	13.2	25.0	40.4	9.4	59.1	72.6	41.9
Gujarat	48.3	62.7	33.1	38.6	54.1	22.8	68.4	79.9	55.6
Haryana	39.2	54.4	21.5	31.5	47.9	12.7	64.0	75.0	50.6
Karnataka	43.1	56.9	28.4	33.9	48.5	18.8	64.5	76.0	51.7
Kerala	78.1	85.9	70.8	76.6	84.7	69.0	84.5	90.9	78.4
Madhya Pradesh	35.6	47.7	22.7	28.4	39.5	16.9	62.4	76.4	45.8
Maharashtra	51.8	67.7	34.7	40.3	58.5	22.3	71.7	82.0	58.8
Orissa	38.7	56.0	21.0	35.4	52.9	18.0	62.6	76.2	45.6
Punjab	42.6	51.1	32.9	35.1	43.9	25.1	61.9	69.2	53.2
Rajasthan	28.2	43.0	12.0	20.2	34.2	5.2	56.5	72.5	37.5
Tamil Nadu	50.4	65.9	34.6	40.3	56.9	23.5	70.6	83.3	57.3
Uttar Pradesh	30.8	45.6	14.1	25.5	40.9	8.7	53.6	65.3	39.1
West Bengal	48.1	61.2	33.2	39.0	53.9	23.0	69.8	77.2	60.1

Source: Government of India (1987), Tables C-2 and C-2A.

FIGURE 4: AGE-SPECIFIC LITERACY RATES IN INDIA, CHINA AND KERALA (1981-82)



Source: Government of India (1987) and SSB (1985).

Among women, in particular, the 1982 literacy rate in the 40-44 age group (42.6 per cent) was three times as high as the literacy rate among women who were only 10 years older (14.8 per cent for the 50-54 age group).

In short, and subject to the qualifications attached to the backward-projection method, the following observations emerge from the preceding analysis: (1) India and China had very similar adult literacy rates in the late 1940s, while Kerala was far ahead at that time, (2) China's literacy take-off took place during the immediate post-Liberation period, with a particularly impressive leap for the younger age groups, (3) by 1981-82, China had caught up with Kerala in the younger age groups, while India was left far behind.

11.3 LITERACY RATES: 1981-82 AND 1990-91

The high absolute levels of literacy in China in 1982 are also worth underlining. For the 15-19 age group, literacy rates in that year were already as high as 96 per cent for males and 85 per cent for females (Table 1). Although these figures reveal the persistence of a substantial gender gap, they also indicate that China was rapidly moving, at that time, towards universal literacy in the younger age group. As mentioned earlier, this feature of the Chinese experience sharply contrasts with the educational situation in India, where

the eradication of illiteracy remains an elusive goal to this day, even for the younger age groups.

The nature of the India-China contrast in that respect, as early as 1981-82, can be further evaluated from Figure 5, where we present 15-19 literacy rates in that year for individual Chinese provinces and Indian states (the former are identified with lower-case letters, the latter in upper case). As this figure shows, it is not just that China was ahead of India at that time, in terms of literacy rates in the younger age groups, but also that, with two important qualifications,

no Indian state was clearly ahead of any Chinese province in that respect. Even the more educationally progressive states of India, such as Maharashtra and Tamil Nadu, had lower adolescent male literacy rates than the most backward Chinese provinces, and were only marginally ahead of a few Chinese provinces in terms of adolescent female literacy.

The two qualifications concern Kerala and Tibet. We have already noted Kerala's outstanding educational record. In Tibet, the adolescent male literacy rate in 1981-82 was not only much lower than the Chinese average, but also lower than the corresponding figure for any Indian state; the same statement applies to the adolescent female literacy rate, although, significantly enough, the states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Bihar did no better than Tibet in that respect. The persistence of endemic illiteracy in Tibet, even in the younger age groups, stands in sharp contrast with the rapid educational advances that have occurred in all the other Chinese provinces. This localised failure has little effect on the overall Chinese literacy figures, since the population of Tibet is just over two million (1990 census figure), but it is of some political significance. The low level and slow progress of educational achievements in Tibet suggests some lack of political commitment of the Chinese leadership to the development of that region, and illustrates the exceptional dependence of social progress in China on the initiative of the state. If the leadership decides to ignore, or fails to recognise a particular problem, there is little scope for public pressure to challenge that inertia.¹

Figures 6A and 6B present adult male and female literacy rates in India and China in 1981-82 and 1990-91, respectively. Both figures follow much the same pattern as Figure 5, with most Chinese provinces being well ahead of most Indian states. Comparing

TABLE A3: LITERACY RATES IN INDIA, 1981 - AGE 7+

States	U/R Combined, 7+			Rural, 7+			Urban, 7+		
	P	M	F	P	M	F	P	M	F
Total	52.2	64.1	39.3	44.7	57.9	30.6	73.1	81.1	64.1
Andhra Pradesh	44.1	55.1	32.7	35.7	47.3	23.9	66.4	75.9	56.4
Bihar	38.5	52.5	22.9	33.8	48.3	18.0	67.9	77.7	55.9
Gujarat	61.3	73.1	48.6	53.1	66.8	38.7	76.5	84.6	67.7
Haryana	55.9	69.1	40.5	49.9	64.8	32.5	73.7	82.0	64.1
Karnataka	56.0	67.3	44.3	47.7	60.3	34.8	74.2	82.0	65.7
Kerala	89.8	93.6	86.2	88.9	92.9	85.1	92.3	95.6	89.1
Madhya Pradesh	44.2	58.4	28.9	35.9	51.0	19.7	70.8	81.3	58.9
Maharashtra	64.9	76.6	52.3	55.5	69.7	41.0	79.2	86.4	70.9
Orissa	49.1	63.1	34.7	45.5	60.1	30.8	72.0	81.2	61.2
Punjab	58.5	65.7	50.4	52.8	60.7	43.9	72.1	77.3	66.1
Rajasthan	38.6	55.0	20.4	30.4	47.6	11.6	65.3	78.5	50.2
Tamil Nadu	62.7	73.8	51.3	54.6	67.2	41.8	78.0	86.1	69.6
Uttar Pradesh	41.6	55.7	25.3	36.7	52.1	19.0	61.0	70.0	50.4
West Bengal	57.7	67.8	46.6	50.5	62.1	38.1	75.3	81.2	68.3

Source: Government of India (1992), Table 6

the two figures, we find that literacy rates have improved in both countries during the 1980s (and indeed in all the individual states and provinces, except in the case of rural female literacy in Tibet), with little change in the relative positions.

While the improvement of literacy in China during the 1980s (bringing the country even closer to universal literacy in the younger age groups – see Table 1) is in line with earlier trends, there is some evidence of a significant change in the basis of educational progress in China before and after the economic reforms initiated in the late 1970s.¹⁶ The pre-reform period was a phase of low income levels and slow economic growth, and the transformation of educational levels during that period was less a reflection of growing affluence than a direct result of the firm commitment of the Chinese leadership to the widespread and equitable public provision of basic education. During the post-reform period, it is the rapid growth of private incomes that has formed the main basis of further educational improvement, and there has been less success in the further expansion of public schooling facilities, especially in the slow-growing rural areas.

One important reason for the latter development is the eroded financial basis of local public services in the poorer areas, due to the combination of (1) fiscal decentralisation (with local governments being expected to raise their own financial resources), and (2) the transition to the 'household responsibility system' (under which the products of economic activity accrue to households in the first instance, rather than to the collective).

This is not to deny the achievements of the post-reform period in China. The remarkable acceleration of economic growth during that period, and the participatory nature of the growth process, have led to many social achievements of major importance, including a massive reduction in poverty (as measured by conventional income-based measures such as the head-count ratio). In education, health and related fields, however, it is likely that even more could have been achieved had rapid economic growth been combined with a further expansion of public provisioning, rather than substituting for it.¹⁷

II.4 EDUCATIONAL DISPARITIES

A common feature of the literacy situations in China and India is the existence of large disparities in literacy achievements between different sections of population. In both countries, for instance, there are marked differences in educational levels based on gender and residence (rural/urban). The general patterns of educational disparities (including a strong gender bias) are broadly similar in both countries. As noted earlier,

TABLE A4: LITERACY RATES IN CHINA, 1982 – AGE 15+

States	U/R Combined, 15+			Rural, 15+			Urban, 15+		
	P	M	F	P	M	F	P	M	F
Total	65.5	79.2	51.1	62.3	77.0	46.9	82.4	90.5	73.6
Beijing	84.0	91.7	76.2	75.5	84.8	66.3	89.0	95.7	82.0
Tianjin	81.6	91.1	71.9	71.4	84.3	58.5	86.3	94.1	78.1
Hebei	67.9	80.9	54.3	65.3	79.1	51.3	85.7	92.8	77.3
Shanxi	73.2	82.5	63.1	70.8	80.6	60.3	84.0	90.5	76.3
Inner Mongolia	66.0	76.3	54.6	62.3	73.6	49.7	82.8	89.2	76.1
Liaoning	81.9	89.1	74.5	78.4	86.3	70.2	88.3	94.2	82.2
Jilin	76.0	83.5	68.0	73.1	81.3	64.5	84.0	89.9	77.9
Heilongjiang	75.6	84.2	66.5	72.0	81.6	61.8	84.5	90.9	77.9
Shanghai	82.5	92.3	72.9	74.9	87.0	63.7	88.4	96.2	80.5
Jiangsu	62.2	78.8	45.2	59.3	76.9	41.4	83.1	91.9	73.5
Zhejiang	66.1	79.2	52.1	65.0	78.4	50.6	71.0	82.5	58.5
Anhui	50.2	67.5	31.6	47.1	65.3	27.8	75.1	85.2	63.4
Fujian	60.4	80.1	39.6	57.6	78.5	35.5	76.9	89.7	63.4
Jiangxi	65.1	81.4	47.7	62.3	79.8	43.8	81.9	91.0	72.0
Shandong	60.1	76.3	43.8	57.9	74.7	41.0	75.9	87.6	63.7
Henan	59.6	74.3	44.6	57.1	72.4	41.5	81.2	89.4	71.9
Hubei	65.7	80.4	50.3	62.8	78.4	46.5	85.1	93.2	76.2
Hunan	73.5	85.4	60.7	72.0	84.4	58.6	86.6	93.7	78.5
Guangdong	75.2	90.1	59.8	73.5	89.3	57.4	85.7	95.1	75.7
Guangxi	72.9	86.8	58.1	71.8	86.1	56.6	86.0	94.9	76.1
Sichuan	64.9	78.3	50.5	63.0	77.2	47.9	79.9	87.5	71.6
Guizhou	49.4	68.6	29.4	47.3	67.6	26.2	61.3	73.9	47.4
Yunnan	48.2	63.6	32.5	45.6	61.6	29.4	76.1	84.2	66.8
Tibet	26.1	38.4	14.4	23.1	35.3	11.6	70.9	79.9	60.2
Shaanxi	64.0	75.8	51.4	60.4	73.0	47.1	83.7	90.8	75.7
Gansu	49.1	65.3	31.5	44.6	61.8	26.2	83.4	90.5	74.8
Qinghai	50.9	66.8	34.0	42.6	60.3	23.9	84.1	91.9	75.4
Ningxia	54.1	68.6	38.5	47.8	63.8	30.8	79.9	87.3	71.4
Xinjiang	66.4	72.4	60.1	62.5	68.5	56.1	80.5	86.4	74.2

Note: The 1982 Census distinguishes between two types of residential areas: cities and counties. The 'urban' and 'rural' literacy rates above follow this division.

Source: Chinese Academy of Social Sciences (1987), pp 318-404, based on census data.

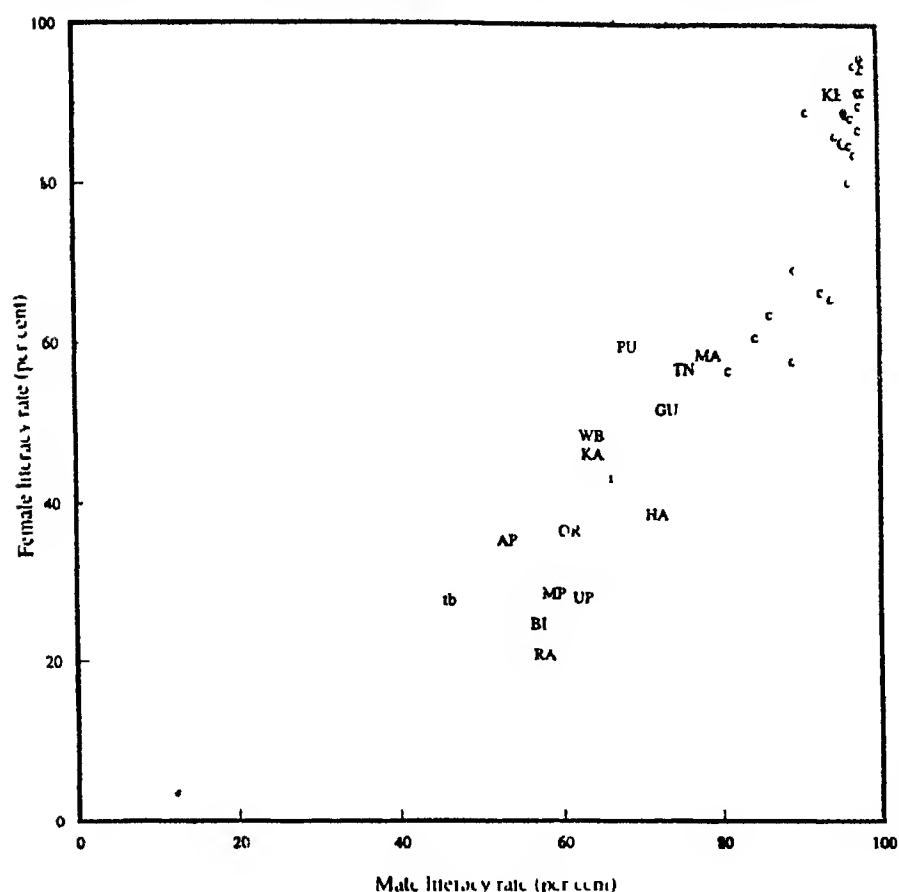
TABLE A5: LITERACY RATES IN CHINA, 1990 – AGE 15+

States	U/R Combined, 15+			Rural, 15+			Urban, 15+		
	P	M	F	P	M	F	P	M	F
Total	77.8	87.0	68.1	73.8	84.3	62.9	82.4	90.5	73.6
Beijing	89.1	94.6	83.1	81.0	88.2	74.0	91.7	96.6	86.4
Tianjin	88.4	94.7	82.0	82.6	90.5	74.8	90.7	96.2	84.9
Hebei	78.4	87.2	69.3	75.4	85.0	65.8	89.7	94.9	83.7
Shanxi	84.2	89.9	78.0	81.3	87.6	74.8	90.7	94.8	85.8
Inner Mongolia	78.3	85.6	70.4	72.4	81.2	62.6	87.9	92.9	82.6
Liaoning	88.5	93.4	83.4	85.2	90.8	79.3	91.5	95.8	87.0
Jilin	85.7	90.5	80.7	82.4	87.7	76.6	89.9	94.2	85.6
Heilongjiang	85.1	90.5	79.3	81.0	87.4	74.1	89.1	93.7	84.4
Shanghai	86.5	94.0	78.6	77.4	88.0	67.3	90.9	96.8	84.6
Jiangsu	77.3	88.0	66.4	74.5	86.2	62.7	86.8	93.7	79.3
Zhejiang	77.1	86.7	66.9	73.8	84.6	62.5	83.8	91.2	76.1
Anhui	65.7	78.8	51.7	61.7	76.1	46.5	82.4	90.0	74.1
Fujian	76.9	89.4	63.7	74.1	87.9	59.8	85.8	94.2	76.6
Jiangxi	75.9	87.7	63.4	72.3	85.7	58.2	88.5	94.4	82.0
Shandong	77.0	86.7	67.2	74.0	84.5	63.7	84.3	92.1	76.1
Henan	76.9	85.9	67.7	74.6	84.1	65.0	88.5	94.1	82.3
Hubei	77.7	87.5	67.3	73.4	84.6	61.6	87.4	93.9	80.3
Hunan	83.0	90.8	74.5	81.1	89.6	71.9	90.9	95.6	85.6
Guangdong	84.9	94.2	75.5	81.9	92.8	70.9	89.5	96.2	82.5
Guangxi	83.8	92.5	74.3	82.1	91.5	72.0	91.8	97.1	85.8
Hainan*	78.8	90.1	66.8	75.6	88.2	62.5	88.0	95.3	79.7
Sichuan	78.8	87.0	69.9	76.4	85.5	66.8	87.4	92.5	81.6
Guizhou	63.3	78.6	46.8	59.1	76.1	41.1	79.0	87.8	69.2
Yunnan	62.5	75.5	48.8	58.1	72.2	43.4	84.4	91.0	76.8
Tibet	30.7	44.5	16.9	24.6	38.2	11.5	70.1	80.7	57.1
Shaanxi	74.9	83.6	65.5	69.8	79.6	59.6	91.1	95.7	85.8
Gansu	60.8	73.7	46.9	53.4	67.9	38.2	84.6	91.6	76.4
Qinghai	60.0	73.1	45.6	48.5	64.3	31.7	87.2	93.3	80.3
Ningxia	66.5	77.5	54.9	57.2	70.4	43.6	88.3	93.4	82.5
Xinjiang	80.5	84.2	76.5	75.6	79.2	71.7	88.6	92.5	84.4

Note: The 1980 Census distinguishes between three types of residential areas: cities and townships and counties. Urban literacy rates were calculated from the cities and townships data, rural rates from county data. Further, the 1990 Census uses two different notions of cities and townships (see China Population Statistics Yearbook 1992, pp 5 for details); the second notion applies here.

Source: State Statistical Bureau (1993a), Tables 5-9 to 5-11.

FIGURE 5 INDIAN STATES AND CHINESE PROVINCES LITERACY RATES IN THE 15-19 AGE GROUP 1981-82



Note: 'C' and 'I' denote the all China and all India figures respectively. Each 'c' denotes one Chinese province ('tb' stands for Tibet). The initials indicate India's major states: AP - Andhra Pradesh, BI - Bihar, HA - Haryana, GU - Gujarat, KA - Karnataka, KE - Kerala, MA - Maharashtra, MP - Madhya Pradesh, OR - Orissa, PU - Punjab, RA - Rajasthan, TN - Tamil Nadu, UP - Uttar Pradesh, WB - West Bengal.

Source: Sharma and Rotherford (1987), SSB (1985) and CASS (1987).

however, these socio-economic disparities tend to be larger in India (see also Figures 1A and 1B).

The ratio of female to male adult literacy in China (in percentage terms) was 78 in 1990, a considerable improvement from the 1982 ratio of 65 (Table 3). This ratio rises steadily with decreasing age, and the ratio for the 15-19 age group was 95 in 1990, suggesting that the elimination of gender bias in literacy among the young is not far off. By contrast, India's female to male literacy ratio was only 53 in 1981, and 61 in 1991. While India's present ratio appears to put it just over a decade behind China with respect to gender bias, the evidence of persistent and strong gender bias amongst younger cohorts in India qualifies this optimistic assessment. The 1981 literacy ratio for the 15-19 age group in India was only 65 - well below China's 1982 ratio of 89 for the same age group.¹⁸

Rural-urban differences represent another crucial basis of social inequality in educational achievements. As mentioned

earlier, residents of rural areas in India experience particularly large disadvantages. In 1981, the rural to urban literacy ratio was just 54, rising only slightly to 61 in 1991. In China, rural-urban disparities are significantly smaller. In 1982, the rural to urban literacy ratio was 76 (much higher than the 1981 Indian ratio), and by 1990 this ratio had risen to 90.

In India, a third important basis of educational inequality is that of caste and related personal characteristics. The 1991 literacy rates for scheduled castes (SC) are much lower than the all-India averages excluding the scheduled caste and tribe populations (Table 4). SC literacy rates were only 50 per cent for males and 24 per cent for females, compared with 70 per cent and 45 per cent, respectively, for the non SC/ST population.¹⁹ Scheduled tribes are even less literate, with rates of 41 per cent for males and 18 per cent for females. Together, these underprivileged groups make up nearly one quarter of India's total population.

Each of these three major sources of

educational inequality merits attention on its own. Their cumulative effects imply enormous odds against literacy for the most disadvantaged sections of society, particularly in India. To illustrate, while 81 per cent of urban Indian males are literate (96 per cent in Kerala), the corresponding proportion is only 31 per cent for rural females, 19 per cent for scheduled caste rural females, and 5 per cent for the same group in Rajasthan and Bihar.²⁰

The contribution of educational inequalities to the overall India-China contrast in literacy rates can be assessed by noting that for the most privileged group in both countries (i.e. urban males) literacy rates are not all that far apart. In 1990-91, the urban male literacy rate was 91 per cent in China and 81 per cent in India (while the literacy rates for rural females, for instance, was 63 per cent in China and 31 per cent in India). The reduction of educational disparities has played an important role in China's comparatively successful experience of literacy expansion.

Finally, it is worth emphasising that educational inequalities are both a reflection of other social disparities (i.e. those relating to caste, class and gender) and a cause of social inequality. In fact, it can be argued that widespread illiteracy in India is now one of the most fundamental causes of persistent social inequality. Indeed, as mentioned in the introduction, basic education has important liberating and redistributive roles. The suppression of which makes it that much harder to achieve rapid social change. This particular feature of education requires far greater attention than it has received so far, not only from government authorities but also from social movements.

III

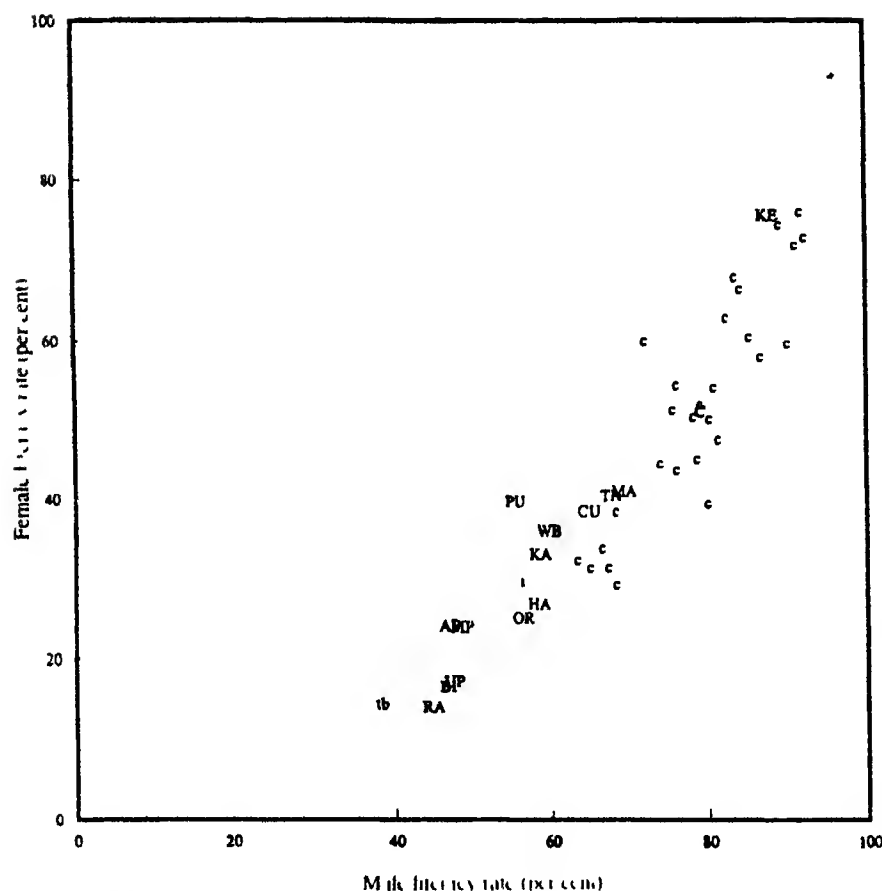
Concluding Remarks

A number of significant findings emerge from the preceding investigation. The following are particularly noteworthy.

First, recent census data for both countries indicate that China is well ahead of India in the field of basic education. In 1991, the proportion of illiterate persons in the adult population was still as high as 48 per cent in India, compared with 22 per cent in China.²¹

Second, age-specific literacy rates bring out a crucial feature of the Chinese advantage. While nearly 40 per cent of Indian children fail to learn to read and write, the corresponding figure for China is only around 5 per cent. This implies that China can be expected to move fairly rapidly towards universal literacy as the younger cohorts gradually replace the older age

FIGURE 6A. INDIAN STATES AND CHINESE PROVINCES: ADULT LITERACY RATES, 1981-82



Notes: Same as in Figure 5.

Source: Government of India (1987), SSB (1985) and CASS (1987).

groups in India by contrast there is still a massive problem of illiteracy among young boys and girls.

Third, China's lead was achieved during the pre-reform period on the basis of a strong commitment to the widespread provision of elementary education at an early stage of development. The speed of education expansion in China after Liberation has in fact been quite remarkable. Starting in the 1940s with literacy rates similar to those in India, China almost caught up with Kerala in terms of literacy rates in the younger age groups by the early 1960s and by the early 1980s China was very close to universal literacy in those age groups. During the 1980s both India and China made further progress in literacy with their relative position remaining more or less unchanged.

Fourth, aside from having higher average literacy rates, China has been more successful than India in reducing disparities of educational achievements between different social groups. Rural-urban disparities are also significantly lower in China where infrastructural and institutional expansion in rural areas has

been a major goal of public policy after Liberation.

Fifth, female literacy rates are well below male literacy rates in both countries. The gender bias is particularly striking in India where 61 per cent of females above the age of seven are illiterate and where only one girl out of two learns to read and write. The gender gap is rapidly narrowing in China (due to near universal literacy in the younger age groups) but not in India.

Sixth, there are wide inter-regional disparities in literacy rates in both countries. The regional contrasts are largely driven by differences in female literacy. The persistence of high levels of female illiteracy in particular states or provinces is a matter of special concern in both countries.

Seventh, in spite of sharp regional contrasts within each country, most Chinese provinces have much higher literacy rates than most Indian states. The state of Kerala in India stands out as the main exception to this pattern. With universal literacy among adolescent males and females, and near-universal literacy in the adult population, Kerala is not only well ahead of all Indian states but also in the same league as the

most advanced Chinese provinces (in fact, for female literacy, Kerala is ahead of all Chinese provinces). This remarkable achievement reflects more than a 100 years of creative interaction between state commitment to and public demand for the widespread provision of elementary education.

Likewise, the other striking exception to the general lead of Chinese provinces over Indian states is Tibet. Literacy rates in Tibet are not only abysmally low (even lower than in the educationally backward states of north India) they also show little sign of significant improvement over time. While the interpretation of census data for Tibet requires further scrutiny, there is a strong possibility of Tibet having been comprehensively neglected in the efforts of the Chinese leadership to promote basic education.

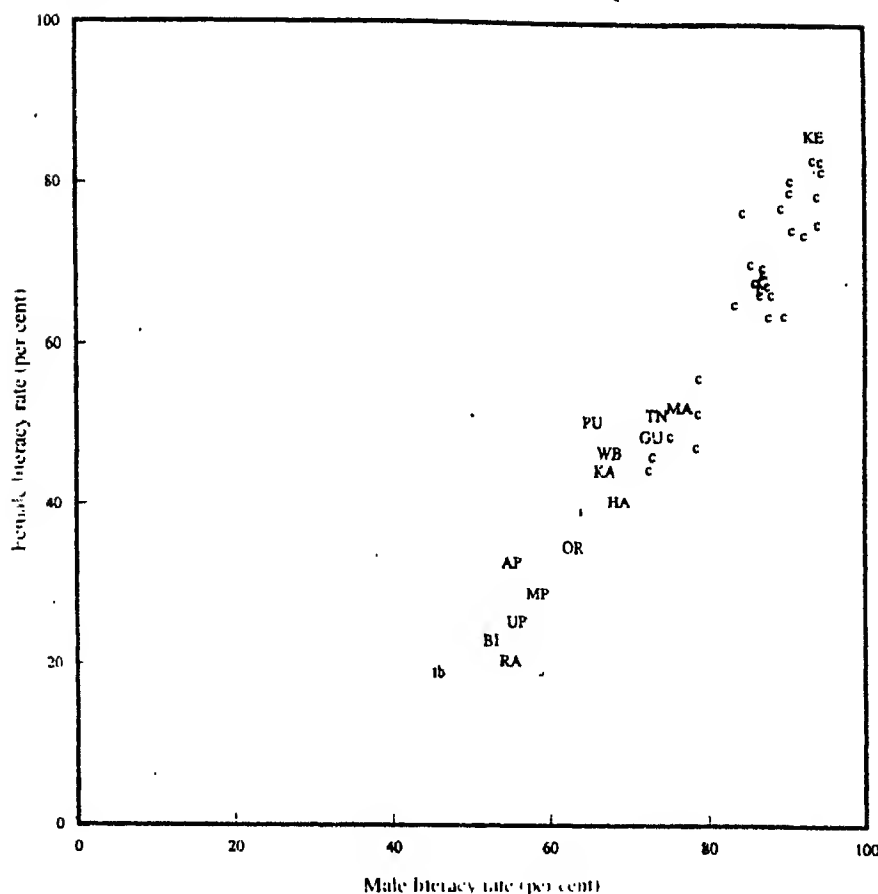
IMPLICATIONS

China's lead over India in the field of basic education is one of the pre-reform social achievements that have permitted and sustained participatory growth in China after the reforms. Other achievements of this type, rooted in the pre-reform period, include (1) land reform, (2) the elimination of endemic hunger and morbidity, (3) the establishment of a basic social security system, (4) the expansion of rural infrastructure, and (5) the institution of a credible (though authoritarian) system of local governance.⁴ Understanding these pre-reform achievements is crucial for a correct assessment of China's successful economic development after the reforms and of the lessons arising from that experience. India is nowhere near achieving the initial conditions that have made the Chinese reforms so successful.

The contrast between India and China in matters of basic education also fits in a general pattern of educational backwardness in India. Literacy rates in India are not only lower than in China (or, for that matter, lower than literacy rates in China in the late 1970s) they are also lower than the average literacy rates for all poor countries other than India and China, and also lower than estimated literacy rates in sub-Saharan Africa.⁵

This sobering aspect of India's development experience calls for radical changes in public policy, giving much greater priority to the widespread and equitable provision of basic education. Admittedly, public awareness of the need to address the problem of endemic illiteracy in India has significantly grown in recent years. Even in official circles, much attention has been paid to this problem. Many pronouncements have been made expressing the government's intention to give basic education a higher priority in

FIGURE 6B. INDIAN STATES AND CHINESE PROVINCES - ADULT LITERACY RATES, 1990-91



Notes: Same as in Figure 5

Source: Tyagi (1993) and SSB (1993a)

public policy, many new programmes have been launched (more often than not in response to international criticism or pressure), and many glossy publications extolling the new initiatives have been produced. But these pious statements are still to be matched with bold measures to ensure the universalisation of primary education in the near future.

Notes

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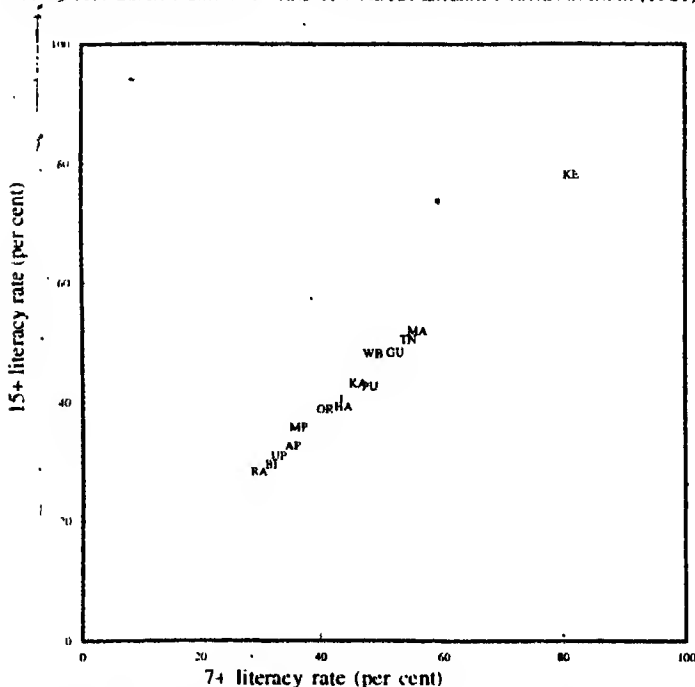
- 1 On other aspects of the relationship between rapid economic growth in the post-reform period and the social achievements of the pre-reform period (see Dreze and Sen (1995), Chapter 4)
- 2 On the methodology and basic findings of these censuses, see Li (1992) for China, and Bose (1991a, 1991b) and Premi (1991) for India. The issue of comparability between the Chinese and Indian census-based literacy figures will be addressed in the next section

- 3 Instructions to investigators, 1981 census (see, e.g. *Census of India 1981, Series-1, Part II B(1), Primary Census Abstract, General Population*, p. xiv). The passage cited in the following sentence is from the same source. The literacy criteria used in other recent censuses, including the 1991 census, are the same as those described here for the 1981 census (see, e.g. Government of India, 1992, p. 49)
- 4 This statement is based on discussions with school teachers (who are often recruited as census investigators) in Andhra Pradesh and Uttar Pradesh.
- 5 A third issue is that some census investigators may be filling the forms at home, without actually interviewing the respondents (according to one expert from the Indian Statistical Institute, who used to conduct census investigations himself, this practice is not uncommon). If so, census-based literacy figures may partly reflect the subjective perceptions of the investigators, rather than actual literacy achievements. This is likely to lead to large biases in literacy rates for particular villages, but not necessarily for regional aggregates, if the perceptions of investigators are reasonably accurate 'on average'.
- 6 Useful comparative data on literacy rates from census and National Sample Survey

sources can be found in Visaria et al (1993); see also Sengupta (1991). The official literacy criteria used by the National Sample Survey are similar to those of the census. Literacy estimates based on NSS data tend to be a little higher than the corresponding census estimates, and it has been suggested that this difference reflects the fact that NSS investigators, unlike census investigators, are not required to test the respondents' claimed reading or writing abilities [Sengupta 1991]. Since the actual performance of literacy tests in census investigation is in doubt (as discussed earlier), there may be other reasons for the observed differences between NSS and census estimates. In any case these differences are small and can be ignored for our purposes.

- 7 See, e.g. Zhang and Wei (1987). The same criteria are confirmed by the State Statistical Bureau of the People's Republic of China (personal communication).
- 8 Personal communication from the State Statistical Bureau of the People's Republic of China. Zhang and Wei (1987:17-18, also state that people "who cannot read a newspaper, write a letter or a receipt" are considered as illiterate or semi-literate.
- 9 See, e.g. the demographic studies of Coale (1993) and Banister (1992a, 1992b).
- 10 This is, for instance, the age cut-off used in both *World Development Report 1994* (World Bank 1994) and *Human Development Report 1994* (United Nations Development Programme 1994).
- 11 The listing of basic statistics from the four post-liberation censuses (1953, 1964, 1982 and 1992) in the *China Statistical Yearbook 1993* (Table 3.4) does not present any data on education for the 1953 census (while education data are reported for each of the other census years).
- 12 To illustrate, it is quite possible for country A to have a larger annual growth rate of literacy than country B and yet a smaller rate of decline of illiteracy (an alternative measure of progress).
- 13 For convenience of presentation, Figure 3 is based on 'forward projection', i.e. predicting literacy rates in later census years from earlier census data. But the principles are exactly the same as with the 'backward projection' method.
- 14 Figure 4 is constructed around age groups for which literacy rates are available for both India and China from the 1981-82 censuses. Unfortunately, the 1981 census publications for India do not give age-specific literacy rates within the 35-59 age group.
- 15 For further discussion of this aspect of Chinese politics, see Dreze and Sen (1995), chapter 4.
- 16 For further discussion, see Dreze and Saran (1995) and Dreze and Sen (1995).
- 17 In some respects, the progress of social indicators in China during the post-reform period has been surprisingly slow, considering the pace of economic growth in that period. Life expectancy, for instance, has only expanded by 1.6 years between 1981 and 1991, compared with about 2 years in Sri Lanka, four years in South Korea, 4.6 years in Kerala and 5.3 years in India as a whole.

FIGURE A1: COMPARISON OF 7+ AND 15+ ADULT LITERACY RATES IN INDIA (1981)



Notes: The all India figure is denoted by 'I', and the initials indicate India's major states.
Source: Government of India (1987).

(see Dreze and Sen 1995, chapter 4) The comparison with Kerala is particularly instructive, given that China and Kerala had very similar demographic indicators in 1981, since then, Kerala has surged ahead of China in this respect, in spite of very slow economic growth

- 18 The ratio of female to male literacy rates is only one possible measure of gender bias, and the comparisons made in this paragraph should be interpreted bearing in mind the 'cardinalisation' issue mentioned earlier (see footnote 10). The general observation that gender bias is particularly pronounced in India is, however, quite robust. Similar remarks apply to the rural-urban comparisons made in the following paragraph.
- 19 All the literacy figures cited in this paragraph relate to the 7+ age group.
- 20 Tyagi (1993), pp 24-30, based on the 1991 census. The reference age group is seven years and above.
- 21 As explained earlier, the gap is even larger when a similar age cut-off of 15 years is used for both countries (as opposed to using the age cut-off of seven years for India, and 15 years for China).
- 22 This statement is inferred from the figures on literacy in the 15-19 age group in 1990-91 (Table 1).
- 23 On this see, e.g. Jeffrey (1992) and Rainachandran (forthcoming).
- 24 The last achievement has been based, to a large extent, on an authoritarian political structure, with the party exercising an extraordinary degree of control over individual lives. This is not a pattern that India would be well advised to emulate, but the Chinese experience does draw attention to the crucial role of effective local governance in economic and social development.
- 25 See Dreze and Sen (1995).

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Mental Illness among Indian Women

Bhargavi V Davar

Community surveys, done roughly between the 1970s and the 1990s, provide information on the socio-demographic profile of a mentally ill person in Indian communities. However, these studies do not treat the aspect of gender, nor are there other independent studies on women and mental illness. In order to fill a noticeable lacuna in women's health studies, information about mental illness in Indian women has been obtained from the primary data available from these studies. As gender has been used as a socio-demographic variable in all the studies, it was possible to cull out gender relevant data and re-analyse them from the gender perspective. This work is a secondary analysis

IN the mental health scenario, professional and institutional attention has so far not focused on the mental health needs of Indian women. Planning for mental health in the country, and also, planning for women's health have altogether neglected the question of the mental health of women. In the west, since Phyllis Chesler's (1972) classic work on *Women and Madness*, at least two dozen professional studies and various committee and planning reports, including a recent report (Linderstein et al 1993) of WHO have been published. However, in our own context, we are yet to see a comprehensive academic work in the area, not to mention the complete lack of policy or programme addressing the issue, though scattered material, anecdotal and academic, are available that requires reviewing and analysis.

This paper is one such attempt and tries to provide some information on the occurrence of mental illness among women. Early epidemiological studies in the country, done during the 1970s and the 1980s, give us a picture of the mentally ill in the community. These studies, totalling about a dozen or so, relate mental illness to several socio-demographic variables, such as marriage, education, age, income, etc, so that, in general, the social profile of a mentally ill person may be obtained. These studies, not being gender-specific, gloss over gender differences in the expression of mental illness. That is, even though the studies provide a general idea about the socio-demographic characteristics of the mentally ill in the community, they do not give information about gender differences in the expression, prevalence, cause or course of mental illness.

Gender has been used as a variable in many of these studies. Therefore it was possible to approach these studies from the perspective of gender, culling out gender-relevant information from them, and making independent associations with the other variables, such as marriage, age and education. This approach, being a secondary analysis, has obvious limitations, such as discrepancies in methodology, the diagnostic categories used, the varying cultural contexts of the different studies, etc. However, I have

adopted criteria that will overcome at least some of these problems. For example, only those studies with comparable methodologies and diagnostic categories have been used. It has been assumed that the different studies from different parts of the country are representative and will give an approximate, if not accurate, picture of a mentally ill woman in our culture. From this analysis, it has been possible to obtain information about mental illness among women and respond to important questions such as the frequency of prevalence of mental illness among women and their proneness to certain types of disorders. I have been able, to a limited extent, to associate the occurrence of mental illness in women with other socio-demographic variables such as marital status, age, education, work, etc.

GENDER IN HOSPITAL AND EPIDEMIOLOGICAL STUDIES

Some of the studies, such as those by Brij Mohan (1970), Sethi et al (1978), Bhattacharya and Vyas (1969), Weismann and Klerman (1977), all record a male preponderance of psychiatric disorders, particularly depression. Bhattacharya and Vyas observed an equal number of male and female depressives in their sample. Weismann and Klerman also noted a greater prevalence of mental illness among men. This trend is not in keeping with studies from the west, where, it has been noted especially in the case of depressive disorders that "women predominate in all countries and all time periods" [Guttentag 1980:73].

It is noteworthy that the above studies have been based on hospital samples and not community samples. These studies have used data on utility as if they were prevalence data, which is highly questionable, especially in the Indian context. In the west, there is parity of access to health care by both the sexes, and so there is some justification in subjecting hospital based samples to prevalence analysis. Comparisons of community survey rates of mental illness and hospital rates do not grossly differ in the western context. But, in our country, there is gross

gender based inequity of access especially to hospital care and so, making any conclusion about the comparative prevalence of mental illness in the two sexes based upon utility data gathered from hospital samples is both methodologically questionable and politically misleading.

Such a methodologically dubious conclusion is politically misleading for the following reason: The naive explanation some of the above studies offer for the supposedly greater prevalence of mental illness among men is that it is men who carry the burden of responsibility in a patriarchal system, with other family members, such as women, contributing very little. Sethi (1978), for example, explains the greater frequency of illness among men in his study by noting that "the obligation and responsibilities that a male must fulfill are full of challenge and stress" (p 204). Venkoba Rao observes "the patriarchal system of the population may possibly explain" the male preponderance in his sample of depressives. By making this assumption, these studies altogether ignore crucial issues women's movements have been raising such as, the unequal decision-making power, unequal work distribution, work overload, unpaid labour, rigid role functions and stereotyping, all of which are dehumanising and stressful for women. These studies thereby provide a facile and easy explanation for the greater prevalence of mental illness among men, showing a distinct gender bias in their supposedly professional perspective.

It is not the case that the point about inequity of access to health care by both the sexes have altogether escaped some of these authors. Sethi (1978), for example, writes, "While it has been reported that a higher percentage of male population registered at psychiatric facilities in India, it is by no means indicative of a higher morbidity in males. Lack of education, superstitions and reluctance on the part of the womenfolk and the social stigma and bleak chances of matrimonial placement in our culture are significant determinants" (p 206). But, even in this caveat that the author adds, we see the responsibility for being mentally well

and seeking mental health care is somehow thrust upon the woman. The author clearly implies that if women do not seek mental health care, it is because of their "lack of education, superstitions and reluctance", whereas the social reality of most women is that decision-making about her own health needs rarely rests with her.

As all these studies are based on hospital data, they have not been considered in the analyses of the prevalence of mental illness in women. Instead, we turn our attention to the available community surveys.

Epidemiological studies show the prevalence rates of mental disorders in the community to vary from between 23.79 [Dube 1970] per thousand and 129 per thousand [Chakraborty 1990]. A perfunctory note of explanation is invariably appended to each of these studies, citing the cultural, demographic, methodological and diagnostic variance of the studies. Rural and urban samples show variance, some studies include all kinds of disorders, such as suicide, psychopathy, alcoholism, drug addiction, speech and behaviour disorders of children, etc, while others do not; criteria of inclusion or 'caseness' varies from study to study, depending on the diagnostic tools used and the method adopted for case-identification. With an almost audible sigh of helplessness in deciding how useful these data are and how exactly one must treat them, it is now understood that mental illness in the community is of the order of 11 per cent, of which 3 per cent require "active rehabilitation" and 1 per cent require hospitalisation. Table 1 shows different studies in the country since 1970, and the prevalence data that they provide.

Some studies, such as by Sethi (1974) and Thacore (1975) do not show any significant correlations between gender and prevalence. Indeed, in their data presentation, they have not disaggregated for gender, simply noting a lack of significance between mental illness and gender. Both these studies include alcoholism. Sethi's study includes childhood disorders whereas Thacore's study includes personality disorders, social maladjustment and suicide. The ICMR and DST sponsored (1987) study on severe mental morbidity also did not show any significant relation between prevalence of illness and gender. This study focussed only on the severe mental disorders.

Other studies, such as Shah (1980), Nandi (1975), Dube (1970), Verghese (1973), Issac and Kapur (1986), Carstairs and Kapur (1976), Chakraborty (1990), show that mental illness is more common among women. Nandi's study which includes enuresis and addiction, shows no overall significant difference in prevalence of illness between men and women. However,

disaggregated data shows considerable difference in prevalence between genders with respect to both diagnostic category and age. All studies, except Issac and Kapur (1986) and Carstairs and Kapur (1976) exclude alcoholism and personality disorders. These latter two studies show greater female morbidity despite including alcoholism.

The factors which contributed to a lack of significance between gender and illness in some studies are the diagnostic criteria. Studies which have included personality disorders and alcoholism consistently show lack of significance. Studies which have included alcoholism alone have not made an overall impact on the relation between gender and illness.

Table 2 presents the disaggregated rates of prevalence of mental disorders for men and women in India. Prevalence among men is around 11 per cent and among women, about 15 per cent. This has been arrived at by averaging out the data presented in all these studies. Only those studies have been included which have presented disaggregated data on gender. All these studies give only point prevalence of illness and not rates of incidence.

Using a similar method and comparable diagnostic categories, Goldberg and Huxley (1992) compute from various community surveys in the west, that the rate of prevalence for women is around 202 per thousand or around 20 per cent; for men, their analysis showed a rate of about 12 per cent. It is

widely noted that the prevalence rates of mental illness in the west is much higher than that in the developing countries. But higher prevalence of mental illness in women is a global phenomenon.

My inference that there are more mentally ill women than men must be further qualified. As noted earlier, most studies which show female preponderance have also excluded typically male disorders such as alcoholism, drug addiction and personality disorders. There is a debate about the inclusion of these under the category of mental illness, though all diagnostic manuals do include them. These are considered to be deviances rather than disorders. Personality disorders are argued to be not really disorders, amenable to therapeutic change but rather enduring traits or profile of a person who is socially deviant. Goldberg and Huxley (1992) while writing on the 'common mental disorders' note that they will not include personality disorders because "these are ways of describing people who differ from the majority in a stable way - except in fairly rare circumstances, one does not usually suddenly develop a personality disorder; and, once one is present, it is unlikely to go away" (p 8). However, if one were to take the opposite view in this debate, it may turn out that inclusion of these disorders would show a different distribution of prevalence of illness in the two sexes. But this needs further corroboration through research, because, most of the studies have excluded these disorders.

TABLE 1 PREVALENCE OF MENTAL ILLNESS IN COMMUNITY RATE/THOUSAND

Source Study	Place of Study	General Prevalence	Prevalence		Remarks
			Male	Female	
Dube, K C (1970)	UP Urban	23.8	15.7	33.3	Excludes alcoholism, personality disorders
Verghese, A (1973)	Vellore Urban	66.5	60.4	72.9	Includes alcoholism, personality disorders, drug addiction
Sethi, B B (1972)	Lucknow Rural	39.4	52.5	24	Includes alcoholism, personality disorders
Sethi, B B (1974)	Lucknow Urban	67	-	-	Includes alcoholism, personality disorders
Nandi, D N (1975)	W Bengal Rural	102.8	90.6	114.6	Excludes alcoholism, personality disorders, Includes addiction
Thacore, V R (1975)	Lucknow Sub-urban	82	85	78	Includes alcoholism, personality disorders
Shah, A V (1980)	Ahmedabad Urban	47.2	39	56	Excludes alcoholism, personality disorders
Chakraborty, A (1990)	Calcutta Urban	129	92	225	Includes personality disorders
Carstairs, and Kapur (1976)	Kota Rural	370	320	400	Includes alcoholism
Issac and Kapur (1986)	Rural	161	94	228	Includes alcoholism
Total		109	94.35	147	

COMMON MENTAL DISORDERS

Next, I address the question whether women are prone to certain types of disorders. I do this by categorising mental illnesses into the 'severe' type and the 'common' type, an established distinction in literature. Disorders such as schizophrenia, depressive psychoses, mania, epilepsy, mental retardation, and organic brain disorders are usually treated as severe mental disorders. Neurotic disorders, major depression, hysterics, obsessive-compulsive disorders, anxieties and phobias, somatisation disorders are classified as being common mental disorders. The clinical picture between these two categories of disorders varies remarkably. The degree of cognitive, personal and social impairment is very high in the case of the severe mental disorders. In the case of the common mental disorders, even though personal distress may be very high, there is no complete cognitive breakdown. Often manifestation of illness is physical, such as in hysteria and somatisation disorder. Usually social functioning is seriously impaired, and family discord and maladaptive family interactions may be common.

It is important to note that calling a class of disorders as 'common mental disorders' does not necessarily imply that they are mild or that they cause very little personal suffering. They can cause enormous suffering, including chronicity. They often cause irreparable social alienation, loss and damage.

Some important implications follow for the gender perspective from this distinction. This distinction has profoundly influenced the mental health programme in the country, with a distinct bias of policy being in favour of the severe mental disorders. It is well known that the common mental disorders are more frequent in the community and that the percentage of population being severely ill is only 1 per cent. The alleged justification is that the severely mentally ill suffer more, but this is questionable if 'suffering' is understood to include the social aspects of mental illness also. This is particularly pertinent in the case of women where psycho-social distress is very high, sometimes high enough to lead to social isolation, violence and self-destruction. This suffering cannot be measured, evaluated nor treated with the same clinical standards of the severe mental disorders. In another paper [Davar forthcoming] I have argued that the national mental health policy is based on cost-effectiveness rather than on community need in its prioritisation of the severe mental disorders. I have noted here that the policy, even though it is hailed as a landmark in the health policy of the country, ignores fundamental issues in mental illness and its

treatment, such as the medicalisation of mental illness, particularly in the context of women's mental health.

Table 3 presents data collated from the different epidemiological studies on the prevalence of different mental illnesses in the male and the female populations. I have classed data pertinent to psychoses, organic brain syndrome and epilepsy as belonging to the category of severe mental disorders and all neuroses as belonging to the class of the common mental disorders. I have used only those studies which have presented disaggregated data on gender and prevalence of psychotic and neurotic disorders. As is evident from the table, almost all the studies show that there is no significant difference between the two sexes on the prevalence of the severe mental disorders. Nandi's (1975) study found no significant difference in the prevalence of psychotic depression, but found significantly greater number of women afflicted by epilepsy. But this finding is peculiar to this study and is not corroborated by other studies. Chakraborty (1990) finds greater psychotic illnesses among women. Only in the personality disorder group, male preponderance is seen. Carstairs and Kapur (1976) on the other hand note a greater prevalence of psychotic symptoms among men. However, the overall gender difference is not significant. This is true of mental retardation also, where prevalence is distributed almost equally between males and females.

But the picture changes dramatically with respect to neurosis. All studies invariably show that psychoneuroses is significantly more common among women, with most studies noting at least a 1.2 ratio in the frequency of its occurrence between males and females respectively. The overall gender based difference in prevalence of the psychotic disorders is negligible, compared to the overall difference in the prevalence of the neurotic disorders. Even those studies which did not find an overall significant difference of prevalence of illness in the two sexes, such as Sethi (1974), Nandi (1975), Thacore (1975), and Sethi (1972), which found overall male preponderance of illness, note a very high frequency of occurrence of neurotic illnesses in women.

Special studies on depression give us a better idea about the prevalence of the illness among women than that obtained from the community surveys. Sethi and Rudraprakash (1979) found a higher prevalence of depression among women, the frequency of occurrence being almost double that of the males in a community based sample. The greater susceptibility of women to this disorder has been recorded the world over. Singh (1968), Ponnudurai (1981) and Bagadia (1973) all found a very

high occurrence of hysteria among women. The male-female ratio of frequency of illness of hysteria is 1:3. Dube (1970) too found an excessive representation of hysteria among women. Issac and Kapur (1986) found a 1:4 ratio between men and women in the frequency of occurrence of hysteria.

Gender difference in the rates of suicides cannot be conclusively stated. Studies in Bengal [Banerjee 1990, Nandi 1979] particularly found a preponderance of woman suicides consistently over the last 100 years. Other studies, such as by Ponnudurai and Jayakar (1980), have also reported higher incidence of suicides in females. It has been noted that "female suicide due to harassment, dowry problems and other problems related to her family roles is high in India" [Mahe 1993:137]. However, studies from other parts of the country do not show gender difference, and many of them note a male preponderance. So, as far as prevalence of suicide is concerned, no gender relevant pattern emerges from these studies.

But in terms of the profile of suicides, gender differences may be noted. Kodandaram's (1983) study notes that more women than men complete the act of suicide. In this study, it is the younger women who more often commit suicide, and among these, attempted suicides are more among the unmarried, while completed suicides were more among the married. In Kodandaram's

TABLE 2 GENDER AND PREVALENCE OF MENTAL ILLNESS

Source Study	Percentage	
	Male	Female
Dube, K C (1970)	1.58	3.33
Sethi, B B (1972)	5.26	2.41
Verghese, A (1973)	6.04	7.29
Nandi, D N (1975)	9.06	11.46
Carstairs and Kapur (1976)	31.69	39.65
Chakraborty, A (1990)	9.26	22.50
Total	10.48	14.45

TABLE 3 GENDERWISE PREVALENCE OF SEVERE AND COMMON MENTAL DISORDERS (in Rate/Thousand)

Source Study	Severe Disorders		Common Disorders	
	Male	Female	Male	Female
Dube, K C (1970)	4.69	4.86	2.35	20.67
Sethi, B B (1972)	3.34		2.60	4.09
Nandi, D N (1975)	17.92	22.64	13.21	22.64
Carstairs and Kapur (1976)	30.00	20.00	280.00	380.00
Chakraborty (1990)	9.56	10.00	42.08	90.00
Total	13.10	11.50	68.0	103.50

sample of women suicides, 71.23 per cent of completed suicides and 90 per cent of attempted suicides were below the age of 30 years. The highest incidence of suicides are among housewives. Venkoba Rao (1989) had reported that of his sample of 100 cases of female burns, 70 per cent were suicidal and 74 per cent were married. Major problems reported by these women were having an alcoholic husband, wife beating, extra-marital relations and 'adjustment' problems with the husband. This study, like others, found the highest number of suicides among young, married women. It appears that financial problems, economic deprivation, and quarrel with parents lie at the root of suicides among males, whereas family discord, violence and harassment are more commonly associated with female suicides.

Recently, Agarwal (1989) in his editorial on 'Law on Bride Burning' writes, "Suicidal thoughts as well as depression are common due to adjustment problems amongst a large number of young brides. Also many psychiatric illnesses especially schizophrenia are likely to be precipitated during early years of marriage" (p 1). Agarwal's message is that bride burning is not as important a problem as suicide among young married women and that law should focus more on the latter rather than on the former. Other than the questionable politics of the use of the dubious concept of 'adjustment' here, Agarwal underestimates the gravity of the problem of bride burning. His stance is provocative, especially in the context of the reality that most cases of bride burning tend to be reported as cases of depression and subsequent suicide. The simplest way of masking a case of bride burning has been to claim that the woman had 'adjustment' problems with the husband's family, was depressed and suicidal. This view has social sanction and no legal hassles are involved in reporting death due to depression and suicide. And, reporting bride burning as depression shifts culpability from the harassers to the victim, for, until very recently, suicide was a punishable offence. The point is that women's groups and other professional groups need not underestimate either the bride burning problem or the problem of suicide among young married women, as Agarwal seems to assume. Both are important requiring research, social consciousness and reform.

A neurotic disorder very common among women is somatisation disorder, where, bodily complaints such as aches and pains, headaches, dizziness, etc, have no discernible physical basis. This disorder must be distinguished from psycho-somatic illnesses, where, there is a physical component of the problem along with associated psychological complaints. Chadda et al (1990) found high

prevalence of this disorder among women. But his sample was hospital based, and does not probably reflect true prevalence in the community. Issac and Kapur (1986), Carstairs and Kapur (1976), Chakraborty (1990), all found greater numbers of somatisers among women in their community surveys.

Table 4 shows the relative occurrence of neurotic disorders among women from data available in the different studies. Approximately up to 75 per cent of a population of disturbed women will very likely be suffering from neurotic disorders. If we take it that 15 per cent of women in the community suffer from mental illnesses at any point of time, then up to 11 per cent of women in a community are likely to be suffering from the common mental disorders.

There is the doubt often expressed whether the reported greater prevalence of mental illness among women is not because of greater reporting of illness by women. This point of view has been put forward in the west, and it has been found that women remember their symptoms and are more willing to acknowledge their illness, whereas men forget their symptoms [Goldberg and Huxley 1992:19]. An early review by Guttentag et al (1980) as well as the Linderstein et al report (1993) noted that women reported more distress, but they concluded that this was because they were also more frequently ill. Studies show that there is a positive correlation between stressful life events and symptom intensity in depressed patients. Women do not necessarily experience greater life events than men and they rate stress equally objectively. There is commensurability between distress and the reported severity of symptom. This is true in the western as well as the Indian contexts, as Mahatme's (1989) study shows. The prevalence rates of hospital samples and that obtained from community surveys are approximately the same in the west. All these reflections show "The female predominance of depression is therefore not an artefact of treatment seeking" [Linderstein et al 1993:9].

In the west, treatment seeking patterns differ markedly from that in India. All treatment settings show an overwhelming majority of women clients in the west, the ratio between men and women sometimes reaching as much as 1:3. Therefore, it was justified to wonder whether women were reporting more illness than men. But even in the west this 'reporting syndrome' among women has been questioned and seen as a typically male bias, used to undervalue women's suffering. However, in the Indian context, treatment pattern is the reverse of that obtained in the west. Women have very negligible access to mental health care and

the only setting where there is gender parity in access to health care is the community setting. In India, men are reporting more illness than women, unlike the west, so the question whether the illness rates in women is an artefact of reporting is an irrelevant one. Our Indian reality is that both men and women report less at the different psychiatric facilities, compared to the actual prevalence of mental illness in the community; and further the number of women reporting illness at any of these facilities is much less compared to men.

PSYCHO-SOCIAL MODEL

I have so far made two inferences, one, that women are more frequently ill than men; and secondly, that women predominate in the common mental illness category, where as prevalence of illness is homogeneous across gender in the severe mental illness category. It is appropriate to now consider the issue of choosing the model that best explains the greater prevalence of common, specifically neurotic and depressive illnesses among women. Earlier, in the history of psychiatry, there was the belief that illnesses could be understood in biological terms. But this belief has proved to be more or less illusory. Current perspectives on mental illness prefer a bio-psycho-social model of causation of mental illness. Different types of illnesses may be conceived of as lying at different points on this multi-axial model. Different combinations of biological, psychological and social factors contribute towards the causation of different illnesses. To simplify matters, we might imagine mental illnesses on a straight line, with a strong biological aetiology limiting one end and a strongly psycho-social aetiology limiting the other end of the line.

It is interesting that the severe mental disorders, which show no gender difference in terms of prevalence of illness, lend themselves more towards a bio-genetic interpretation of illness, whereas the common mental disorders, which are more common among women, are explained better on psycho-social terms. Disorders such as

TABLE 4: PREVALENCE OF PSYCHOSES AND NEUROSES AMONG WOMEN
(Percentage)

Source Study	Psychoses+ Other Organic Disorders	Neuroses	Total
Dube, K C (1970)	31.41	68.59	100
Sethi, B B (1972)	63.30	36.70	100
Nandi, D N (1975)	56.45	43.55	100
Carstairs and Kapur (1976)	5.91	94.91	100
Chakraborty, A (1990)	10.00	90.00	100
Total	33.41	66.59	100

schizophrenia, pure states of anxiety, MR, organic brain disorders, manic types of depression and some types of psychoses show strongly bio-genetic modes of transmission. This is not to say that social factors are not involved at all in the course of treatment of these illnesses, but only that they are not invoked in explaining the cause of the illnesses.

Gender difference in severe mental disorders was until recently unresearched, but recent studies show that in terms of age of onset, the role of social support, illness expression, precipitating factors and outcome of illness, there are definite gender related differences. In schizophrenia, for example, onset of illness happens earlier in men than in women [Lewis 1992; Thara and Rajkumar 1992]. Women show positive symptoms, such as depression and dysphoria, whereas men show negative symptoms, such as social withdrawal, substance abuse and anti-social behaviour. Women seem to have a better treatment outcome than men. Rehospitalisation for relapse was more common among men than women, though, gender effects of readmissions became diluted after two years of follow-up. Suicide and loss of social and economic status was more common among men than women, according to Thara and Rajkumar's study. Men often show more brain structural abnormalities leading to schizophrenia than women. Lewis notes, "On a range of measures there is now good evidence that antecedent deficits are more common and more severe in boys going on to develop schizophrenia than in girls" (p 446). Life events heralding onset of illness were more common among women.

However, social support and psycho-social factors do not play a major role in the aetiology of psychotic and other severe mental illnesses. Even though animal, genetic and bio-chemical studies have been carried on in the case of many forms of mental illnesses, especially schizophrenia, different forms of depression and anxiety, evidence in favour of a bio-genetic model has come only for the severe forms of mental illnesses. Goldberg and Huxley, after reviewing work in bio-genetic studies in the area of depression, note "Although there is good evidence for genetic factors being important for severe forms of depression like manic-depressive illness, for the common forms of depressive illness it is difficult to show that genes have more than a non-specific effect in making disorder more likely" (1992:83).

Common illnesses, especially neuroses, major depression, somatisation disorders and hysterias, which are frequent among women, are better explained using a psycho-social model of mental illness. There is growing literature about the frequent recurrence of

common, especially neurotic illnesses, in families with no evidence of genetic transmission. These illnesses are caused sometimes by a family's peculiar, often dysfunctional ways of interacting. Sharma et al's (1980) study on neurotic disorders in children noted that illness in the child, especially hysteria, which is common among women, closely resembled illness in the mother. The authors suggest that "... family factors play an important role in the development of childhood neuroses" [Sharma et al 1980 365]. Rutter (1985) noted that family discord, especially when the hostility directly involves a child in the family, causes a range of emotional and conduct disorders in adult life. Especially in the case of neurotic depression and peripartur depression, common among women, the depressives consistently reported over-protective and less caring mothers, implicating the role of rigid sex-typing techniques in the aetiology of mental illness. 'Affectionless control' [Parker 1983] is often cited as an important cause of the common depressive disorders. It is easy to speculate that this explanation of depressive illness is pertinent to our own culture, where rigid parenting and sex-stereotyping is the dominant model of socialisation of children [Malhotra and Malhotra 1985].

The psycho-social origins of common mental disorders, especially depression in women has been extensively studied in the west. It is unfortunate that there is no available study in our own context comparable to Brown and Harris' elaborate studies on the social origins of depression (1978). It is difficult to review this entire literature within the scope of this paper and indeed, unnecessary to do so. The upshot of the discussion so far is simply that women seem to be more prone to those disorders which have a psycho-social origin rather than a bio-genetic origin. It is telling that where aetiology is strongly bio-genetic, no gender difference is seen in the prevalence of illness; whereas, those disorders with a strong psycho-social origin show a gross difference. Therefore, gender difference in the prevalence of mental illness is to be explained

psycho-socially rather than bio-genetically. A purely bio-genetic model of explanation of mental illness in women will be inadequate, as it will altogether ignore the issues related to the social status of women, the psycho-social stressors associated with their status, the social effects of their illness in their relationships, and a vast number of other important issues which are of equal social consequence as they are of clinical consequence.

Table 5 shows the total psychiatric disturbance of women grouped according to their developmental stages: childhood (up to 14 years); reproductive years (between 14-40 years); menopausal (between 40-49 years); and finally, old age (beyond 50 years). It must be cautioned that this grouping is a re-classified, qualitative one and does not conform to the age-wise grouping of data in the primary studies. This re-grouping of data had to be adopted because the studies did not all always conform to a standard age-grouping. Also, this qualitative re-grouping threw up some telling patterns of occurrence of illness, in terms of developmental stages of a woman's life. This approach also made it possible to expose certain pseudo-explanations commonly offered by professionals for the greater prevalence of mental disorders among women, notably, 'the menopausal theory of mental illness', which I shall attend to below. It seemed more significant therefore to re-group the data qualitatively rather than retain the original quantitative grouping.

It was sometimes difficult to fit the age-wise grouping of data from the primary studies into this qualitative grouping. I have had to make some intuitive choices about the inclusion of certain age groups in the studies under particular developmental descriptors. Thus, for example, in Nandi's (1975) study, women between 12 and 14 years have also been included in the 'reproductive years', as these years fall within the age class 12-35 of his study. In the same study, the 36-47 class has been included in the 'menopausal years', even though the years 36-40 would still be reproductive from the qualitative classification.

TABLE 5: AGE AND PREVALENCE OF MENTAL ILLNESS IN WOMEN

Source Study	Childhood	Reproductive Years	Menopause	Old Age	Total
Dube, K C (1970)	18.04	66.37	9.13	6.46	100
Nandi, D N (1975)	11.30	50.00	20.96	17.74	100
Chakraborty, A (1990)	-	67.70	13.70	18.50	100
Total	9.78	61.39	14.60	14.23	100
<i>Neuroses</i>					
Dube, K C (1970)	6.17	79.22	9.74	4.87	100
Ponnudurai, R (1970)	19.50	80.50	-	-	100
Kodandaram (1984)	34.64	52.43	7.42	5.51	100
Total	20.10	70.72	5.72	3.46	100

From the table, it is evident that the prevalence of mental illness is phenomenally high during the reproductive years. The menopausal years and beyond 50 years do not show very high prevalence in comparison to the reproductive years. Prevalence of mental illness in women increases to steep levels after childhood until the age of about 40 and falls off steeply during the menopausal years and later. This trend is consistent in all the studies noted, and especially so for the common mental disorders. The difference in age-wise occurrence of illness is not so graphic in the case of prevalence of all disorders as it is in the case of neurotic disorders, as is evident from the data presented by Dube (1970) and Chakraborty (1990) on neuroses, and Ponnudurai (1973) on hysteria.

Dube's sample of women showed that 79.2 per cent of neurotic illness occurred in the 15-34 age group. Chakraborty's sample showed that 53.6 per cent of mental illness occurred in the 14-39 age group. In Ponnudurai's sample 80.4 per cent of hysteria belonged to the 16-35 age group. Suicides are also highest in the 21-40 age group. Kodandaram's (1983) study on suicide could not be appropriately represented in the table, because the lowest age-class in his study was 'below 20', and hence this had to be included in the childhood group. Therefore, in this study, only 52 per cent of total suicides and 54 per cent of completed suicides fall between the 21-40 years group, which is in itself high enough. But I suspect that some cases which could have been legitimately included in the class of reproductive years has now been lost to this group and has gone under the childhood group. This explains the fact that the 'childhood' group in Kodandaram's study shows 35 per cent of total suicides and 31 per cent of completed suicides. This gives us a distorted picture of high rates of suicides among girl children.

Though Verghese (1973) found no overall difference in the prevalence of illness between the two genders, he did find a significant age-related gender difference. He writes, "Our study show that women are more prone to get psychiatric disturbance both psychoneurotic and nonpsychoneurotic during the 31-45 years period" (p. 616). Nandi (1975) notes, "... males and females, according to their age-groups, show remarkable difference in their rate of morbidity. Females show a galloping rise in their rate of morbidity till the age of 36-47 years and then it drops appreciably in the higher age-groups. But males show a gradual rise in the rate of morbidity with a slight drop in the 24-35 years age group till the age of 36-47 years and then it sharply shoots up in the higher age-groups" (p. 95).

In explaining the greater prevalence of mental illness in women, Verghese (1973) writes, "This vulnerability of women to have psychiatric disturbance is difficult to explain. The social stresses of women and the factors associated with the menopause may contribute to this vulnerability" (p. 616). Shah et al (1980) notes that the greater prevalence of mental illness "is positively linked with universal phenomena of physiological and psychological changes occurring in females after menopause, making them more vulnerable..." (p. 387).

The connection posed between menopause and greater mental illness in women needs to be thoroughly questioned. That this view is permeated by myths is documented in recent reviews of literature [Mathews 1992]. The Linderstein et al (1993) review also showed that any increase in rates of depression in menopausal women is not explained by hormonal changes occurring at menopause. Mid-life changes, such as physical problems, loss of spouse, change in career options, and other psycho-social stressors are related to illness rather than menopause *per se*, though hysterectomies and other gynaecological problems associated with menopause might create distress. From our own data, it is very evident that morbidity rates in women fall off after 40 years or so, thereby throwing serious doubt on the 'menopausal' theory of mental illness in women.

Causal attributions of mental illness to women's progenerative capacity is not a new phenomenon. There was a time in America as recent as the 1870s when insanity was commonly 'cured' by performing bilateral ovariectomies [Grob 1983: 122-23]. To grasp at cliché and socio-culturally metaphorised pseudo-explanations is to be relieved of a deeper commitment to scientific objectivity and to social change. Once it is stated with professional authority that women's mental

illness is caused by her sex hormones, further critical inquiry is rendered unnecessary. This casualness, this strange urge to link all disorders to woman's reproductive system that is so prevalent in health studies reflects only the unconscious fear that the system, with its present male-contracted power equations, might change with new knowledge.

Table 6 shows the variance of mental illness with respect to marital status. Carstairs and Kapur's (1976) study at Kota did not find any significant relation between marital status and case rate. Nandi (1975), Sethi (1972, 1974) and Thacore (1975) have not presented disaggregated data on gender and marital status. In these studies, except Sethi (1972), it is evident that in general, being married is more stressful than being single. Sethi (1972) shows a greater frequency of illness in the 'single' category only because 67 per cent of the disturbed population belong to the 0-10 years age-group and MR was over-represented in the sample. All these studies, except Sethi (1972) also show that being widowed, separated or divorced is the most vulnerable group for mental illness.

All other studies [Dube 1970; Verghese 1973; Chakraborty 1990] consistently show higher frequency of illness in married women as compared to married men, and greater frequency of illness in single women as compared to single men. That is, in all categories related to marital status, women are more stressed than men. Married women are more prone to illness than single women, though divorced/separated/widowed women show the highest frequency of illness. In the west, contrary to our own experience, divorced and widowed women show lower rates of mental illness than married women, on par with single women. No conclusions may be drawn about the frequency of illness in men with respect to their marital status from these studies alone, though divorcees

TABLE 6. MENTAL ILLNESS, MARITAL STATUS AND GENDER

				(Percentages)		
Source Study	Single		Married		Widowed/Divorced/ Separated	
<i>(Studies undifferentiated for gender)</i>						
Nandi, D N (1975)	4.58		20.17		35.00	
Sethi, B B (1972)	4.90		1.67		2.15	
Sethi, B B (1974)	4.90		6.61		13.71	
Thacore, V R (1975)	6.6		10.30		19.55	
Total	5.25		9.69		17.60	
	Single		Married		Widowed/Divorced/ Separated	
	Male	Female	Male	Female	Male	Female
<i>(Studies Differentiated for gender)</i>						
Dube K C (1970)	2.68	3.89	1.95	5.71	-	-
Verghese, A (1973)	4.70	5.40	6.30	8.50	-	12.40
Chakraborty, A (1990) (Psychoses)	1.70	1.20	1.60	1.10	2.20	3.60
Chakraborty, A (1990) (General)	5.50	7.80	7.50	16.60	11.10	29.20
Total	3.65	4.57	4.34	7.98	3.33	11.30

and widowers show very high rates of illness.

No studies are available in our context to inform us as to why stress is very high among the divorced/separated/widowed women in our culture. But one may speculate that this might have to do with the cultural imperative that a family is complete only when headed by a male. Also, a woman who has not been allowed the minimal skills of manipulating her world and resources would now find it extremely difficult to fend for herself. She would also have difficulty finding employment and her choice of employment would again be limited by various factors, such as her age, experience, etc. It is well documented that women-heading households show greater frequency of mental illness. Another factor associated with stress among widowed women could also be the loss due to the bereavement itself, as the emotional investment by women in the marriage and family is very high in our culture. In the case of divorced or separated women, high frequency of illness could be because of the stressors associated with the earlier marriage particularly problems relating to dowry harassment, domestic violence, alcoholism and extra-marital relations, which are very common in relationships. A separated or divorced woman is also socially stigmatised, frequently has to bear economic responsibility, and often has to put up with unsolicited sexual advances because she is seen as 'available'. These reflections, it must be cautioned, are not offered as explanations, but only as possible hypotheses, which require further study.

What is surprising about the data is not that divorcees and widows are highly stressed, but rather that married women are equally highly stressed. All the surveys show that among the occupational groups, housewives figure at the top of the list showing the highest prevalence of illness, comparable only to unskilled labour and unemployed persons. Suicide rates are also the highest among housewives: single women do not as often complete suicides as married women. Dube's (1970) classic paper noted very high frequency of illness among those involved in 'household affairs', presumably a majority of them being housewives. Chakraborty's (1990:123-26) detailed analysis throws more light on the impact of household occupation on the mental well-being of individuals. Importantly, her study showed that females were more affected by household work than males. Women are often bound to the culturally compelling image of blissful marriages and the comparative existential sterility of being single. Data suggests otherwise. In this case of the widespread saleability of marriage as the single most beneficial option for women, we are dealing with another cultural myth

that begs deconstruction from the mental health angle.

As to the possible stressors associated with marriage, one is again compelled to make intelligent guesses, for there is no comprehensive research in the Indian context. The western studies show that certain social factors, such as long-term social adversity, role-overload, having more than three young children, loss of parent before 11 years of age, long-term breast feeding, lack of intimacy with the husband, and stressors related to pregnancy and childbirth, migration and social change, among other factors, can cause psychiatric disturbance, specifically depression, in women. In our own context, we can extrapolate the causes of illness from these studies, though, with caveats, for the cultural difference must surely introduce significant modifications in the explanation of illness. For example, in the western context, lack of intimacy with the husband might mean the conflicts arising out of disengaged ways of conjugal relationships in which the spouses fight to retain their separate individual identities. In our own context, however, lack of intimacy with the husband would mean just the opposite, where conjugal relationships are matrixed so intimately within tightly bound kinship structures of family life that intimate interaction between the spouses is minimised, and often discouraged. It is also doubtful whether factors such as 'long-term breast feeding' will be stressful for the Indian woman.

To explain the greater frequency of illness among married women, we need programmatic research in the area. Sociological studies do provide some idea about the stresses of socialisation of women in different cultures, however, these studies are by and large speculative and theoretical. Clinical work in family and marital therapy is also a well-established tradition in the country, but the question remains as to whether clinical experience can validate specific empirical hypotheses. Well designed empirically bound studies relating marriage with mental illness must be pursued, to identify the stress points of marital relationships.

Violence against women, especially childhood sexual abuse, wife beating and rape have pathological sequelae. Women respond to domestic violence by becoming depressed or committing suicide. The most frequently observed disorder in the case of rape victims is post-traumatic stress disorder (PTSD). Hysteria and somatisation disorder might well have to do with childhood sexual abuse. Recent writers on the subject stress that general practitioners must inquire into this aspect, especially in the case of chronic pelvic pain which is unmitigated by medication.

Other associations thrown up by this analysis are with respect to work, education and economic status. It is difficult to assess the relationship between women, work and mental health in the Indian context, for Chakraborty's study (1990) is the only one to have addressed it specifically. This study shows that women in the low and middle level occupations are more stressed than their male counterparts, whereas, in high level occupations, the reverse trend is seen. Women in the unclassified categories of workforce, such as beggars, prostitutes and household maids show the highest prevalence of mental illness. We must question here another myth that pervades the country's health policy, that the issue of mental health concerns only the affluent elite and requires attention only after the physical determinants of health are fully satisfied. All studies show that mental illness is high among the lower economic classes. Education seems to have a positive effect on mental well-being, the impact being more on women than on men.

The epidemiological studies also present other data, such as the correlation between illness and family structure (extended/nuclear); illness and place (urban/rural/semi-urban/rural). However, treating this data to a secondary analysis is highly problematic methodologically as well as contentwise, and I have not been able to consolidate a perspective on these aspects from these studies.

Summarising, we might say that if one is a woman, married, in her reproductive years, divorced, widowed or separated, is a housewife, in low or middle level occupations, in unpaid jobs, or illiterate, she is high risk for mental illness. I need only repeat that around 15 per cent of women in the community may be suffering from mental illness. The issue is proximal to every woman's life.

It has to be emphasised again that my study is a secondary analysis, and cannot be treated as a substitute for full-fledged empirical work. The studies are gender-blind in their design, and this has probably influenced the questionnaire used for interviewing and the processed results. The diagnostic manuals used in many of the studies, such as the ICD (1965), have gone through several changes, including becoming gender sensitised. The studies date as far back as the 1970s, when social organisation was possibly different. In view of the present political realities and rapid social changes, which have major consequences for the status of women, further research is necessary. I have had the occasion to point out several myths, obfuscations and lacunae in our present understanding of women and mental illness in the Indian context. These lacunae are not

of the nature of detailing or fine-tuning existing research, but rather, of starting entire research programmes. The area of women and mental health needs immediate attention from health researchers, social scientists, women's organisations, professional organisations, health planners and other administrators.

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Regional Imbalances in Indian Economy

Caught in Computerised Confusion

S M Vidwans

Subjecting as many indicators of development as possible to multi-variate statistical analysis, researchers define, measure and analyse development to validate economic theories or pronounce policy prescriptions of great import, even though, disturbingly often, the statistical techniques they employ are incapable of supporting the type of conclusions they rush to reach. The present critique attempts to bare such serious infirmities of analysis commonly suffered by many a research endeavour in this field.

I

Introduction

THE EPW published in its issue of March 12, 1994 a long and apparently weighty Special Article "Regional Imbalances in Indian Economy over Plan Periods" by P C Sarker which sets out to attain an ambitious goal of developing measures to assess, "how far maldistribution of resources has been corrected and whether there has been a noticeable reduction in regional imbalances and changes in the relative placement of various states according to the degree of development." Specifically, it attempts to (1) review the strategies adopted in various plans to reduce regional imbalances; (2) examine the impact of plan outlays on the development of states; (3) examine specifically whether the planning process has contributed to the reduction of regional imbalances; and (4) understand the structural changes in the pattern of development in different states. For its purposes, the article carries out a cross-sectional and temporal analysis of data, spread over a quarter century for 15 states in India, by quite sophisticated statistical and graphical techniques.

The article has seven sections including the Introduction in which Sarker makes a grand beginning with a series of simplistic statements about "global imbalances". After arriving on the home scene, he starts the second section with a reference to Indian Constitution and its Directive Principles. The latter, Sarker asserts, imply "removal of all types of imbalances including regional imbalances". The means to do this is the Five-Year Plan (FYP) and, in the third section, he comprehensively summarises all that the government of India (GOI) did in this behalf up to the VII FYP (inclusive), and achieves the first objective of the article. Sarker devotes the fourth section to a review of some studies in regional imbalances, conducted here and abroad, and refers to certain well known hypotheses and findings of famous economists, some of which he would test in his exercise. In the next two

sections, V and VI, he describes his data and his analytical and graphical tools, displays the results of his analysis in 11 tables and 10 diagrams, and presents his conclusions which he summarises in the last section. It is difficult not to be impressed by the sweep of the article, by the battery of analytical tools trained at the data, and by the fact that the article benefited from suggestions by four senior professionals in this field.

The subject of my critique is the two sections, V and VI, of Sarker's article which are expected to meet its objectives (2) to (4) and which are the only parts that embody his own work. The main critique deals with major points. The statistical and other notes at the end give statistical results used for the arguments in the critique and deal *inter alia* with some of the several relatively minor flaws in Sarker's exercise. I point out in the critique that most of Sarker's analysis does not support his conclusions for the simple reason that it is incapable of doing so. But the critique is not a mere criticism of Sarker's work, for his failures are common to several other researchers whose work I perused in my study of this field. The critique, therefore, dwells more on the explanation of the issues ignored than on the fact that Sarker ignored them. That is its main purpose.

DATA

Sarker uses two sets of data: (1) Figures of per capita cumulative plan outlay, and (2) the values of 14 development indicators, both statewise for 15 major states of India and for five bench-mark years: 1960-61, 1970-71, 1980-81, 1984-85 the last year of the Sixth FYP, and 1986-87 the latest year for which data were available to him. Sarker's Table 1 shows the first set of data. He offers little explanation about what the cumulative plan outlays (CPOs) stand for except to quote the source and to say that sectors which are fully "under central government" such as the railways and posts and telegraph have been excluded. It is not known whether they cover direct central plan outlays in the states.

The second set of data, on 14 indicators for 15 states for five bench mark years – 1050 data elements in all – is not exhibited in the article, perhaps for the sake of brevity. But it would have been useful had at least the values of the means and standard deviations been given as that would have enabled a reader to understand directly the actual extent of inter state disparities in different respects in different years and examine Sarker's findings against that information. A crucial important aspect of the number of his indicators – 14 – variation over the five bench mark years – 14, 14, 14, 13, and 13 respectively – it would be useful to remember, which Sarker did not, this initially increasing and later decreasing sequence of numbers. Sarker acknowledges that "non-availability of data uniformly for the five bench-mark years and the use of estimates for some data items have introduced certain limitations in the study." But it is worse than that. The varying number of indicators has in fact played a havoc with Sarker's analysis and conclusions.

II

Did Regional Developmental Disparities Increase?

Sarker discusses this question in his subsection entitled, "Did Plans Reduce Inter-State Regional Imbalances?", and answers the question with the help of two statistical measures.

(a) EUCLIDEAN DISTANCE

The first statistic Sarker uses is the Euclidean Distance, d , between the states, based on all indicators whose values Sarker standardises for every bench mark year separately. He gives the average of d in his Table 11. For the five bench-mark years, this average is, 5.07, 5.12, 5.20, 4.94, and 4.90 respectively, and thus varies by small margins. But Sarker perceives in the changing values an increasing trend in disparities from 1960-61 to 1980-81, and its reversal later, and

reaches a profound conclusion which I quote verbatim:

This indicates that the disparities between the states had increased till 1980-81, and with the pace of development, the disparities were reduced (*sic*) in the later years. This corroborates the growth model based on the cumulative causation theory of Myrdal (1957), Kaldor (1970) and Richardson (1973); where the polarisation effects are stronger in the earlier stages of development and bring more divergency. It also confirms the theory of an inverted U-shaped curve formulated by Hirschman (1958) and empirically supported by Kuznets (1957) and Williamson (1965)

A neat set of statistics and an exciting experience of witnessing the manifestation of famous theories and models in operation in the real life situation of India! Simple geometrical and statistical relationships, however, spoil the excitement.

If we measure p variables for each unit and calculate the d^2 for all possible pairs of n points representing as many units in the p -dimensional space, then

Average(d^2) = Two times the sum of variances of the p variables .(1)

If the zero distance of the unit from itself is not reckoned on the LHS, the RHS is required to be multiplied by the factor: $n/(n-1)$. Since Sarker's variables have been standardised, their individual variances equal unity, and we have

Average(d^2) = $2p$...(2)

Therefore, for the five bench-mark years, the average of d^2 will be exactly equal to 26, 28, 28, 26 and 26 respectively.⁴ If Sarker had the necessary data for all of his 14 indicators for all bench-mark years, the average of d^2 would have been constant at 28 for the five bench-mark years, and it would have shown him that Euclidean Distance based on standardised values was an inappropriate statistic for comparing disparities over the years. The average of d might still differ, but that would be of no practical significance.

Sarker thus overlooked several points in this exercise. First, the actual differences in the average value of d are too small to be considered significant. Surely, serious economic theories require weightier evidence than this for their verification. Second, the five averages of d are not comparable as their dimensions differ. As a result, the first, the fourth and the fifth are by construction smaller than the second and the third. The increasing trend and its reversal are thus built-in and do not mean anything more than that. Third, even if full data were available, nothing could have emerged from the measure of Euclidean Distance. Fourth, the average Euclidean Distance (squared) is but

an exotic version of the simple measure of variance. Last, and more serious, since standardised values are used, the distance measure, like total variance, is related only to the number of indicators and not to their substance, and even if the actual indicators measured different aspects of development in different years, but their number remained the same, the average Euclidean Distance (squared) between states would be the same! Euclidean Distance based on standardised values is not thus an appropriate statistic to verify theories of Kaldor to Williamson.

(b) PRINCIPAL COMPONENT ANALYSIS

Based on the Principal Component Analysis (PCA) of standardised values of the indicators for every bench-mark year, Sarker's second statistical measure is the coefficient of variation (CV) of the first principal component (PC) score. From the changing values of this CV, he draws the same conclusion as before which I quote below verbatim.

From Table 3, it is observed that inequality had increased in the first two decades of the study period. For the first principal component scores, the CV increased from 96.59 per cent in 1960-61 to 142.64 per cent in 1980-81, and for the combined scores (CCS) it rose from 63.36 per cent to 102.60 per cent. Subsequently, the magnitude of the CV for both types of scores declined in the last two bench-mark years to around 53.00 per cent and 131.40 per cent respectively (*sic*). The decline in the value of the CV in the last 7 years indicates that the disparity had gone down in 1986-87. [The correct order of the last two percentages is the reverse one with 93.00 in place of 53.00]

This is followed by a reference to the same inverted U-shaped curve and to Williamson's explanation of the curve, and Sarker's observations about variations in per capita plan outlays. All this intellectual labour is really fruitless because, with the variable values standardised every year, a comparison of the CV of component scores over time tells us nothing about changes in disparity.

The statistical measure Sarker uses is an easy one to grasp the meaning of, and for the examination of Sarker's analysis, we need to understand precisely what a PCA achieves and some of its implications. I have highlighted these points in the first statistical note which also deals with Sarker's relatively minor lapses when he overlooked certain aspects of data and his analysis. I summarise them first. My comments refer to the first PC score but they equally well apply to Sarker's combined component score (CCS)

whose basis is also otherwise questionable. (See the second statistical note.)

First, since standardised values have been used, the total variance of the variables every year equals the number of indicators used in that year. The results of the PCA therefore also suffer from the same aberration introduced by the changing number of indicators. Second, all types of scores resulting from PCA have zero means, and a particular type has in addition unit standard deviation (SD). The means and sometimes the SDs of the scores can be set at will. Because of this characteristic indeterminateness of a PCA, the statistic CV lacks meaning. Third, even if Sarker can draw the same conclusion on the basis of the SD of the first PC score, the type of score he has chosen is inappropriate as it exaggerates the variation in the SDs by a power of two giving him a false idea of the inverted U-shape of the curve the SD traces.

But these are relatively minor lapses. Sarker's major error lies in not recognising that the variance (or SD) of the first PC has nothing to do with inter-state disparities in the original indicators, and therefore with changes in them. To see this, let us ignore all other flaws of Sarker's procedure and assume that the indicators and their number and therefore the total variance remain the same in all the years. Even then, the variance of the first PC score may vary over the years depending upon the degree to which the indicators are inter-related. The larger the absolute values of correlation coefficients between them, taken two at a time, the larger will be the variance of the first PC score and better would the first PC be considered as a composite indicator of overall development. Sarker too acknowledges this point but ignores it later. Thus the first PC improves its performance as a composite development indicator from 1960-61 to 1980-81, and keeps it up later. It is the only interpretation of the increasing SD of the first PC score. The increase might have come about because some states which were initially relatively developed in respect of one indicator but not so for some other one, later became relatively backward in respect of the former or relatively developed in respect of the latter – relative always to other states. Whether the change could be taken as a reflection of the theory of 'cumulative causation' at work, economists may ponder; but it does not have any association with changes in disparities in development.

It is easy to prove, in fact, that the change in the variance of the first PC score and the change in disparities are two unrelated aspects of the situation. For example, suppose the initial actual – not standardised – value x of

an indicator increases in the later year to X, given by

$$X = x + k(M - x) + C \\ = kM + (1 - k)x + C \quad \dots(3)$$

where M is the maximum value of the indicator initially, k is positive and less than unity, and C positive and constant for all x values. The model of change means that the smaller the initial value of the indicator, the larger the increase in its value. It is easy to verify that the variance of the later indicator(X) is reduced in the process and by a proper choice of k could be made negligibly small. Suppose further that similar changes took place in all indicators with varying values of k, M, and C. Then the variances of all indicators and therefore the total variance will be less in the later year under this model and could be made negligibly small. But the standardised values of and the correlation coefficients between the indicators would not change and, as a result, there will be no change in the first (largest) latent root and the variance of the first PC score and, following his logic of interpretation, Sarker will conclude that the extent of disparities remained the same in the later year even though we know that it, in fact, was less. Similarly, if the later value: X is given by the model

$$X = x + k(x - m) + C \\ = (1 + k)x - km + C \quad \dots(4)$$

where k is positive, m is the minimum value of the indicator, and C as before a positive constant for all indicator values x, the total variance will increase in the later year, but it will have no effect on the variance of the first PC score and on Sarker's interpretation which would continue to be divorced from the reality.

To conclude about changes in disparities from those in the variance of the first PC score and see in those changes manifestation of economic theories is thus a sheer misinterpretation of analysis, which in the present case is worse than that, compounded as it is by a wrong choice of statistic and its non-comparability over the years.

Thus, Sarker's exercise based on the Euclidean Distance and the PCA fails in its objective of assessing the changes in disparities over the study period. A little statistical derivation, without any analysis of data, was enough to help one foresee that this would happen.

III

Impact of Plan Outlay on Development

Because the first PC does not explain a large enough percentage of total variance, Sarker combines it with the second PC to

work out the CCS as a development index and discusses for every bench-mark year the ranks of the states based on it. Studying its relationship with the per capita CPO he concludes that "the states which received higher per capita cumulative plan outlays could become relatively more developed states." Finding Orissa to be an exception he carries out a regression analysis of per capita CPO (cause) and the CCS (effect), and finds the highly statistically significant R^2 between them to increase from 0.59 to 0.82 over the bench-mark years. He concludes from it that "...planning plays the accelerator role in the overall development of a state. States which were getting higher plan outlays (CPO) continued to develop faster." While the planners should be happy at Sarker's conclusion which might be self-evident to many, his analysis, as I show below, cannot support any such conclusion.

First, a reservation about Sarker's method of combining the first two PC scores into the CCS: the second statistical note explains it. Without endorsing Sarker's CCS, I would use it in what follows but would point out that the ranking of the states does depend upon how one combines the first two PC scores.

Ignoring this point and other inherent limitations of the method of ranking, one would see from Sarker's Table 4 that only Gujarat, Kerala and West Bengal change their positions. Assam too changes position but the state has remained scarcely comparable over the years except in its name. Thus the conclusion from that table would be that Gujarat shot up and Kerala and West Bengal slid down the development ladder in relation to other states. One may not have any serious objection to this finding.

However, Sarker's regression analysis of yearwise CCS on yearwise per capita CPO suffers from two defects ignored by him. One, that the CCS and CPO are timewise on different footing and two, a fundamental defect, that the analysis can only yield yearwise inter-state comparisons but not comparisons over time.

Just as the CPO is a cumulative figure, so are all indicator values but their starting times are different. The first per capita CPO for 1960-61 is based on the total outlays of the first two FYPs. It is unrealistic to relate it (as a cause) to the values of indicators for 1960-61 (as effect) because that assumes all indicator values to be zero at the beginning of 1951-52, i.e., before the first FYP. This is obviously not true for any of Sarker's 14 indicators except perhaps for one of them, X_3 : percentage of villages electrified, whose value might have been negligibly small to start with. To study a development process, one should deal either

with the differentials or changes in both variables, or cumulatives which are on the same footing. To do the latter, the indicator values for 1950-51 should be subtracted from all indicator values for the five bench-mark years.¹⁶ Therefore, the very first R^2 which Sarker calculates is a questionable result; it should have been based on the increase in indicator values from 1950-51 to 1960-61. The R^2 values for the subsequent bench-mark years which are not independent of the initial value are all affected by this initial aberration.

The fundamental defect arises because although the per capita CPO, with some limitations such as effect of price changes, is not only comparable across states but also overtime, the CCS is not. Sarker standardised individual indicator values for every year separately and his CCS indicates only the relative development of states for a given bench-mark year, but its value for a state over different years does not represent the development of that state. The regression analysis of CCS with per capita CPO can only point out that the differences in the per capita CPO account for differences in CCS among states for a given year. But it cannot support Sarker's conclusion that planning (CPO) plays a role in the overall development of a state which is essentially a comparison over time for the same state.

To think that Sarker's regression analysis can be used to draw such a conclusion leads to an absurd corollary. Even if, in spite of plan outlays, no development took place, Sarker would still get a large enough R^2 and reach his conclusion! Consider the unlikely situation that plan outlays from 1961-62 and onwards had no effect in any state on the values of the 13 indicators already reached in 1960-61. Sarker's first two PC scores and therefore the CCS will remain the same for the later four bench-mark years as those for 1960-61. I carried out Sarker's regression analysis of these 'data' and those on per capita CPO and obtained values of R^2 equal to 0.47, 0.51, 0.52, and 0.53 for the later four bench-mark years respectively, with R positive and statistically highly significant for all years. If Sarker's logic of interpretation is followed, it will mean that development was positively caused by plan outlays. But we know that in this scenario no development took place at all! And the values of the CCS would not give any clue to this reality! This is proof enough – if one were required – to show that Sarker's analysis cannot meet with the objective of relating development as an effect of plan outlays.

The only, and possibly not an exciting, conclusion that can emerge from Sarker's procedure of analysis would be the simple

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obverse one, that the more developed states, that is those with higher CCS, afforded larger per capita plan outlays than what the 'less developed' did. And this comes out more effectively not from the cumulative outlays but from the plan outlays proper. To study this, I worked out the relationship between the per capita plan outlay, equal to the difference between per capita cumulative plan outlays for two successive bench-mark years, and Sarker's CCS for the first of the two years. The results are shown in the table below. I have dropped 1984-85 for the shortness of the intervening period.^{7,8}

x CCS for	y Per Capita Plan Outlay for	r ²
1960-61	1961-71	0.24
1970-71	1971-81	0.63
1980-81	1981-87	0.80

All r-values are positive. The first r² is statistically insignificant, but the other two are large and highly significant. Thus the tendency of more developed states to make larger per capita plan outlays, which was not in much evidence up to 1970-71, became very strong later. This contradicts Sarker's conclusion that "the imbalances in plan allocations started in the initial stage of planning process".

Sarker's analysis is thus incapable of assessing the effect of plan outlays on development of states, but if turned around, it will show that only in the latter half of the study period 1955-87, the tendency of more developed states to make larger plan outlays became stronger.

IV

Structural Changes in Regional Pattern of Development

The title of Sarker's third sub-section given above is enigmatic because of the use of both the words: structure and pattern. A clarification of its meaning or an explanation of his objective in substantive terms was necessary, but Sarker offers none and gets down instantly to the description of the tools of his analysis, namely, the dendrogram and the graphical plot of points representing states according to their scores on the first two PCs. (I shall call them, for ease of reference, as the first and the second score respectively.) He also adds one more objective – apparently because that is what his graphical technique can also do – to that in the title: "to form 'clusters of states' according to similarities in their development process" (emphasis added). It would appear from this that his exercise has something to

do with the actual development process of every state. But it is not so.

I consider first the graphical plot of the two scores whose means have been restored to their original zero value by subtraction from them of their respective means both of which Sarker had arbitrarily set at 50 initially.⁹ Leaving aside how well they perform as indicators, one may reasonably consider that the first PC, i.e., the first score, indicates overall development and the second score, which is uncorrelated with the first, indicates the contrast of 'agriculture-SSI' versus 'urban-industrial' development. Sarker plots the first score on the X-axis and the second on the Y-axis. A few points need to be specifically recapitulated and noted.

The characteristic indeterminateness of PCA severely limits the interpretation of its results, especially when the PCA is carried out separately for every bench-mark year. Because the results refer only to variation or differences, it is impossible to understand absolute magnitudes from them because Sarker made mean values of all indicators for every bench-mark year equal to zero. If his first score indicates overall development, it only grades the states on that score, but it cannot tell whether the 'least developed' state on this score is underdeveloped in some real sense, or the 'most developed' by this score is truly quite advanced. This means that the first score would show that roughly half the states are 'developed' and the other half 'backward'. This will hold for all bench-mark years even though all states became developed over the years in some real sense. When a comparison of such relative positions, separately determined for some points of time, is made, it cannot provide any information about the 'development process'. For, an initially 'least developed' state may continue to be labelled so in all years even though it made tremendous progress, and became very developed in some real sense, simply because all others did better than it. By ignoring this basic limitation of his PCA,¹⁰ Sarker fails to see that his analysis cannot serve his objectives and this is equally true when he goes beyond overall development to direct it to structural changes on the basis of the second score.

The second score gives positive marks for the above-average values of indicators of the 'agr-SSI' sector or below average values of indicators of the 'urban-industry' sector. A high positive second score would therefore mean above-average 'agr-SSI' development or below-average 'urban-industry' development or both, and a large negative score will mean the reverse. The development of any state in either of the two sectors is understood only in relative terms, relative either to the average or other states. As a

result, the second score would classify roughly half the states as 'agr-SSI' developed which is the same thing as calling them 'urban-industry' backward, and the other half as 'agr-SSI' backward or 'urban-industry' developed. And this will also hold for all bench-mark years even if all states developed industrially or in agriculture. And like the first score, bench-mark yearwise second scores of any state do not tell us anything in absolute terms about the structural changes over time in the economy of that state. Consequently, for example, a state may take great strides in 'agr-SSI' development over the years but would still get a low second score if other states did better. The net result is that Sarker's analysis will only compare states for every bench-mark year separately but would not tell us anything about the change in the structure of development of individual states.

Let us now consider the comparative picture which alone can emerge from Sarker's analysis and his interpretation of it. We should note first, even for this limited purpose, that while the first PC gains importance over the five bench-mark years, the second PC loses it and as a result, the differentiation of the states, as 'agr-SSI' developed or otherwise, that the second score makes becomes less marked over the years. The conclusion should therefore be that the 'structural differences' between states became less important over the years. Second, the two scores are always uncorrelated. Disregarding both the facts, Sarker concludes:

"The influence of 'agr-SSI' sectors", that is the second PC, "among the less developed states was felt only in the later years of plans, i.e., 1984-85 and 1986-87. So at the end of the Sixth Plan, only Punjab and Haryana remained as highly 'agr-SSI' based developed states, far ahead of others, while Gujarat, Karnataka, Tamil Nadu, and Maharashtra became the 'urban-industry' based higher developed states. The same trend continued in 1986-87 as well."

With some difficulty, I have, I think, understood what Sarker wants to say. It is this. Initially the less developed states were not necessarily 'agr-SSI' developed (i.e., 'urban-industry' backward). Later, the two characteristics, being less developed and being 'agr-SSI' developed (i.e., 'urban-industry' backward), became associated with each other, with the exception of Punjab and Haryana. But Sarker's finding of such an association is contrary to the very fact that the two principal components are uncorrelated. One must explain this contradiction, this wrong impression about the 'influence' of the second PC on the first.

The graph divides the two-dimensional space into four quadrants which are conventionally numbered Q_1 to Q_4 in an anti-clockwise manner, with X and Y both positive in Q_1 . The distribution of states in the five bench-mark years over the four quadrants is seen from Sarker's graphs to be as follows:

	Number of States in			
	Q_1	Q_2	Q_3	Q_4
First score	(+)	(-)	(-)	(+)
Second score	(+)	(+)	(-)	(-)
1960-61	4	4	3	4
1970-71	2	3	4	6
1980-81	2	6	1	6
1984-85	2	7	2	4
1986-87	2	7	2	4

Since in actuality the two scores are uncorrelated in all bench-mark years, one would expect a roughly uniform distribution of the 15 states in the four quadrants as was observed in 1960-61. Later, there clearly appears to be a clustering of states in Q_2 and Q_3 . Even those states which fell in Q_1 , in 1980-81 and later, were either close to the X or Y or both axes, that is, they just escaped being in Q_2 or Q_3 . This means that from 1980-81 onwards less (more) developed states were more (less) developed in 'agr-SSI' sector or less (more) developed in 'urban-industry' sector, all comparisons being purely inter-state and no absolute meaning being attached to the term 'development'. Punjab and Haryana continued to be in Q_1 with increasing high positive values of either X or Y, or both, and that appears to be the only reason why the two scores remained uncorrelated on the one hand and, on the other, of the apparent clustering of other states in Q_2 and Q_3 which led Sarker to discover structural changes. The high skewness of data thus appears to explain the contradiction and with appropriate transformation of original indicator values, the analysis will bring out the lack of relationship between the two scores and of any basis for Sarker's conclusion.

There is little to say about the dendograms which are pictorial representation of the results of cluster analysis. The cluster analysis forms clusters based on internal (relative) homogeneity and external separation. But it does not tell us anything more than that; for example, it does not identify cluster of states as those of developed states, or of backward states, or of those with in-between status, unless they lie in Q_1 or Q_3 . A dendogram has the same weakness and Sarker uses information from his other analysis while describing these pictures. But a dendogram is further ineffective in representing reality because a highly developed state and a

backward state will appear as neighbours in it simply because both are removed from the rest although on their opposite sides. Observe, for instance, from the dendograms that Kerala in 1960-61, 1970-71 and 1980-81, and Orissa in 1984-85 and Assam in 1986-87 appear as neighbours of Punjab and Haryana only because they are quite far from the rest but on the other side of Punjab and Haryana on the development scale. It is informative to identify clusters and nice to draw pictures to represent information otherwise obtained; but it is not clear how, by themselves, these pictures help in telling anything about disparities, development, or structural changes.

V

Concluding Remarks

At the end of it all, we thus have a lot of analysis bearing little fruit. To the question whether disparities increased or decreased, the analysis produces no answer and certainly no evidence to support Sarker's conclusion that they increased up to 1980-81 and then decreased. Sarker sees in the inverted U-shaped curve traced by his statistic of distance a verification of the theories and hypotheses of famous economists. But this curve is only a reflection, in the Euclidean mirror, of the inverted U-shaped curve traced by his number of indicators!

The changing variance of the first PC score, besides being similarly influenced by this changing number, does not tell us anything about the changes in disparities but only about the strengthening of the correlation between the indicators.

The conclusion that the plan outlays have a positive influence on the development process does not need Sarker's involved analysis which cannot cast any light on the operation of this influence, positive or otherwise. The analysis that would be consistent with his procedure can actually establish the converse, namely that, lately, the outlays had a positive relationship with the development status already achieved by the states at the beginning of the respective plans.

And the third ambitious objective of understanding structural changes in the pattern of development in different regions remains unattained despite graphics and pictures. What the visuals provide is a comparison of general development of states – relative to other states – at different points of time but not over time, and of the relative importance, again relative to other states, of agriculture versus industry. But if the term 'structural changes' means the changing importance of the primary, secondary or tertiary sectors in the economic

growth of states, Sarker's analysis cannot produce any information on it.

Of the four, the only objective Sarker attains – and without statistical analysis – is his first one of reviewing the GOI strategies to reduce regional disparities. But I suspect that when he viewed state plan outlay as a causative factor for development and disparities, he laboured under a not exactly correct impression that these outlays were completely determined or allocated by GOI. If he did not, his investigation of relationship between plan outlay and development loses much relevance to his third objective. That misunderstanding also perhaps led him to reverse the roles of the two as cause and effect.

Lastly, some substantive questions. Sarker gives in his Table 2 the results of the PCA, i.e. of the 'loadings' of different indicators which are also the correlation coefficients of the PCs with the indicators. The results show some clear aberrations that needed explanations which Sarker does not offer. One does not therefore know whether he noticed them in his rush to analyse and interpret. For example, one expects a large enough negative correlation coefficient between poverty percentage and the first PC which reflects overall development. This is observed in all five bench-mark years except in 1970-71. Why? The correlation coefficient of the indicator on roads with both PCs is zero in the last two bench-mark years. Sarker concludes from this that roads ceased to be an indicator of development; a strange conclusion indeed! But, why? Because there was later little variation in the indicator value among states? Why are the correlation coefficients, with both the PCs separately, of X_5 : Per capita state income from manufacturing sector, and X_6 : Average daily employment per lakh of population in registered factories, almost identical in all the bench-mark years? Has this something to do with how the two statistics are generated, or because the two are so highly correlated that one of them is superfluous? And if so, would not the inclusion of both in the analysis influence his conclusions because the results of a PCA are affected by addition of variables especially so if one of them is highly correlated with one or more of the already included ones. Why has the correlation coefficient of per capita state income from agriculture with the first PC suddenly dropped in 1970-71? These substantive questions deserved recognition, answers and explanations before the interpretation of an aggregative analysis to compare situations over time was made. Without them Sarker's exercise, although based on sophisticated analysis, tends to lack substance and meaning.

Sarker attempted to answer many questions, about disparities, about planning

and development, about structural changes. He should have spelt out the questions clearly and specifically and established links between them and the type of analysis he would make clarifying the suitability of the latter for the answers to the former. Instead, his exercise is more technique-oriented than subject-oriented. He had a set of tools of analysis and he wielded them to attack the questions unmindful of the efficacy of his tools for the problems at hand. In the process he subjected his data to well known techniques of analysis and then forced a type of interpretation on the results which the analysis could not bear but which his questions needed. This is tyranny of sorts.

A GREEK TRAGEDY

But it fails inevitably and predictably. As soon as the variables were standardised separately for each bench-mark year, the analysis became divorced from a study of disparities and changes in them. His PCA, using variables with zero means, can only make inter-state comparisons at different points of time without reference to the absolute states of development. Because of the characteristic indeterminateness of PCA, there was no possibility of studying the development process or structural changes in real terms which are essentially comparisons over time. Compounded with both these severe infirmities was the variation in the number of indicators which vitiated any other temporal comparison that could be made and which destroyed his analysis. Rather than working out the effects of these realities on the possibility that his analysis would not bear an interpretation relevant to his objectives, Sarker raced through his massive computational exercise and interpreted his results ignoring their true and limited meaning. Confusion and misinterpretation were inevitable. He became a prisoner of the analytical procedures and mechanisms rather than one concerned with their relevance to the substantive issues underlying his questions. The scale of his computational work led me to assume that he used a computer and ready softwares,¹¹ and that assumption made me employ the adjective 'computerised' in the title of this critique. I hope my assumption is correct.

Statistical Notes

(1) Principal Component Analysis (PCA)

It is useful first to dwell upon the point: In a study of developmental disparities, why carry out the PCA and work out the first PC? The general idea is like this. It

is assumed that there exists a quality termed 'development', whose meaning is generally understood but not exactly and independently defined, and which, although not measurable directly, is assumed to be possessed by different units (states in our case) in different degrees. The objective of the PCA is to generate a 'measure' of this quality using several indicators of development on which data are available. It is also assumed that it is the variation in the degree to which states possess this quality of development that dominantly introduces statewide variation in the values of any particular indicator. The PCA generates a linear function of the indicators, called the first PC, which accounts for the largest percentage of the total variance over the states of all indicators. Against the background of the above assumptions the function is interpreted to measure, in some sense, the quality 'development'. The problem of defining 'development' is also thus solved in the process as development gets defined mathematically in terms of a linear function of the indicators themselves. That is a bonus the PCA offers! It follows from this that the larger the variance of the first PC, the better it is as a composite indicator of development. Without the assumption of such a substantive basis for the very analysis, PCA is just a mechanistic approach for reducing the dimensionality of data. And if this basis is ignored, the interpretation of PCA results can go astray.

We now turn to the procedure of PCA. If x_i ($i = 1, 2, 3, \dots, p$) are the original variables (indicators) measured in the same units with variances equal to v_i , and V is the sum of the variances, the PCA transforms the x_i s into a new set of uncorrelated and standardised variables z_i s which are called principal components (PCs). The PCA is carried out in the following stages. First we transform the x_i s to y_i s by an orthogonal transformation so that the variance of y_1 is maximised; variance of y_2 is then maximised subject to the condition that y_2 is uncorrelated with y_1 ; and generally, the variance of y_i is maximised subject to the condition that y_i is not correlated with $y_1, y_2, \dots, y_{(i-1)}$, i.e., with the preceding y 's, and so on up to $i = p$. This involves working out the latent roots and latent vectors of D , the covariance matrix of the x 's. In practice, only the first few of the y 's and the linear transformations for them are required to be considered so that a large enough proportion of V is accounted for by them. The z 's are worked out from the corresponding y 's by division of the latter by a scalar quantity to make their variances equal to unity. It is enough for our discussion to consider only the y_1 and the first PC z_1 . We shall denote them by y and

z respectively and drop one subscript throughout in what follows.

To work out the first PC, we find the first latent (column) vector: $a = \{a_i\}$ which satisfies the matrix equation

$$Da = Ma \quad (5)$$

where M is the first latent root and is a scalar. The algorithm gives simultaneously the elements of a and the value of M . From a , two other vectors u and w are worked out with $u_i = a_i / (\sum a_i^2)^{1/2}$, and $w_i = M^{1/2} u_i$. This, in all, generates three linear functions of x 's.

$$a(x) = \sum a_i x_i \quad (6)$$

$$y(x) = \sum u_i x_i \quad (7)$$

$$w(x) = \sum w_i x_i \quad (8)$$

and from $w(x)$, the first PC $z(x)$ by

$$z(x) = w(x)/M \quad (9)$$

The coefficients of the x 's in the four linear functions thus differ only by a common constant and the proportional values of any two coefficients remain the same. The variance of $y(x)$ is M , of $w(x)$ M^2 , and of $z(x)$ unity, and the sum of squares of w 's is also equal to M . The w 's also give the values of the covariance of the $w(x)$ with the original variables; if the latter are in a standardised form, the w 's give the values of the correlation coefficients of $w(x)$ with the original variables. The matrix D in this case becomes the correlation matrix. The reason for setting down the three linear functions $y(x)$, $w(x)$, and $z(x)$, in addition to $a(x)$ based on the latent root, is to bring clarity to the discussion since the term component score can be applied to any one of the three. If the objective of the analysis is to rank the states for a given set of x -values, that is for a given bench-mark year in the present case, it does not matter which of the three, or even if $a(x)$, is used. But if the objective goes beyond that, as Sarker's does when he compares PCA results over the years, then the distinction among the three matters, as their variances differ. Note that it is the variance of $y(x)$, that is M , which is additive over all PCs (if worked out) and the total of all such M -values will equal the total variance: V , of the original variables.

An important aspect of the PCA is that since it essentially deals with variances, which are unaffected by addition to or subtraction from all observations of a constant value, the mean of the scores can be set at will. For $z(x)$, since it is a standardised value, even the standard deviation (SD) of the scores based on it can be set at will in addition. Interpretation of the PCA results must recognise this characteristic indeterminateness of the PCA. For example, the statistic CV has no meaning when applied to the component scores.

Against this background we now examine what Sarker's analysis actually gives and what interpretations he has put on it.

The total variance of the standardised original variables is 13, 14, 14, 13, and 13 respectively in the five bench-mark years. Sarker gives in his Table 2 the values of what he calls 'component loadings' for the first two PCs. These are obviously the values of w 's. The percentage variance explained by the first PC increases from 37 to 51 per cent from 1960-61 to 1980-81 and stays around 51 in the last two bench-mark years. All that this means is that the first PC becomes a 'better' indicator of overall development from 1960-61 to 1980-81 and maintains that level of quality in the later two bench-mark years.

Sarker gives the values of the component scores in his Table 3. He describes the procedure of their calculation in the footnote to the table. It appears from it that the scores are the values of $w(x)$ with their variance equal to M^2 and not of $y(x)$ with variance equal to M . For the first PC of 1960-61, with $M = 4.8295$, the variance of the w -scores should be the square of this and their SD equal to M . However, the SD of Sarker's first PC scores is 48.30. Further, since he has worked with the standardised values of indicators, the mean of the scores should be zero, but it is 50. It is obvious that Sarker has made a linear transformation of the scores based on $w(x)$ by multiplying them by 10 and adding 50 to the product to work out his scores. Since the mean is thus arbitrarily set at 50, the calculation of CV and its interpretation lack meaning.

In the table below I have attempted to analyse the situation created by Sarker's procedures. The percentage of total variance the first PC accounts for is given in line (3) and from this and line (2) we get the variance of the first PC score in line (4) which is the variance of the function $y(x)$. The SDs worked out from them multiplied by 10 to make them comparable with Sarker's linear transformation of scores are shown in line (5). Line (6) will be explained later. Line (7) gives the values used by Sarker.

The SD of Sarker's scores, given in line (7), increases from 48.30 in 1960-61 to

54.60 in 1970-71 and more sharply to 71.32 in 1980-81, an increase of 48 per cent over its 1960-61 value. The SD then decreases to about 66 four years later and stays there in the last year also, 36 per cent higher than its 1960-61 value. Sarker will still draw the same conclusion: inverted U-shaped curve and all, from these changes in SD.

But these changes have been exaggerated by construction of his statistic. Since he desired to compare the SD over the years, he should have used $y(x)$, whose variance is a part of total variance of the original variables, and not $w(x)$ because its variance, which is not additive over all components, would add to very much more than the total variance if so added (even without the multiplication of the component scores by (10)). The result is that the difference over the years is exaggerated artificially by a power of two; compare line (5) with line (7). The SD actually increases by only 21.52 per cent in 1980-81 over its value in 1960-61. Thus the use of a wrong statistic gives an exaggerated impression of increase in variance of the first PC and, by Sarker's logic, in disparities over this period.

Secondly, the trend in the SDs is partly due to the change in the total variance of the original indicators (line (2) of the table) which in turn is solely determined by the changing number of indicators (line (1)). Thus the increase in the SD from 1960-61 to 1980-81 is due to two reasons: One, the number of indicators increased from 13 to 14, and the percentage variance accounted for by the first PC also increased. It is not possible to make an adjustment for the first factor to make the SDs comparable, for the entire analysis will have to be redone using only the same thirteen indicators of 1960-61 for all bench-mark years. However only to roughly see the possible effect of such an adjustment, I have adjusted the SDs in line (5) for 1970-71 and 1980-81 by multiplying them by square root of (13/14), i.e., by 0.9636, and shown the results in line (6). The SD for 1980-81 is now only about 17 per cent higher than that in 1960-61 and changes very little later. The inverted U-shape of the curve disappears!

(2) Combined Component Score (CCS)

The reason why Sarker combines the two scores is that the first PC accounts for at the most 52 per cent of the total variance in all bench-mark years, which in his view is not large enough for it to be considered an appropriate indicator of development. The first point that arises is whether such a combination continues to be a development indicator, for the second component distinguishes states with the same level of overall development according to the relative development of 'agr-SSI' or 'urban-industry' sectors, the term relative applying to states. Therefore the meaning of the combined component score (CCS) needs to be stated.

Second, if the two scores are to be combined into a CCS, the CCS should account for the total of the variances accounted for by the two components. For this, the CCS should be the total of the two y -scores, which in effect means weighted addition of the two w -scores with weights inversely proportional to the square root of the respective latent roots. And since the CCS is to be used for ranking the states or for regression analysis, it does not matter if instead of the weighted addition, a weighted average is worked out with these weights. What Sarker has done is the opposite when he uses weights proportional to the variance of the respective score, that is proportional to the two latent roots. In the process he has given an unduly large weight to the first PC score. He should have given a rationale for this peculiar system of weights, or if it has been established by some other researcher, should have explained it. His system of weights thus appears arbitrary, and the meaning of CCS a mystery.

Notes

- 1 This is an instance of Sarker's loose terminology. In the preceding paragraph he refers to uneven distribution of natural resources, and after that sentence, he switches, without the reader noticing it, to distribution of financial resources by government of India.
- 2 Given that the situation under study is not expected to change in two years' time, there appears to be little point in comparing it for 1984-85 and 1986-87. Further, the inclusion of 1984-85 in this series does help give a wrong impression about the shape of the curve.
- 3 Ignore the superfluous adjective: regional, and the undefined term: imbalance; the latter, one must assume, is a fancy but misleading synonym for disparity or inequality. The question itself is loaded. It is one thing to ask whether disparities changed over plan periods; it is an altogether different thing to implicitly ascribe changes in disparities to plans as the causal factor. While only the government builds roads, constructs

TABLE

	1960-61	1970-71	1980-81	1984-85	1986-87
1 Number of indicators	13	14	14	13	13
2 Total variance	13	14	14	13	13
3) Per cent variance explained by first PC	37.15	39.00	50.94	50.53	50.54
4 Variance of $y(x)$	4.83	5.46	7.13	6.57	6.57
5 10 times of SD of $y(x)$	21.98	23.37	26.71	25.63	25.63
6 Adjusted (5)*	21.98	22.52	25.73	25.63	25.63
7 SD of first PC as given by Sarker	48.30	54.60	71.32	65.69	65.70

* Line (6) = Line (5) x Sq root of [13/line (2)]

irrigation projects or runs public health services, private investments, initiative and efforts play an important role in other sectors. Only five of Sarker's 14 indicators are directly affected solely by governments' actions. It is thus rather simplistic for Sarker to assume that whatever happened to disparities was due to plans.

4 The averages of d^2 I have worked out using figures from Sarker's Tables 6 to 10 are 26.0, 27.2, 28.7, 26.0 and 25.7 respectively. Their differences from the theoretical values are due to rounding of numbers at various stages in the calculation of the values of d .

5 This would of course mean that one will have to give more serious attention to the substance of indicators which could be quite a difficult but necessary task.

6 It of course assumes that there are no lags between expenditure and achievement, a rather unrealistic assumption. But Sarker also makes it when he says that "... development in a particular year would be the effect of all plan expenditure till that particular year...". So lags would have to be ignored. And if they cannot be, then one should use long enough periods for analysis so that their effects are minimised. But the basic point about increments remains valid.

7 The analysis ignores the reality of the time lag in the availability of statistics which may be of a few years in most cases. Thus the indicators for 1960-61 may not be available at the beginning of the third plan.

8 Rather than the CCS, the two PC scores could have been used directly in a bi-variate regression of the plan outlay on them to yield better results.

9 It is curious to find the mean of the second score for 1986-87 in Sarker's Table 3 to be 51.82 which does not appear to be a printing mistake and required an explanation.

10 The fact that he set the means of all scores arbitrarily to 50 should have been a constant reminder to him of this limitation of his PCA.

11 That a software can shackle one is amply illustrated by Sarker's very first table. Apparently, the software was set to give the average, the SD, and the CV of figures in a column, whatever those figures may be. The meaning of the average of growth rates, which the table gives, is rather doubtful. What was important was the growth rate in the all-state average per capita CPO for comparing the states' growth rates. Sarker should have given its value, but apparently the software did not permit it. Incidentally, the last three of the five growth rate calculations shown in this table are wrong.

SSI) with little economies of scale are the ones which are tailor-made for the prevalence of competition with a large number of small producers, each producing a very small part of the output of the industry and hence having little control over total supply. An argument which theoretically looks sound. He also says that it makes no economic logic for large producers to enter such sectors for manufacturing which do not offer economies of scale. At the same time, Nair argues that many large producers have clandestinely or openly gone for SSI subsidiaries (indirectly, he admits that reservation policy is not effective in its true sense).

Nair's inferences would have had validity had his basic assumption been true, i.e. items reserved for SSI do not have economies of scale for large scale producers. This basic assumption itself is weak. It would be difficult to conclusively prove that reserved items like ice cream, biscuits, alkeresin, sugar boil confectionaries, tooth paste, etc. do not have economies of scale for large scale units. Even if we assume that his basic assumption is true, empirical evidence is lacking to prove his related argument that such reservation does not curb competition, rather encourages it.

As per nine-digit industrial classification, there are 1,076 items reserved for SSI. Of these, 233 items are not at all manufactured by SSI.¹ Another 692 items have negligible presence in reserved SSI output.⁴ Thus, 925 items are prime candidates for immediate dere reservation. Had Nair's aforesaid argument been true, this kind of situation would not have arisen. Even among the rest, items like readymade garments, plastic toys, scientific instruments and agricultural implements are suggested for dere reservation on the grounds of modernisation and economies of scale.⁵

Nair's second contention is against my inference that reservation policy has not led to diversified growth of reserved small scale sector. He argues that the data presented in my paper do bring out that there has been some amount of industrial diversification in reserved SSI. He concludes his argument by questioning the very logic for expecting diversified growth, in view of the heterogeneous nature of reserved items.

Reservation policy had been initiated with the objective of, among others, having the bulk of the increased production of reserved items from SSI. (In 1971, reservation list comprised as many as 124 items.) Further, if we go by Nair's assumption that these items do not have economies of scale and would attract many small scale producers to enter the fray, it would be fairly justified to expect rapid growth of reserved SSI with respect to most of these items, if not all. But this did not happen. The decline in the

DISCUSSION

Small Industry Reservation Policy

M H Bala Subrahmanya

OF late, any reference to the performance of product reservation policy for small scale industry (SSI) receives wide protests from different quarters as if such reference tantamounts to opposing the very existence of the SSI sector. Any policy has to be evaluated pragmatically and not emotionally. Product reservation for SSI might have been a good policy when it was conceived. As of now at best it might have only protected the growth of some individual units/ industries.

The objective of any policy must be to encourage the development of the sector it is meant for. This will be in the interest of producers and consumers alike.

The emergence of efficient SSI sector is as much essential as the emergence of efficient large scale industry (LSI) to have an internationally competitive domestic industry in the current context of economic liberalisation. Product reservation may not be conducive to achieve this objective. Neither of the sectors can be sacrificed or encouraged at the cost of the other. A strategy of promoting SSI with LSI

would be appropriate rather than SSI versus LSI.

With this backdrop, I would like to clarify the inferences and conclusions of my paper, 'Reservation Policy for Small Scale Industry: Has it Delivered the Goods?' (*EPW*, May 27, 1995)¹ with reference to K R G Nair's comments (*EPW*, September 2, 1995)².

In his comments on my paper K R G Nair has questioned my analyses on the basis of four broad issues: competition, industrial diversification, growth performance, and efficiency. According to him, whatever evidence is provided in my paper is not sufficient to discard the reservation policy, rather they do bring out some positive achievements of the policy. He goes further to quote the studies of Subramanian (1995) and Freeman (1974) to bring home the points that SSI does better: (i) in a protective environment, and (ii) in terms of inventive performance than large scale units.

Nair's contention against my argument that reservation curbs competition is based on weak assumptions: sectors (reserved for

share of top 11 items in the reserved SSI output from about 48 per cent in 1972-73 to about 13 per cent in 1987-88 does not bring out that this has been due to industrial diversification. Of the 48 top items which accounted for about 78 per cent of the reserved output in 1987-88, 37 items have been included in the reservation list at different points of time between 1972-73 and 1987-88. From these we can infer that reservation did not make much impact on a vast majority of 124 items which continue to remain in the reservation list. The fact that the majority of the dominant (48) SSI items have been included subsequently lends credence to the inference that it is the steady expansion of reservation list which resulted (1) in a decline in the share of top 11 items in reserved output, and (2) in a marginal increase in the share of reserved output in total SSI, during 1972-73 to 1987-88.

Nair's contention against my analysis regarding the performance of reserved sector *vis-a-vis* unreserved sector based on growth and capacity utilisation is not convincing. It is true that there was marginal improvement in the capacity utilisation rate of reserved sector as compared to unreserved sector during 1972-73 to 1987-88. Further, there was not much difference in the capacity utilisation rates of reserved sector (47.73 per cent) and unreserved sector (50.49 per cent) in 1987-88. My Table 5 brought out clearly that there are some reserved sectors which utilised more of their capacities than the unreserved sectors, though in most cases capacity utilisation rate was higher in the latter than in the former. Similarly, the difference in the growth rates of unreserved sector (13 per cent) and reserved sector (10.3 per cent) was minimal. But these statistics are not weak enough to discard the inference that unreserved sector is better off than the reserved sector.

It appears that Nair has missed a point in his enthusiasm to favour the reserved SSI sector. To study the impact of reservation, it would be sufficient to concentrate on reserved SSI. But to study the impact of dereservation, it would not be sufficient to concentrate only on the growth of dereserved SSI sector. One has to find out how many large-scale units have entered into the manufacturing of dereserved items? And what is the output growth in the large-scale sector? In the absence of such statistics, it may not be proper to conclude that items included in the reservation list have grown faster than the items taken off from the list. That is why I have only compared Tables 6 and 7 and avoided a comparison between Tables 7 and 8.

Even among the top 10 items (Table 8), the higher growth of items like ready-made garments and plastic toys cannot be solely

attributed to reservation. These are generally high growth industries in all developing countries.

Perhaps realising the essentiality of raising the investment limit for modernisation that the government now permits a five-fold increase in the investment of SSI in garments industry, i.e. up to Rs 3 crore with an export obligation of 50 per cent of the output. A welcome step towards dereservation.

Nair's argument that Subramanian's (1995)⁶ inferences and conclusions support none of mine is fallacious. By quoting just some of the findings of Subramanian, Nair is trying to create an impression that capital productivity can be the sole indicator of efficiency, which is not true. Also, findings confined to one particular year do not imply much and, therefore, much caution has to be exercised while using such data for inference. It appears Nair has deliberately ignored Subramanian's subsequent analyses and findings pertaining to a longer time-frame in the same paper. Subramanian has made it clear that the defence of any policy approach to SSI rests on growth with efficiency (either static efficiency or dynamic efficiency or both).

Subramanian estimated the change in the value of efficiency ratios in SSI between two time points (1972 and 1987-88). He concludes that efficiency in terms of value-addition (transformation efficiency) in SSI has declined. Also, the rate of increase in capital productivity is marginal whereas capital intensity has increased substantially. There has not been any significant technological progress in SSI. On the basis of his estimates of total factor productivity growth (TFPG), he concludes that on the count of dynamic efficiency, which implies technological progress, SSI has faltered; rather failed.

What is interesting is to observe Subramanian's conclusion: "It seems, a shift in the direction of policy and targeted efforts away from the present one saddled with product/price reservation towards technology development is needed..."⁷

Further, according to Nair, reservation does not prevent modernisation and technological upgradation. But my clarifications

of previous issues are sufficient to infer that product reservation does hamper modernisation and technological upgradation in SSI. It is common knowledge in industry that application of sophisticated technology to manufacture products of international quality requires investment (in plant and machinery) of much more than Rs 60 lakh in industries such as garments, sugar boil confectionaries, scientific instruments, agricultural implements, and so on. Product reservation will keep such industries away from modernisation.

In this regard, it would be worthwhile to make reference to the findings of recently conducted empirical studies: Awasthi, Krishna and Sebastian (1993)⁸ and NCAER-FNSI study (1993)⁹ have brought out clearly that product reservation has achieved little for SSI and the policy as such has lost much of its relevance for continuance. To conclude, any attempt to magnify virtues in the reservation policy may be a futile exercise especially when empirical evidence proves that achievements of the policy are neither substantial nor significant.

Notes

- 1 M H Bala Subrahmanya, 'Reservation Policy for Small-Scale Industry: Has It Delivered the Goods?' *Economic and Political Weekly*, Vol. 30, No 21, May 27, 1995, pp M51-M54.
- 2 K R G Nair, 'Reservation Policy for Small Industry', *Economic and Political Weekly*, Vol 30, No 35, September 2, 1995, pp 2210-11.
- 3 NCAER-FNSI, *Structure and Promotion of Small-Scale Industries in India - Lessons for Future Development*, New Delhi, 1993; ASSOCHAM, *Proceedings and Papers of the National Seminar on Small Industry Reservation Policy: A Re-Appraisal*, New Delhi, 1995.
- 4 ASSOCHAM, op cit
- 5 *ibid*
- 6 K K Subramanian, 'Technology Dimensions of Small-Scale Industry', *Productivity*, Vol. 36, No 1, April-June 1995, pp 26-30
- 7 *ibid*.
- 8 Awasthi Krishna and Sebastian, *Research Report on Impact of New Economic Policies on Small and Tiny Industries Sector*, Entrepreneurship Development Institute of India, Ahmedabad, 1993.
- 9 NCAER-FNSI, op cit.

For the Attention of Authors

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Less : Provision for Taxation	192.000	160.000	20.00	361.000
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From Victim to Agent

Literature about the Emergency has tended to portray the intellectual as the emotional sufferer, the bureaucrat as the active participant and the poor as the passive victim. These stereotypes, however, mask the most frightening aspect of the Emergency regime — its success in drawing, through fear, people of different groups into active participation. Memories of the Emergency from a resettlement colony in Delhi. 2921

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Rights Violations in Chattisgarh

THE forest mafia backing the forest ranger J J Acharya, has continued its attack on social workers of Raipur district, in spite of protest letters to the chief minister. In yet another mafia-style operation, Acharya organised an attack at the public meeting organised by the Chattisgarh Mukti Morcha in Keramunda village of Basna Thana in Raipur District of Madhya Pradesh. Lathi-wielding forest guards chased the incoming public, punctured the tyres of vehicles and beat up social workers who were organising a solidarity meet in this remote tribal village on November 1. The police administration, present in considerable numbers on the spot, remained spectators while a section of the police actively participated in repressing the people and their right to assembly. Shiv Kumar Patel and Ram Bahadur Vishwakarma, two social workers with Mukti-Niketan, a self-development project for the released bonded labourers for the past 10 years, were brutally beaten up at Kudarbhehra village, about 2 km from Keramunda, simply because they questioned the anti-democratic and criminal ways of the ranger in dispersing the peaceful gathering of the released bonded labourers and peasants. They were falsely implicated in instigating about 300 village-folks in cutting the forests in Keramunda, while the fact remains that these social workers have been known for promoting ecological concerns amongst the released bonded labourers, and distributed five fruit trees every year under a green campaign carried on by the Mukti-Niketan.

Rajendra Sail, organising secretary, National PUCL, was also threatened with dire consequences, and the ranger instigated anti-social elements gathered by him in Keramunda village against Sail. These elements who included a section of the rich farmers owing allegiance to the ruling party were promised free access to forest and its produce if they challenged the organisation. Almost all of them were under the influence of alcohol, and were sitting in a meeting with the forest ranger when Sail reached the village along with his colleagues to participate in the solidarity meet. A women's cultural action team of the Chattisgarh Mahila Jagriti Sangathan was also held to ransom by the goons of the forest ranger and were being abused and threatened till the subdivisional magistrate, Netam of Sarapalli reached the spot.

The Chattisgarh Mukti Morcha president and MLA, Janak Lal Thakur, has blamed the cabinet minister Vidya Charan Shukla for creating such a situation of terror as he intends to contest the Lok Sabha elections from Mahasamund. The ruling Congress (I) is jittery as the CMM commands a strong people's organisation in this constituency. According to rough estimates, this number is between 50,000 and 70,000, and can be the decisive votes in the forthcoming Lok Sabha elections. According to Thakur, the ruling party is attempting to use the forest, liquor and land mafia in the region to crush the people's organisation. Thus, the reign of terror is being created in the region, first by brutally attacking the key social and political workers, and simultaneously, disrupting the democratic processes and rights like meetings, rallies and demonstrations.

GIJRICHARAN

Raipur

Dalit Patriarchy

READING Gopal Guru on 'Dalit Women Talk Differently' (October 14-21) mainstream feminist activists might well think that he is unnecessarily initiating a discourse of difference on dalit women. Dalit patriarchy too cannot accept his charges of discriminating on the basis of gender among themselves. They may hold him responsible for breaking their revolutionary agitation in which not only the issues but even the very presence of dalit women was

assumed. Yet neither force can absolve itself of the charges listed below: What have they done to the dignity of dalit women when they in broad daylight fell victim to upper caste male violence? Have they ever asked how a question of rape of dalit and adivasi women has to be tackled ideologically and legally? Have they really employed their energies to promote education, provide health care and create employment for dalit women?

DEV ATHAWALE

Akola

Mission Schools and Evangelisation

RUDOLF C HEREDIA's essay 'Education and Mission Schools as Agent of Evangelisation' (September 16) is stimulating and enlightening as is his objective in bringing out the contribution of the Christian institutions to educate Indian youth. One wonders why the writer has ignored the names of the prominent persons like Dr Radhakrishnan and the Arcot Mudaliar brothers who hardly hesitated to proclaim and boast that they attended the Bible classes where they were positively provoked to become better Hindus. The concluding portion: "Our educators... must also be the prophets, activists and witnesses for today" could have been more comprehensive than it is.

T M GNANAPRAGASAM

Madurai

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Regulating Medical Care

THE verdict of the three-member bench of the Supreme Court on the definition of service will quieten, for the time being, the din over whether the activity of providing medical assistance for payment by doctors and medical institutions comes within the purview of the Consumer Protection Act, 1986. But the battle has only been joined – it is the beginning of a long struggle for a humane and efficient health-care service.

The Supreme Court ruling was in response to a bunch of appeals filed by doctors and institutions in the private sector challenging the judgment of the National Consumer Disputes Redressal Commission in 1992. The court's decision sets aside the verdict of the Madras High Court which had exempted doctors from the purview of the act. The act, it may be recalled, gave rise to a spate of litigation in various high courts leading in due course to numerous appeals to the apex court. In addition, the Medical Council of India had challenged the provisions of the act, contending that medical practitioners were governed by the Indian Medical Council Act, 1956 and that the code of medical ethics was sufficient to regulate the conduct of the medical profession and to apply redressal measures. All this has meant that the health sector has remained outside the purview of the Consumer Protection Act for the last 10 years.

The Supreme Court has made a distinction between 'contract of personal service' and 'contract for personal service', maintaining that in the absence of a relationship of master and servant between the patient and the medical practitioner the service cannot be regarded as a contract of personal service. Dividing medical professionals and institutions into three categories, the court has held that the act is not applicable only where services are rendered free of charge to everybody. Where the service is charged for or where a section of patients are charged, the institution is liable for action. Similarly, medical negligence in cases where the service is paid for by an employer is also liable for action. In effect, except public institutions and those in such institutions, the entire range of medical professionals – practising allopathic as well as other systems of medicine – and institutions have been held to come under the purview of the act.

The implications of the verdict are wide-ranging. In effect it is the first significant initiative towards redressal of the rampant malpractice prevailing in the system. Notwithstanding the Medical Council's contentions in court, rarely has it been possible to obtain redressal through its offices. In fact, it is the utter failure of the council in monitoring medical practice which has made recourse to the act necessary. In other words, if today the medical profession feels a sense of humiliation at

having to accede to monitoring by the state, this is a reflection of its own inability to see the practice of medicine as a service and not a commodity to be sold for as high a price as can be extracted. The class divide that existed when modern medicine took root and has largely persisted here and in other colonised countries between those who can get access to medical education and those who cannot has ensured that the medical community has been the last post of the empire in most colonial countries. While there are some sections of the medical profession who see the Consumer Protection Act and the Supreme Court verdict as a new beginning, most reactions have a flavour of injured pride and threatened self-interest.

There are two relevant apprehensions about the act and its implementation, however. One, that the act will be misused since it is now comparatively easy to file a complaint and get a hearing and, second, that the current absence of minimum conditions of various kinds would lead to arbitrary and wrong decisions. The first is a genuine misgiving considering that only 20 per cent of the 3,94,000 allopathic practitioners are in government service and are safe from such actions. There are two possible situations which may arise: one, there will come about the kind of situation which obtains in, say, the US where malpractice insurance leads to high cost of medicare. The other scenario is that the Consumer Protection Act will be an effective deterrent and therefore a lever for reform within the profession. What actually happens will depend on how keen the medical community is to reassert its identity as a profession, governed by professional ethics and not entirely subservient to market forces.

It is a fact that the medicare sector is among the least monitored. While there are a total of nine lakh practitioners of all systems of medicine and there are bodies which register practitioners of each system, their lists, including those of the medical councils which register allopaths, are unreliable and remain unchecked for decades. Only two of the states, Delhi and Maharashtra, are known to have even passed legislation regulating nursing homes. In the latter state, the act is applicable only to four cities, Bombay, Pune, Sholapur and Nagpur. In other states there is no estimate of the number of nursing homes. Another factor which will affect the implementation of the act even more is the lack of accepted guidelines and minimum standards for health care institutions. In such a situation, deliberating on cases of negligence may mean evolving criteria which may or may not be entirely appropriate.

The terms medical negligence, medical incompetence and deficient service cover a range of actions, inaction and

outcomes. These should be expected to get clarified in the course of the processing of complaints. However, if the act is not to become a means of arraignment the medical community against those who seek its services, if it is to lead to upgrading of medical practice, to creating a more humane people-oriented system of health delivery, all the actors – doctors and medical institutions, the state and the patients, primarily the first two – need to redefine priorities. There is a grave need to regulate medicare; whether this is done through state legislation or self-regulation is in a sense immaterial for the large majority of the 'consumers'.

THE ECONOMY

Towards a Dead-End

AN IMF team in the country for Article IV consultations with the ministry of finance has, according to newspaper reports, let it be known that it takes an 'upbeat' view of the Indian economy and is satisfied especially with the way the finance ministry and the Reserve Bank have been dealing with the exchange rate situation. It must do the government a world of good to know that the IMF at least continues to be pleased with it, especially at a time when it is becoming obvious even to ordinary readers of newspapers that its much-vaunted economic 'reform' programme is rapidly moving towards a dead-end with confusion and differences among the principal economic policy-making agencies increasingly coming into the open. Even government spokespersons no longer try to conceal that the economic reforms have more or less ground to a halt, though they would like to suggest that, with elections to parliament due in a few months, this is no more than the unavoidable obeisance that has to be paid to political democracy. This is what the finance minister, above all, would like to be believed for the obvious reason that that would absolve him of responsibility for whatever is or is not happening. The truth, however, is that the impending elections are only one factor, and not even the principal one, in the emerging situation. Far more important are the limitations and the inherent problems of the so-called reform policies and the understandable lack of clear ideas among the reformers on how to deal with these.

How, for instance, can the publicly aired differences between the finance minister and the governor of the Reserve Bank on the appropriate ways of dealing with recent developments, which will no doubt be recurring ones, in the foreign exchange and money markets be blamed on the elections? The latter may share the finance minister's

optimism about the soundness of the economy's 'fundamentals' and his hope that the current account deficit in the balance of payments can be contained at the supposedly manageable level of 1.5 per cent of GDP, but the fact is that he considered it necessary to expend a not insubstantial chunk of the government's foreign exchange reserves to intervene in the market in order to forestall the possibility of a speculative run on the rupee – something which, according to the finance minister, was not warranted. The finance minister has apparently not taken kindly also to the Reserve Bank's decision to inject liquidity into the money market in the face of sky-rocketing call money rates for fear of stoking inflation. This has persuaded the governor of the Reserve Bank to draw pointed attention on more than one occasion in recent weeks to the government's uncontained fiscal deficit and to say without mincing words that the formal agreement setting very precise limits on the government's borrowing from the central bank – which he had himself at one time enthusiastically hailed as a landmark in economic management – was worth little if the government was unable to curb its appetite for borrowed funds in general.

The prize example of the confusion over economic policies is, however, the widely reported statement of the minister of commerce that to stabilise the exchange rate of the rupee it would be necessary to restrict imports to meet only 'the most important requirements'. Chidambaram also wanted exporters to be made to repatriate export earnings without delay. It is difficult to believe that the minister in charge of the country's external trade can be unaware that rapid liberalisation of imports and lifting of restrictions on movement of funds on the current account are articles of faith in the economic reform programme. About the same time as the commerce minister was making his extraordinary statement, the chief economic adviser to the finance ministry was admitting to his audience at a public lecture in Bombay that, yes, there was one important respect in which the economic reforms had been regrettably incomplete – import of consumer goods had not been made as completely free as they should be.

Against this background it is not entirely unexpected that reports have begun to be circulated that the finance minister may not after all present the budget proper on the due date next year, but would make do with a vote-on-account instead. Once again this has been sought to be explained in terms of the proximity of the elections, though from all accounts the government is yet to decide on the timing of the elections

which may well not take place before April or May or even June next. Elections apart, available information on the trends in the government's expenditure and in its deficit, whether in the narrow or broader sense, leaves little room for doubt that the next budget will reveal further deterioration of the state of the government's finances. As it is, even succeeding budget of finance minister Manmohan Singh has been marked by the government's admission of failure to meet the target of containment of the fiscal deficit (of the revenue deficit, of course, the less said the better) and he has had to try to persuade the country that things were going to improve in future very soon. Once the facts of the government's finances in the current year come out, this too often repeated charade will finally lose its credibility. So elections or no elections, the attractions of a vote-on-account for the finance minister must indeed be quite irresistible.

PRICES

A Stalemate?

THE recent behaviour of prices does not conform to expectations based on trends in the relevant economic variables. The inflation rate as measured by the wholesale price index (WPI) touched a five-month low of 8.1 per cent in the week ended October 21, on the eve of the kharif harvest. Since then it has generally moved up to a six-week high of 8.6 per cent in the week ended November 4. Against the backdrop of a 10.4 per cent inflation in 1994-95, the rise in the WPI in the current financial year has been around 8 per cent now for about 27 weeks. The catch, of course, is that the seeming moderation in inflation this year is over the high base of the previous year. Actually, the price index has been continuously moving up.

Between October 21 and November 4, just two weeks, the WPI rose from 297.7 to 298.6. The index for 'primary articles' went up from 307 to 309.2 or by 0.7 per cent. Within this group, the index for 'food articles' shot up from 337.8 to 342.5 (1.4 per cent), that for 'foodgrains' from 312 to 315 (0.8 per cent) and that for cereals from 300.3 to 303 (0.9 per cent). Likewise the WPI for 'fruits and vegetables' has spurted from 331.3 to 339.9 (2.6 per cent) and that for 'eggs, meat and fish' from 397.9 to 405.1 (1.8 per cent). The steepest rise has occurred in 'other food articles' consisting of tea and coffee, from 428 to 457.5 or by as much as 6.9 per cent in the two-week period. The WPI for 'manufactured products' also showed a rise during this period.

While the rise in the general index of wholesale prices in the current financial year up to November 4 has been lower at 4.7 per cent (compared with the 6.4 per cent rise in the same period last year), prices of a large number of commodities have been rising continuously on top of the large increases last year. The index for 'food articles' has risen by 9.1 per cent on top of a rise of 11.9 per cent in 1994-95. Though seasonal, the rise of 78.4 per cent in vegetable prices so far this year has far exceeded the rise of 49.6 per cent last year. In tea and coffee the rise has been 24.5 per cent this year on top of a 49.8 per cent rise last year. But for the subdued price trend in some intermediate and capital goods, the inflation rate would have been higher still.

What is noteworthy is that the persistence of inflation is not warranted by demand and supply factors. In that sense the economy has not been allowed to derive the full benefit of eight consecutive years of good crops. There was a bumper crop in 1994-95 with foodgrains output touching a record 192 million tonnes – a 10 million tonne rise over the 182.1 million tonnes of the previous year. Though there was some initial delay, overall rainfall during the south-west monsoon this year has turned out to be as good as the best in recent years with 32 meteorological sub-divisions recording excess or normal rainfall and only three showing a deficit. All crops, except wheat perhaps, are expected to show a further rise in production over the peak levels of 1994-95. Food stocks with public agencies had touched an unprecedented 37.5 million tonnes by May and remained high at 32.5 million tonnes at the end of August. The official expectation is that GDP growth, which had accelerated to 6.2 per cent in 1994-95, will be as good, if not better, this year.

With monetary policy still guided by the goals of stabilisation, monetary growth has been moderate in the past two years, particularly after the slowing down, over a year back, of foreign currency inflows by way of portfolio investment and global depository receipts. M₁ growth in April-October at 5.4 per cent has been low compared to the growth of 7.8 per cent in the same period last year. Likewise, reserve money growth has decelerated markedly from 11.4 per cent in April-October 1994 to 4.9 per cent so far this year. A major contractionary factor has been the erosion of foreign exchange reserves by \$ 3.25 billion (the equivalent of Rs 11,000 crore approximately) since the beginning of the fiscal year.

Thus there is no sign of an imbalance in the demand-supply situation, in the aggregate or even sectorally. Yet the pressure on commodity prices has persisted. A major

part of the explanation has to be sought in the liberalised environment in which the trading community has been operating since the initiation of the economic reforms. The sharp increases in the procurement prices of rice and wheat have enlarged the holding power of the rich and even middle peasantry. Likewise, traders have begun to act in concert and demand of manufacturers that retail prices stamped on packages be inflated, with the threat that they would not market the products of recalcitrant manufacturers. The decision of the central and state governments to put the Essential Commodities Act in cold storage (even though they dare not formally repeal it) has clearly emboldened traders to pursue such tactics with impunity.

If the inflation rate has been hovering around 8 per cent this year and has not been higher, this perhaps reflects the emergence of a measure of consumer resistance after the persistently high inflation levels of the past five years or so. Niggardly growth of incomes of large sections of the population together with severe erosion of real incomes have dented aggregate purchasing power and something of a stalemate appears to be emerging in the commodity markets between the traders' urge to exploit the liberalised regulatory environment to extract higher margins and the consumer resistance emanating from sheer lack of purchasing power.

NIGERIA

The Executioners

IN the aftermath of the execution of the militant Ogoni leader Ken Saro-Wiwa and eight others after a military kangaroo court had sentenced them to death, it is easy to forget that among those who are most vocal in their condemnation are nations in whose not-so-ancient histories lie the roots of the present social and economic distress and decay of Nigeria and of many other African nations. The ingredients are all more or less the same, though the brew may turn out a little different at different times and places, some had and some worse. Resource-rich regions peopled by numerous divided communities/tribes, colonisation and exploitation of resources, little or no effort to establish the basis for democratic institutions, de-colonisation and the legitimisation of the exploitation of resources in the name of development and in collaboration with local elites, disintegration of political systems, rampant corruption to facilitate the cornering of the new-found wealth, state repression, often through military dictatorships, suppression of dissent and the deepening spiral of violence. The list of African countries which

have been warned by the Commonwealth to restore democracy and respect human rights – Gambia, Sierra Leone, Kenya, Cameroon, Mozambique and so on – is a trail of the social, political and economic wastelands created by the individual and collective rapacity of the very nations which today condemn the military regime of Sani Abacha.

But understanding the nature of the crime or its history is not to condone it. Of the increasingly brutal actions of Nigeria's military junta this was perhaps the most brazen and inhuman. Saro Wiwa was the leader of the movement for self-determination for the 5,00,000-strong Ogoni minority from the southern oil-rich Niger delta. Interestingly the movement itself emerged around the issue of the environmental devastation wrought by the oil companies since 1954, for which the Ogonis began to demand compensation. Not having got a share of the oil cake at any time, in 1991 it became obvious that the cake itself was shrinking. Nigeria has one of the smallest reserves although today it is fourth largest OPEC oil producer and accounts for 7 per cent of US oil imports. Since 1954 several multinational oil companies have set up base and have been extracting oil and maximising profits with little interest in repairing or preserving the environment. All this has hardly benefited the Ogonis who remain the poorest of the over 300 tribal groups which inhabit Nigeria.

The Ogonis are not, however, the only ones targeted for repression by the Nigerian regime. Since 1994 at least 100 people have been publicly executed by firing squads. It is a measure of the reluctance of the Commonwealth countries to take action against the regime that before the execution of Saro-Wiwa they had accepted the Nigerian regime's timetable for restoration of democracy. Even after the execution, it is noteworthy, none of the countries are willing to put an oil embargo on Nigeria. What is more, Shell (UK) which leads a consortium planning to build a \$ 3.6 billion project for liquefied natural gas in Nigeria has been quite unmoved by the executions and has declared its intention to go ahead with its plans.

The suspension of Nigeria from the Commonwealth is a small step towards forcing a return to civil rule in the country. Some other actions may well follow. However, the solution does not lie in putting external pressure on the military junta to reform. The answers lie in a transformation of the character of geopolitics, which today necessitates the devastation of third world countries to feed the rapacious appetites of the industrial north. In the struggle for such a transformation, many more Saro-Wiwas are destined to be murdered.

GSFC

Rise in Sales

GUJARAT STATE FERTILISER COMPANY, promoted by the government of Gujarat in 1962, is engaged in the manufacture of urea, diammonium phosphate (DAP), ammonium sulphate, caprolactum, nylon filament yarn (NFY), melamine, nylon 6 and different types of polymers. It was the first company in India to set up a caprolactum plant in 1974. The company closed the financial year ended March 1995 with a sales turnover of Rs 1,482 crore, up by 38 per cent from Rs 1,076 achieved in the previous year. Total income stood at Rs 1,611 crore against Rs 1,156 crore in the previous year and would have been higher but for other income which decreased by 13 per cent. Interest costs moved up by 3 per cent. Provision for depreciation rose by 9 per cent and was more than offset by a 50 per cent decline in the provision for taxation. The company ended up with a net profit of Rs 114 crore, up by 187 per cent from Rs 40 crore recorded in the previous year.

For the year under review the company increased its capacity utilisation in both the caprolactum plant and the fertiliser units at Sikka and Vadodara, while its acrylic pellets and nylon plant managed to record new highs in production. A record production of 13.97 lakh tonnes against 12.86 lakh tonnes was achieved by the company's fertiliser plants. A major contribution came from the DAP plant at Sikka which achieved a production of 5.30 lakh tonnes against 4.19 lakh tonnes in the preceding year. The caprolactum plant produced 38,230 tonnes, achieving a 76 per cent capacity utilisation against 60 per cent in the previous year. Production of acrylic pellets stood at 1,478 tonnes. The production capacity has been further enhanced to 1,800 tonnes from 1,500 tonnes. Production of normal butyl-methacrylate (n-BMA) was 56 tonnes against the installed capacity of 50 tonnes. With the market showing signs of improvement, production is to be raised to 75 tonnes. The fibre unit achieved a production of 5,201 tonnes during the year under review.

Exports stood at Rs 66 crore during the year under review compared to Rs 26 crore in the previous year, an increase of 152 per cent. Imports at Rs 497 crore were up by 19 per cent from Rs 416 crore in the previous year. Export of caprolactum increased from 7,966 tonnes to 19,255 tonnes.

The company plans to build a new Rs 750 crore ammonia plant with a capacity of 1,350 tonnes per day. The plant will increase the company's urea production by 1 lakh tonnes to 4 lakh tonnes. The phosphatic fertiliser capacity would be raised from 50,000 tonnes to 3,50,000 tonnes with a part of the output being sold as liquid ammonia and a part

being converted into fertilisers. Indian Engineering Consultant have been taken on for the engineering work. GSFC has signed an agreement with KfW, the German bank, for a loan of 178 million DM to part finance the project. The company has also secured financial assistance of Rs 150 crore from leading financial institutions like IFCI, ICICI, LIC, UTI, SCICI. Also on the expansion agenda is the doubling of the melamine capacity to 10,000 tpa at the cost of Rs 120 crore.

The company has recently commissioned a 50 mw co-generation power plant successfully. The company is making a foray into the power sector with a 145 mw project in Vadodara at an estimated cost of Rs 4 crore in collaboration with Gujarat Alkalies and Chemicals and Gujarat Electricity Board. The company has also promoted Gujarat Airways along with the Gujarat government to operate flights to and from Bombay. The company is entering the liquefied petroleum gas (LPG) market and plans to market two lakh tonnes of LPG in a phased manner by June 1995 using its jetty at Sikka. Plans are afoot to lay an LPG pipeline in collaboration with the IOC at Jamnagar. The company will implement its gas cracker project at Bharuch to manufacture petrochemicals at a cost of Rs 4,300 crore and plans to complete the project in stages between March 1996 and 1998.

The company in association with Modi Rubber has signed an agreement with British Petroleum Company to set up a acrylate fibre plant at an estimated cost of Rs 700 crore. To finance this project the two companies plan to tap the market with a Rs 120 crore public issue and have jointly floated a company, Gujarat Acrylate Company. The company has joined hands with IPCL, GNFC and GACL to set up the first largest liquid terminal port in Dahej.

The company has signed a memorandum of understanding with the Uganda Development Corporation for setting up a phosphatic fertiliser project in Uganda and is awaiting the approval of the government of India.

The company plans to set up an export-oriented floriculture project in Gujarat and is negotiating with an Israeli firm in this regard. The company has also signed an agreement with Vogelbusch GmbH of Austria for setting up a 1,200 tpa citric acid project. According to H K Khan, chairman, the company would continue to be an agro-based company and had intensified its agricultural activities by increasing seed production, taking up improved agricultural practices and by introduction of new pesticides and tissue culture to benefit farmers.

The company has won an award for development and distribution of biofertilisers from the National Productivity Council, being the first fertiliser manufacturer in the country to be thus accredited.

ESCORTS

New Projects

Escorts, the flagship company of the Escor group, is engaged in the manufacture of motor cycles, tractors, auto component construction machinery and telecommunications. The company has a history of joint ventures. As early as in 1969 it set up a joint venture with Ford motors for the manufacture of tractors. 1984 saw the company enter into a collaboration with Yamaha for a technical assistance agreement to manufacture 100cc motorcycles in India. Three joint ventures were promoted by the company in 1992. Escorts Class was formed with 60 per cent equity with Escorts, the rest being held by their German collaborators. Hughes Escorts Communications, Escorts has a 49 per cent equity with Hughes Network Systems of US, a leading hi-tech electronics company, holding 51 per cent equity. The third joint venture was with Wimpey of UK to undertake construction projects including construction of roads, highways, bridges etc. The company in keeping with its first phase of restructuring has hived off all these divisions as separate companies, creating distinct business groups dedicated to clearly defined areas of activity.

Escorts closed the financial year ended March 1995 with a turnover of Rs 1,19 crore, up by 32 per cent from Rs 903 crore recorded last year. Increased dividend and interest earnings saw other income move up from Rs 30 crore to Rs 53 crore, a rise of 76 per cent. Total income moved up from Rs 92 crore to Rs 1,253 crore. Interest costs came down by 16 per cent. A rise in the provision for depreciation by 6 per cent, coupled with a tax provision of Rs 20 crore from nil in the previous year did little to dampen the bottom line and the company ended up with a net profit of Rs 51 crore, up by 33 per cent from Rs 12 crore in the previous year. A dividend of 36 per cent has been declared by the company against 30 per cent last year.

In 1991-92, the company's performance suffered as a result of the general slump in the automobile industry. 1992-93 saw heavy interest costs take its toll on net profit. The situation eased in 1993-94 with sales increasing by 8.12 per cent and it got better in 1994-95 with the company selling 4.4 lakh motorcycles. The company hopes to touch the 5 lakh mark in the current year. Escorts has a 27 per cent share in the motor cycles segment with Bajaj Auto and Hero Honda being its main competitors in this segment. In the tractors segment, the company improved its market share to 11 per cent selling 16,498 tractors compared to 15,233 tractors in 1993-94. Exports have risen to Rs 28 crore registering an increase of 61 per cent over the previous year. The company exported products to Sri Lanka, Tanzania and Papua New Guinea.

Financial Indicators	GSFC		Escorts		Tata Tea	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	148242	107644	19412	90293	39712	41467
2 Value of production	158236	112257	119959	89814	38242	44368
3 Other income	2899	3336	5341	3038	5550	2018
4 Total income	161135	115593	125300	92852	43792	46386
5 Raw materials/Stores and spares consumed	71720	53234	86015	65175	5758	4911
6 Other manufacturing expenses	14947	18960	1869	1483	8108	8042
7 Remuneration to employees	8404	7315	13687	10847	7964	7304
8 Other expenses	42500	15731	12953	8789	11026	14240
9 Operating profit	23564	20353	10776	6558	10936	11889
10 Interest	13385	12953	3990	4757	2220	2388
(1) Gross profit	17267	9350	8965	2908	8720	9504
12 Depreciation	5822	5360	1847	1735	991	960
13 Profit before tax	11445	3990	7118	1173	7729	8544
14 Tax provision	2	4	2025	0	1800	2650
15 Profit after tax	11443	3986	5093	1173	5929	5894
16 Dividends	2195	2160	678	017	2840	2525
(7) Retained profit	9248	1826	4415	156	3089	3369
Liabilities/assets						
18 Paid-up capital	6651	6648	3390	3390	4734	3158
19 Reserves and surplus	70592	61319	18253	14701	24149	22723
20 Long term loans	68585	61040	23847	21676	7941	8482
21 Short term loans	37225	45757	8634	5782	8502	7379
22 Of which bank borrowings	19126	21146	8512	5638	6555	6179
23 Gross fixed assets	171055	156133	37078	35192	22131	20078
Accumulated depreciation	42295	39891	16268	15096	6944	6106
25 Inventories	35155	45868	6015	13486	5969	7867
26 Total assets/liabilities	236798	226772	84657	74424	54673	51728
Miscellaneous items						
27 Excise duty	8994	7516	15342	0	81	81
28 Gross value added	44425	30044	28539	19608	14929	17783
29 Total foreign exchange income	6625	2682	3069	2016	7911	10024
30 Total foreign exchange outgo	63426	44878	788	474	690	1711
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	62.6	47.5	141.1	121.3	72.6	80.2
32 Sales to total net assets (%)	81.0	61.6	220.6	198.2	87.6	99.3
33 Gross value added to gross fixed assets (%)	26.0	19.2	77.0	55.7	67.5	88.6
34 Return on investment (gross profit to total assets) (%)	7.3	4.1	10.6	3.9	15.9	18.4
35 Gross profit to sales (gross margin) (%)	11.6	8.7	7.5	3.2	22.0	22.9
36 Operating profit to sales (%)	15.9	18.9	9.0	7.3	27.5	28.7
37 Profit before tax to sales (%)	7.7	3.7	6.0	1.3	19.5	20.6
38 Tax provision to profit before tax (%)	0.0	0.1	28.4	0.0	23.3	31.0
39 Profit after tax to net worth (return on equity) (%)	14.8	5.9	23.5	6.5	20.5	22.8
40 Dividend (%)	33.00	33.00	36.00	30.00	60.00	80.00
41 Earning per share (Rs)	17.20	6.00	15.02	3.46	12.52	18.68
42 Book value per share (Rs)	116.1	102.2	58.6	53.4	61.0	82.0
43 P/E ratio (based on latest and corresponding last year's price)	8.4	37.1	7.2	37.6	28.2	41.8
44 Debt-equity ratio (adjusted for revaluation) (%)	88.8	89.8	120.1	119.8	27.5	32.8
45 Short term bank borrowings to inventories (%)	54.4	46.1	53.2	41.8	109.8	78.5
46 Sundry creditors to sundry debtors (%)	119.7	147.2	110.8	96.4	58.9	74.5
47 Total remuneration to employees to gross value added (%)	18.9	24.3	48.0	55.3	53.3	41.1
48 Total remuneration to employees to value of production (%)	5.3	6.5	11.4	12.1	20.8	16.5
49 Gross fixed assets formation (%)	9.6	-	5.4	-	10.2	-
50 Growth in inventories (%)	-23.36	-	-18.75	-	-24.13	-

The company has major upgradation plans on the anvil. It plans to introduce 30 HP diesel engines for the agricultural tractors and 4-stroke 128cc motorcycles for introduction in the near future. The Rs 200 crore investment in the tractor division will be funded entirely through internal accruals. In the motor cycle division an investment plan of Rs 600 crore is envisaged. In a bid to consolidate its position in the telecom industry, Escorts in a joint venture with Hong Kong-based First Specific has set up Escortel Mobile with an equity of Rs 400 crore with Escorts holding a 51 per cent stake in the venture. The company has entered into a joint venture with HMT for its tractor division with a 51 per cent stake with the remaining 49 per cent to be held by HMT. The acquisition is to provide a boost to the company's tractor sales, taking it to number one position from the current number three position.

The company has signed a memorandum of understanding with Yamaha Motor company of Japan to set up a Rs 200 crore joint venture company in India, with both partners having an equal stake in the joint venture. The company, Escorts Yamaha Motor, will manufacture a wide range of two-wheelers for the domestic and international markets. The joint venture which commences operations in April 1996 will lay stress on stringent exhaust norms laid down by the 1994 amendment of the Central Motor Vehicle Rules to come into effect in April 1996. Its manufacturing plans include the manufacture of environment-friendly two-stroke motor cycles. Future plans envisage four-stroke two-wheelers. Motorcycles manufactured by the joint venture is expected to grow from 1,30,000 in 1996-97 to 2,00,000 in about five years.

TATA TEA

Surge in Domestic Demand

Though tea is the major revenue earner for the company, contributing nearly 95 per cent of its turnover, Tata Tea with a 19 per cent market share has interests in other plantation crops like coffee, pepper, cardamom and other spices. The conditions in the tea market have been bleak for the last couple of years. The break-up of the Soviet Union has adversely affected the Indian tea industry. The erstwhile Soviet Union used to pick up around 200 million kg of tea which dropped to 42 million in 1994. Added to this has been the stiff competition posed by Sri Lanka and Kenya who have emerged as India's main competitors in the world tea market. Conditions have improved of late with the better price that Indian tea is commanding on account of its superior variety compared to Sri Lanka and Kenya.

Tata Tea closed the financial year ended March 1995 with net sales of Rs 397 crore, down by 4 per cent from Rs 415 crore achieved in the previous year. In these conditions the contribution of other income has been significant in providing the necessary boost

to the bottomline. Other income rose from Rs 20 crore to Rs 56 crore, a rise of 175 per cent. Interest costs came down by 7 per cent. Provision for depreciation rose by 3 per cent while there was a fall in tax provision to the extent of 32 per cent. The company ended up with an almost stagnant net profit of Rs 59.29 crore, up by less than 1 per cent from Rs 58.94 crore in the previous year. A dividend of 60 per cent has been recommended by the directors.

Total tea produced by the company was 54.21 million kg, 6 per cent lower than the production of 57.68 million kg in the previous year. Adverse climatic conditions prevented the south Indian estates from repeating the previous year's performance of 30.90 million kg and production stood at 27.28 million kg. The north Indian plantations division produced 26.93 million kg against 26.78 million kg last year. The company's sales of consumer packs registered an encouraging growth with the company's flagship brand Tata Tea registering a growth of 20 per cent compared to the previous year.

To combat adverse market conditions the company has decided to take the value added route with efforts being made to strengthen its brands. The low level of prices was a result of the changes in global markets over the last few years. The decline in Russian tea buying and the withdrawal of major buyers such as Iraq, Egypt and Iran led to a severe

compression in exports. However, the company moved on aided by the surge in domestic demand coupled with preference for quality teas.

The company is talking to the Madras-based Saptarishi Agro Industries which is into the cultivation of mushrooms for acquiring the company. Tata Tea has been in the mushroom business for about eight years now and its present capacity is around 1 lakh kg a year. A foray into the manufacture of ingredients used in bakery applications is being looked into. This is in addition to expanding its existing business of tea and coffee.

Europe and the countries of the Far East like Japan are the potential markets for the company's instant tea products. During the year under review, the company tied up with Hitachi of Japan for exploring opportunities in these markets. The joint venture is for identifying the markets for selling conventional and instant tea. Tata Tea has a 29 per cent stake in the joint venture called Tata Hitachi Sales (Japan).

The company is negotiating with Nutrasweet, a division of the US-based company Monsanto for a joint venture to manufacture sugar sweeteners and aspartame-based products in India. The two companies will hold a 50 per cent stake in the venture.

Consolidated Coffee (Conscoffee), a subsidiary of the company in which Tata Tea holds 52.4 per cent stake, is working on

methods for converting agricultural wastes such as coffee fruit skin, cherry and parchment husk and sawdust into enriched organic manure to improve the soil fertility of the coffee estates of the company. It is also examining emerging opportunities in the domestic and international markets to bring in a range of value added products. Conscoffee's strategy of holding down its prices in the face of rising prices in the domestic as well as international market enabled it to increase its sales and shore up its bottomline. The company registered an increase in turnover by 89 per cent and in net profit by 198 per cent and has declared a dividend of 60 per cent.

The company's 100 per cent export-oriented unit, Tata Tetley, a joint venture with Lyons Tetley, exports value added tea products like tea bags to the West Asia and Poland and operates one of the most sophisticated tea bagging facilities in the country. The Tata Spices centre in Cochin and Tata Tetley have been accredited with ISO 9002 certification.

The company in collaboration with Rallis India is undertaking a field assessment of high-yielding and disease-tolerant selections of coffee, cardamom and pepper for future planting. Through the adoption of wedge cleft grafting method the company has achieved a major breakthrough in tackling infected Arabica coffee areas.

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CURRENT STATISTICS

EPW Research Foundation

The shortage of liquidity is becoming acute. Bank deposits have grown by just 2.9 per cent so far in the current financial year compared to a growth of 1 per cent in the same period last year, whereas bank credit has gone up by 6.6 per cent against 4.1 per cent last year. Another major contributory factor has been the draw down of foreign exchange reserves by \$ 3326 million (about Rs 11 000 crore). Movements in the exchange rates of currencies of some major developed and developing countries present a mixed picture. The US dollar in which the largest share of India's trade and payments is denominated has depreciated since the beginning of 1995 as has the pound sterling, whereas the DM and yen have appreciated. Among developing countries, India's neighbours such as Pakistan have depreciated their currencies in terms of the dollar *pari passu* with the rupee or more. China effected a major one step devaluation in early 1994, but the currencies of some of the NICs such as South Korea, Thailand and Malaysia have been stable or have appreciated.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Oct 28 1995	Variation (Per Cent) Point to Point						
			Over Month	Over 12 Months		Fiscal Year So Far 1995-96	1994-95	1994-95	1993-94
				Latest	Previous				
All Commodities	100.0	297.7	0.2	8.4	9.1	4.4	6.3	10.4	10.8
Primary Articles	32.3	307.2	0.3	8.9	9.4	5.2	8.9	12.7	11.5
Food Articles	17.4	339.0	0.4	7.0	7.6	8.0	13.0	11.9	14.4
Non Food Articles	10.1	325.5	0.1	13.1	13.7	0.6	2.7	15.5	24.9
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.9	0.1	1.2	2.4	13.1
Manufactured Products	57.0	294.8	0.2	9.5	9.6	4.8	5.9	10.7	9.4
Food Products	10.1	285.1	0.3	5.2	6.7	4.6	7.5	8.1	12.3
Food Index (computed)	27.5	319.2	0.3	6.4	7.3	6.9	11.1	10.6	7.0
All Commodities (Average Basis) (April-Oct 28, 1995)	100.0	293.8		9.8	10.2	8.9	10.7	10.9	8.3

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point							
			Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	315 ¹	0.6	10.9	10.9	7.5	6.4	9.7	9.9	6.1	13.9
Urban Non Man Emp (1984-85=100)	247 ¹	1.2	1.3	8.7	1.2	0.9	9.9	8.4	6.8	13.6
Agri Lab (July 60 to June 61=100)	141.3 ²	0.6	12.9	10.3	8.7	6.5	10.6	11.6	0.7	21.9

Money and Banking (Rs crore)	Oct 13	Variation					
	1995	Over	Fiscal Year So Far		1994-95	1993-94	1992-93
		Month	1995-96	1994-95			
Money Supply (M ₃)	554924	10629 (2.0)	112 (4.5)	30622 (6.8)	78617 (17.4)	73407 (19.3)	50916 (15.5)
Currency with Public	110676	3090 (2.9)	887 (9.8)	8326 (10.2)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	439561	9224 (2.1)	12978 (3.0)	20894 (5.7)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	241423	1088 (0.5)	19007 (8.5)	6892 (3.3)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Central Sector	301758	7754 (2.6)	17103 (4.2)	8919 (3.6)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	77939	4590 (6.3)	2015 (2.7)	16350 (31.1)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money (October 20, 1995)	187715	7124 (3.9)	18446 (10.9)	16857 (12.2)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	114357	5755 (5.3)	15444 (15.6)	-3109 (-3.2)	2130 (2.2)	260 (0.4)	4257 (4.6)
Scheduled Commercial Banks (October 27, 1995)							
Deposits	397947	3240 (0.8)	11088 (2.9)	23560 (7.1)	53630 (16.1)	52144 (18.6)	39017 (16.1)
Advances	225615	6520 (3.0)	14055 (6.6)	9872 (5.8)	40638 (23.8)	11566 (7.3)	23757 (17.5)
Non Food Advances	212186	5997 (2.9)	13701 (6.6)	6543 (4.1)	37797 (23.4)	8875 (5.8)	21684 (16.6)
Investments	157806	1616 (1.0)	8553 (5.7)	12691 (9.4)	13965 (10.3)	28641 (26.9)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	June 1995	Fiscal Year So Far				Average for Full Fiscal Years			
			1995-96	1994-95	1994-95	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	251.5	254.8 (13.3)	224.9 (7.2)	250.6 (8.4)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)	180.9 (8.7)	166.4 (7.3)
Mining and Quarrying	11.5	240.1	241.2 (14.3)	211.1 (2.0)	245.8 (6.3)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)	199.1 (3.7)	184.6 (6.2)
Manufacturing	77.1	241.2	244.6 (13.2)	216.0 (8.2)	241.8 (8.8)	206.2 (-0.8)	207.8 (8.9)	190.7 (8.6)	175.6 (8.7)	161.5 (7.9)
Electricity	11.4	332.9	337.0 (12.5)	299.5 (6.9)	314.6 (8.5)	257.0 (8.5)	236.8 (7.8)	219.7 (10.9)	198.2 (9.5)	181.7 (6.6)

Capital Market	Nov 10 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3469 (-16.2)	3582	4139 (48.2)	3015	3584	3233	4604	3261 (-13.7)	3779 (65.7)	2281 (-46.8)
National Index (1983-84=100)	1567 (-20.5)	1625	1970 (47.0)	1482	1691	1572	2176	1606 (-12.2)	1830 (79.2)	1021 (-48.1)
BSE 200 (1989-90=100)	347 (-25.7)	362	467 (44.6)	336	385	360	497	368 (18.2)	450 (92.3)	234 (-60.0)
NSE (Nov 3-21, 1994=100)	76 (-23.2)	79	99 *	72	83			79		

* For November 23, 1994

Foreign Trade		August 1995	Cumulative for Fiscal Year So Far						
			1995 96	1994 95	1994 95	1993 94	1992 93	1991 92	1990 91
Exports	Rs crore	8029	38676 (28.2)	30157 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
	US \$ mn	2543	12302 (27.9)	9613 (10.6)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports	Rs crore	9236	44889 (37.4)	32662 (16.4)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
	US \$ mn	2926	14278 (37.1)	10412 (16.4)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non POL US \$ mn		2393	11625 (42.7)	8149 (26.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade	Rs crore	-1207	-6213	-2505	-6375	-3259	-9687	3809	-10640
	US \$ mn	-382	-1976	-798	-2018	-1039	-3345	1545	5930

Foreign Exchange Reserves (excluding gold)	Nov 03	Nov 04,	Mar 31	Variation Over					1993 94	1992 93	1991 92
	1995	1994	1995	Month Ago	Year Ago	Fiscal Year So Far 1995 96	1994 95				
Rs crore	60636	62023	66026	3842	-1387	-5392	14397	18402	27430	5385	10223
US \$ mn	17490	19657	20816	-1477	-2167	-3326	4481	5640	8724	731	3383

Exchange Rates

Year	Respective National Currencies per US Dollar												Real Effective Exchange Rate						
	India (Rupee)	Pakistan (Rupee)	Sri Lanka (Rupee)	China (Yuan)	Korea (Won)	Thailand (Baht)	Malaysia (Ringgit)	Indonesia (Rupiah)	Mexico (Peso)	UK (Pound)	Germany (DM)	France (Franc)	Japan (Yen)	India* (Yen)	Malaysia	US	UK	Germany	Japan
1991 March	19.24	22.58	40.71	5.22	725.08	25.45	2.74	1927.10	2.58	0.5461	1.60	5.46	137.20	74.69	66.3	55.0	101.1	130.4	120.3
June	21.06	24.10	41.19	5.35	725.37	25.75	2.78	1951.00	3.01	0.6069	1.78	6.36	139.79	70.99	66.0	56.9	96.7	129.0	129.1
September	25.88	24.65	41.91	5.37	719.73	25.61	2.76	1966.10	3.05	0.5801	1.70	5.78	134.58	61.73	66.0	56.9	105.7	123.5	116.8
December	25.88	24.73	42.51	5.41	757.28	25.38	2.74	1988.40	3.07	0.5485	1.57	5.36	128.11	59.32	64.3	56.9	105.7	123.5	116.8
1992 January	25.92	24.69	42.47	5.45	762.66	25.32	2.69	1998.20	3.07	0.5519	1.58	5.48	125.09	60.36	65.4	56.9	105.7	123.5	116.8
February	25.93	24.66	42.82	5.46	765.74	25.44	2.60	2006.60	3.06	0.5628	1.62	5.51	127.50	61.83	68.5	60.4	108.9	124.6	128.5
March	25.89	24.86	43.11	5.47	771.10	25.61	2.58	2014.80	3.07	0.5799	1.66	5.64	132.70	56.53	70.6	60.4	108.9	124.6	128.5
April	25.89	25.02	43.39	5.50	778.28	25.63	2.55	2019.60	3.07	0.5692	1.65	5.57	133.53	54.05	71.3	60.1	99.7	133.9	136.7
May	25.89	25.13	43.93	5.50	782.78	25.53	2.53	2023.50	3.10	0.5523	1.62	5.45	130.57	55.06	71.6	58.5	111.6	126.4	131.8
June	25.89	25.13	44.03	5.43	787.15	25.28	2.50	2033.40	3.12	0.5211	1.49	5.03	126.81	54.60	70.8	57.2	112.6	126.6	132.8
July	25.89	25.12	44.14	5.43	789.23	25.25	2.50	2033.90	3.09	0.5157	1.45	4.92	126.31	56.00	70.5	55.8	111.5	128.5	125.5
August	25.89	25.08	44.25	5.49	785.55	25.19	2.50	2037.70	3.09	0.5333	1.45	4.92	122.72	56.72	70.4	55.9	109.1	131.0	130.7
September	25.89	25.08	44.25	5.49	785.55	25.19	2.50	2037.70	3.09	0.5333	1.45	4.92	122.72	56.72	70.4	55.9	109.1	131.0	130.7
October	25.89	25.20	44.43	5.54	783.59	25.24	2.50	2045.30	3.12	0.6028	1.48	5.03	121.04	58.37	70.3	57.4	99.7	133.9	136.7
November	25.89	25.51	44.55	5.61	784.04	25.45	2.53	2054.80	3.12	0.6551	1.59	5.37	123.87	60.04	71.3	60.1	99.8	135.2	139.6
December	26.16	25.69	43.20	5.80	788.62	25.47	2.57	2059.80	3.12	0.6437	1.58	5.39	123.10	59.10	71.3	60.2	96.6	133.1	139.2
1993 January	26.20	26.00	46.40	5.78	794.00	25.49	2.62	2066.00	3.09	0.6660	1.59	5.41	124.63	59.25	71.3	60.1	98.8	135.2	139.6
February	26.20	26.21	46.53	5.77	796.59	25.49	2.63	2066.60	3.10	0.6956	1.64	5.56	120.96	56.89	69.6	62.0	84.4	140.6	140.0
March	31.26	26.54	47.05	5.73	793.25	25.42	2.61	2069.10	3.11	0.6847	1.65	5.59	117.07	59.15	69.6	61.3	85.2	140.1	147.6
April	31.31	26.68	47.85	5.71	795.84	25.23	2.58	2070.70	3.10	0.6466	1.60	5.40	112.45	57.95	68.8	59.4	86.9	139.6	154.4
May	31.33	26.80	48.07	5.72	799.99	25.22	2.57	2076.60	3.12	0.6458	1.61	5.41	110.40	58.14	68.8	59.0	86.0	137.8	160.3
June	31.40	27.06	46.25	5.74	802.68	25.21	2.57	2083.80	3.12	0.6618	1.65	5.57	107.74	58.99	68.9	59.4	85.3	136.2	166.9
July	31.37	28.26	48.83	5.76	806.20	25.31	2.57	2093.00	3.12	0.6681	1.71	5.83	107.73	60.34	69.0	60.7	87.3	135.5	169.3
August	31.37	29.85	49.04	5.78	808.41	25.18	2.55	2097.30	3.11	0.6703	1.70	5.93	103.71	61.02	72.3	59.6	86.8	140.4	171.3
September	31.37	29.85	47.18	5.79	808.58	25.19	2.55	2105.50	3.12	0.6561	1.62	5.68	105.28	61.33	72.3	59.6	86.8	140.4	171.3
October	31.37	29.99	49.18	5.79	810.20	25.26	2.55	2107.90	3.11	0.6651	1.64	5.75	106.92	62.84	72.3	60.2	86.4	140.7	170.1
November	31.37	30.05	49.32	5.79	807.12	25.26	2.55	2107.90	3.11	0.6754	1.70	5.91	107.80	63.47	73.1	61.3	87.1	139.3	171.7
December	31.37	30.09	49.45	5.81	809.40	25.36	2.55	2102.20	3.16	0.6712	1.71	5.85	109.70	63.33	73.1	61.6	87.8	138.5	169.1
1994 January	31.37	30.08	49.67	5.80	810.48	25.45	2.57	2108.00	3.11	0.6699	1.74	5.92	111.51	64.05	70.5	61.9	88.6	136.6	167.3
February	31.37	30.21	49.37	5.87	805.12	25.51	2.71	2116.90	3.11	0.6763	1.74	5.90	106.21	63.98	68.7	61.2	87.0	136.0	175.8
March	31.37	30.38	49.18	5.80	807.73	25.38	2.76	2129.00	3.11	0.6708	1.69	5.76	105.14	63.55	69.1	60.6	86.3	137.3	176.0
April	31.37	30.54	49.17	5.80	808.54	25.29	2.71	2140.20	3.28	0.6744	1.70	5.81	103.53	64.99	69.2	60.4	85.7	137.0	179.1
May	31.37	30.61	49.29	5.86	806.55	25.25	2.69	2148.00	3.35	0.6654	1.66	5.63	103.73	65.28	69.2	59.8	85.5	138.1	176.6
June	31.37	30.61	49.56	5.86	806.64	25.21	2.62	2151.90	3.31	0.6559	1.63	5.57	102.72	65.07	72.3	59.8	85.5	138.1	176.6
July	31.37	30.59	49.28	5.86	805.25	25.14	2.59	2158.00	3.40	0.6472	1.57	5.39	98.50	64.64	72.3	60.2	86.4	140.7	170.1
August	31.37	30.59	49.50	5.89	803.41	25.02	2.57	2171.50	3.38	0.6483	1.56	5.37	99.85	64.66	69.4	59.7	87.3	143.0	159.2
September	31.37	30.65	49.52	5.84	800.72	24.98	2.56	2178.80	3.40	0.6395	1.55	5.31	98.81	64.13	69.6	58.7	87.4	142.4	162.8
October	31.37	30.65	49.38	5.83	798.79	24.96	2.56	2184.00	3.42	0.6226	1.52	5.21	98.42	63.94	69.1	57.6	88.1	141.0	166.2
November	31.39	30.67	49.33	5.82	796.33	24.98	2.56	2189.70	3.44	0.6290	1.54	5.29	97.96	64.52	70.4	57.8	91.6	145.9	167.9
December	31.39	30.80	49.74	5.84	791.86	25.10	2.56	2197.10	3.93	0.6411	1.57	5.41	100.12	65.26	71.0	59.1	92.2	145.7	166.1
1995 January	31.37	30.86	50.12	5.84	790.48	25.07	2.55	2203.70	3.51	0.6350	1.53	5.29	99.75	66.08	70.7	58.9	92.1	145.7	166.1
February	31.38	30.89	50.21	5.84	790.92	25.02	2.55	2209.60	3.69	0.6363	1.50	5.23	98.24	65.55	70.6	58.3	91.3	149.1	168.0
March	31.65	30.88	49.96	5.83	778.69	24.76	2.55	2215.00	6.70	0.6248	1.41	4.98	90.79	63.30	70.6	56.0	89.6	154.4	178.6
April	31.41	30.87	49.74	5.82	761.44	24.56	2.48	2222.10	6.40	0.6217	1.38	4.85	83.67	63.12	70.6	54.1	88.5	154.8	192.0
May	31.42	30.91	49.96	5.82	761.44	24.66	2.47	2231.90	5.96	0.6298	1.41	4.99	85.10	64.32	70.6	54.5	88.3	153.5	189.6
June	31.40	30.97	50.27	5.80	761.04	24.67	2.44	2241.40	6.22	0.6270	1.40	4.92	84.33	63.84	70.6	54.4	88.2	153.4	190.0
July	31.38	31.13	50.80	5.80	757.01	24.74	2.45	2251.60	6.14	0.6271	1.30	4.83	87.22	62.58	70.6	54.6	87.7	153.7	183.1
August	31.58																		
September	33.21																		
October	34.58																		

* 36-country bilateral trade based weights based on FEDAI indicative rates (Base 1985=100) \$ Estimated from available information means not available at source
 ** Data on REERs for countries other than India from October 1993 onwards are indices converted to 1985=100 based on the series available with base 1990=100
 Source International Financial Statistics IMF various issues

Bhopal Disaster: Judiciary's Failure

Satinath Sarangi

The aftermath of the Bhopal disaster demonstrates the incapability of the legal and judicial system to provide justice to the victims of industrial disasters and of the failure of the system to act deterrently against industrial/environmental crimes.

THE leakage of 40 tonnes of deadly chemicals from Union Carbide's pesticide factory in Bhopal, India has brought into the open leaks in the modern industrial society. In the aftermath of the disaster the biases and priorities of the medical, scientific and legal (and others) system were laid bare on many occasions. With over 16,000 people¹ dead to date and over 2,00,000 exposed persons suffering from incurable illnesses the Bhopal Gas Disaster has illustrated the horrors of peace time casualties of progress. Machinations of the multinationals, collusion of the Indian government, injustice of the judiciary, the fickleness of the media, and the systemic victimisation of the victims all this and much more, were made eminently visible without the usual verbiage and mystification that go on in modern society. The legal and judicial 'accidents' that followed the disaster culminated into the infamous 'settlement' between the Corporation and the Indian government, are of particular significance.

In the continuing aftermath of the judicial disaster claims of over 3,00,000 affected persons have not been registered and less than one-fifth of the people whose claims have been registered have received any compensation. Compensation sums being paid are humiliatingly low and obviously inadequate. The average compensation being paid in 5,325 cases related to death claims is Rs 93,000 (US \$ 3,000) and for personal injuries Rs 24,000 (US \$ 800). The procedures involved in the adjudication of personal damages are so tortuous that the claimants feel they are being treated as culprits. Meanwhile the real culprits, senior officials responsible for the continuing massacre in Bhopal are seat-free. Warren Anderson, the ex-chairman of the Corporation, and No 1 accused in the criminal case on the disaster, is hiding and Interpol says "they cannot find him".² Despite the issuance of a non-bailable arrest warrant against him pending since March 27, 1992, the Indian government is yet to take the first step towards extraditing Anderson. The other accused officials, charged with manslaughter and other serious offences, are not even

required to present themselves in court as the criminal proceedings move on ominously at the Bhopal district court.

Unfortunately, as we know, Bhopal is a part of our daily lives in technological society. Every year as many people die in the third world due to involuntary ingestion of industrial chemicals as those who died by Carbide's gases. And certainly the number of persons suffering from routine toxic exposure would be many many times more. As the world makes technological progress there are more profits in poisons causing more and more human and environmental damage. Bhopal demonstrated the incapability of the legal judicial system to provide justice to the victimised people and its failure to act deterrently against industrial/environmental crimes. However, Bhopal is no exception. Courts all over the world are more a part of the problem than the solution.

Law was brought into Bhopal by US ambulance-chasing lawyers who descended in hordes on the city within the first week of the disaster. Nearly 2,00,000 clients from among the traumatised people were made to sign⁴ on papers that went on to produce 120 separate legal actions. While popular sentiment underlined the need for punishing the culprits for justice to be done, the US private lawyers filed suits for damages worth several billion of dollars in US courts. The invasion of the US lawyers provided the Indian government with a rationale to pass the Bhopal Gas Leak Disaster (Processing of Claims) Act in the parliament in March 1985.

Empowered by the act the government arrogated to itself sole powers to represent the survivors in the damage litigation. Meanwhile it had set up a directorate to register damage claims of affected persons. The exercise lasted over three years and at the end of it, well over 1,00,000 affected individuals were left out. Claims of people under 18 were not registered and children born to gas-exposed women shown to be physically and mentally retarded through medical research, were not considered to be entitled to claim damages. The claimants were then medically examined (again 45 per

cent of them were left out were medically examined) and each individual was assigned a category of injury. Medical examination was carried out in a manner worse than the registration process. The three most important tests, viz, pulmonary function test, exercise tolerance test and ophthalmic tests were not carried out on over 80 per cent of the claimants who were medically examined. Injuries caused to the brain, reproductive and immune systems were not even considered for assessment. The results of the categorisation exercise are ridiculous and in sharp contradiction to research findings of the government's own medical research agency. Doctors employed by the directorate of claims, claim that 42 per cent of the claimants had not been injured at all, 52 per cent have only been temporarily injured and less than 6 per cent were considered to have suffered permanent injuries. While the government's Indian Council for Medical Research listed over 10,000 'hurt out cases' of people with severe long disabilities,⁵ only 40 claimants in all of Bhopal were kept in the severest category of injury. Obviously the damages were under-assessed to suit the settlement amount. And currently in Bhopal this grossly faulty categorisation has become the overriding criterion for determination of compensation. In the recently-held 'Lok Adalat' (People's Court) nearly 3,000 claimants were awarded compensation sums in one day. On an average less than two minutes were given to individual claimants to present their case and claimants were, made to sign on papers saying that they agreed to whatever compensation was given to them before the compensation was decided. On an average claimants from the most severely affected wards⁶ who will be sick all their lives, were paid an average sum of little over Rs 25,000 (US \$ 800), an amount that falls far short of the even cost of medicines for the next five years. There is a system of appeal but it can take more than three years till a decision is made on the appeal (and no interest is paid on the original amount) so most claimants are coerced into taking whatever meagre amount is being given to them. All told it is a macabre judicial farce that would be funny if it were not so deadly cruel.

What does all this tell us about what law and the judiciary does? Particularly with reference to industrial hazards. In Bhopal the following legal/judicial steps followed a usual pattern. The first step was to reduce the human damage, the ethical and moral obligations, to payment of money. Once that was done damages were arbitrarily assessed (and given the enormous lack of information on chemicals and their effect, assessments

will always be arbitrary) and the money reduced. Consequently a large number of affected persons were denied any money and others are being given sums that will not even pay for their medicines. It is interesting to see what has been the effect of all this on the victimised.

The assignments of widely different injury categories to different individuals in an affected family or community has created dissensions among people within a community. There is a lot of anger among individuals whose injuries have been categorised as temporary or non-existent. But instead of being directed against the agencies responsible for the situation the anger of such individuals is directed against their neighbours or family members who have been assigned more severe injury categories. The arbitrariness in the award of compensation sums has thus further compounded the tragedy and the communal life of the survivors has been irreparably damaged. At an individual level the entire process of damage estimation to compensation award has been a humiliating experience with considerable loss of dignity.

Unfortunately the re-victimisation of the victims by the legal and judicial system is not unique to Bhopal. Particularly with reference to industrial/environmental hazards this is a sad but familiar story. As in Bhopal, payment of damages have marginal deterrent effect, if at all.

Of the money paid as settlement by Union Carbide, \$ 220 million was paid out by the insurance companies and the rest had earlier been set aside in the company accounts right after the disaster. The 50 cents per share that the disaster cost the company is unlikely to prevent its recurrence. Of course even if heavy damages were paid in the cases deterrence would hardly have been achieved. The global empire of hazardous corporations is sufficiently well organised to survive normal disasters in their routine operations. As it happens, insurance companies act as a buffer (payment of premiums hardly affect the corporation's profit margins) and damage litigation has no way to stop the human and environmental damage wrought by these corporations.

In sum then what does civil law do in response to industrial/environmental hazard situations? It legitimises the payment of money to recompense human and environmental damages (often irreparable) through an immoral logic. The judiciary then sanctifies negotiations in which the actual victims have little say. Compensation amounts are arbitrarily (and often adversely) adjudicated leading to frustrations and divisions within the community of victims and humiliation of the suffering individual. What civil law does not do is take a wee little step to stop the poisoning of the people and the planet.

• However, there are spaces within civil litigation on industrial/environmental hazards that require legal and judicial intervention. To start with compensation needs to be seen not as a waiver against liabilities but as costs to be paid for reparation and restitution. In the particular case of Bhopal, these costs include cost of medical care, economic, social and environmental rehabilitation. A government colluding with the offending corporation, lack of information on the chemicals and the inadequacies of available technologies for the assessment of injuries often comes in the way of the proper estimation of such costs. National and international non-governmental initiatives could play a crucial role in an independent assessment of the human and environmental damages and estimating the costs of repair and restitution. In the case of Bhopal, the International Medical Commission on Bhopal composed of 14 medical specialists from 11 different countries was a commendable initiative in this direction. Critical interventions in this area will also include working out ways of victim-friendly payment of the monies received. Of course all such interventions and their outcome will be dependent upon mobilisation of public opinion.

The history of criminal litigation on Bhopal has not been very exemplary either. A criminal case on the gas disaster was registered on December 3, 1984. On December 1, 1987, the government's

prosecution agency the Central Bureau of Investigation (CBI) pressed charges in the Bhopal District Court against Union Carbide Corporation and its Asian and Indian subsidiaries as well as nine senior officials including the then chairman, Warren Anderson. The 12 accused were charged under sections of the Indian Penal Code that death with culpable homicide, causing grievous hurt, causing death and poisoning of animals and other serious offences punishable by up to life imprisonment and fines. Initially the accused corporation and officials blamed a fictitious saboteur ('a disgruntled worker') for the disaster and media campaigns were managed by public-relation companies to spread this lie. Meanwhile the CBI, with the co-operation of the workers of the factory, had presented a strong case that linked key managerial and technical decisions made by senior officials to the disaster. As the proceedings in the Bhopal District Court began, Union Carbide Corporation and its officials refused to come to the court, with the company spokesperson Erle Slack saying that "Indian courts had no jurisdiction over Anderson or the company". Anderson was served summons through Interpol and on his repeated refusal to obey them was proclaimed an absconder on February 9, 1989 by the chief judicial magistrate in Bhopal and directed to be present in court in six weeks time. On February 14, the US authorities intimated their approval of CBI's request to inspect

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the West Virginia factory of Union Carbide, a factory similar to the one at Bhopal but with much superior safety systems. The inspection by CBI was crucial to establish double standards of safety followed in the two 'sister-factories', a policy common followed by transnational corporations.

However, as part of its order on settlement on February 14, 1989, the Supreme Court went beyond its jurisdiction (as well as away from established procedures of criminal justice) and quashed the criminal proceedings against the Corporation and its officials. Indeed had the settlement not been challenged by survivors and their sympathisers that would have been the end to the criminal prosecutions of one of history's biggest mass murderers. The revised and final Supreme Court order of October 1991 revoked the criminal immunity granted to the accused, an act the Corporation termed 'unfortunate'. Following the resumption of criminal proceedings, a non-bailable arrest warrant was issued against Warren Anderson and the shares of the Corporation in its Indian subsidiary were attached. Anderson moved to a secret address and despite the attachment orders of the district court the corporation has been successful in selling off its assets through a Supreme Court order on February 14, 1994. Three years have passed since the issuance of warrants against the accused Corporation and its officials, yet the Indian government has not taken any step towards seeking Anderson's extradition from the US. The political will of the government being decisive in the criminal judicial process and given that the government has always followed a pro-Carbide policy, the chances of the accused being deterrently punished are indeed marginal. In the pressing of charges, conduction of investigations and collection of evidence, the CBI and the Indian government have been wilfully negligent. Senior Corporation officials liable for disastrous decision-making and government officials responsible for negligent monitoring and regulation have been left out of the list of accused. Charges that should have been pressed against the Corporation for crimes such as withholding of vital medical information, causing contamination of groundwater and soil in the vicinity of its factory with carcinogenic chemicals, have not been pressed. The investigations by the prosecuting agency have been marked by inadequate monitoring of death and disease, and the CBI is no longer interested in inspecting the west Virginia plant.

Nearly 11 years after, the century's worst industrial crimes remain underinvestigated, unjudged and the culprits unpunished. Again this failure of criminal law is not unique to Bhopal. The tiny number of convictions in cases of industrial homicide and grievous bodily harm, when posited against the

frequency and toll of these crimes, speak of the injustices committed against victims of such crimes worldwide.

Bhopal has clearly shown that legal/judicial response to corporate crimes is critically dependent upon the government's role in conduction of investigation, collection of evidence and enforcement of court orders. Though there exist provisions in some national laws (as in India) for extra-governmental criminal litigation against corporations and their officials, the resources required to sustain such a litigation are prohibitively high. On matters involving transnational corporations, enforcements of judicial orders are entirely dependent on the governments of the countries involved and extra-government initiatives are excluded. Yet another problem is the way criminal law and the judiciary look at corporations. Having no corporeal entity, corporations cannot be imprisoned or hanged. Senior officials who personally benefit from the consequences of the corporate decisions can thus stay behind the 'corporate veil' whenever they wish to escape liability for the injuries and/or deaths caused as a result of their managerial decisions. Fines extracted from the corporation – and the cases in which this has actually happened are rare – have little deterrent effect on corporate crimes, similar to the situation in civil litigation the elaborate insurance system annihilates the deterrent effects fines could have. Reduced to monetary terms the hazardous consequences of corporate decisions are easily managed and though their human toll are often large, profits of the corporations (and dividends paid to shareholders) are hardly affected as a consequence of reckless corporate policies.

While the inadequacies and inappropriateness of existing legal/judicial responses to corporate crimes require theoretical and policy level interventions critical engagements are possible within the existing scenario. In Bhopal, extra-government initiatives such as investigations into the causes of the disaster by such organisations as the Delhi Science Forum, Union Research Group, Bombay and the International Chemical and Energy Federation have generated facts and arguments outlining the specific crimes of the corporation. The complex nature of hazardous technologies may often require specific expertise unavailable in the local situation independent technical/scientific investigations in the establishment of corporate criminal liability could be one of non-government international interventions.

However, the major emphasis in dealing with corporate crimes will have to be, under the circumstances, in the domain of public opinion mobilising and creating means to exercise popular control over corporate conduct. An International Court for

Environment could examine cases for an International boycott of products of specific corporations. There are a but few instances of successful boycott campaigns against corporations but enough to suggest that they are an effective means of regulation of corporate behaviour. An aspect often overlooked in the initiation of boycott campaigns is the effect of such campaigns on the workers whose jobs and destinies are linked with the profits made by the corporation.

The other possibilities of effecting deterrence with regard to corporate recklessness is to hold public trials of corporations and their senior officials. Pressure would then have to be brought upon accused corporations and their officials so that they face popular charges in this international forum and comply with the decisions. While this may seem to be too ambitious and an unrealistic suggestion, it takes into account the vulnerability of mighty corporations vis-à-vis popular opinion. The specific roles and responsibilities of individual officials in the omissions and commissions of the corporation will have to be examined and grounds for appropriate popular actions laid down by an international forum. Of course such international interventions will have to be simultaneous with and supplementary to the local/national initiatives through existing and judicial systems.

Notes

- 1 The actual number of people killed by the disaster will probably never be known thanks to the government's deliberate neglect in monitoring and registering deaths. Official figures of exposure-related deaths is 5,324 till December 1992, unofficial and more correct estimates are at least three times more.
- 2 Through the settlement order of February 14, 1989, Union Carbide Corporation was absolved of all past, present and future liabilities on payment of a sum of \$ 470 million (one-seventh of the amount claimed by the Indian government on behalf of the victims), criminal proceedings were quashed and the Indian government agreed to defend Union Carbide in the event of future disaster-related litigation.
- 3 According to a pro bono investigation agency in the US, Anderson is currently lying at 400 Beach Road, Vero Beach, Florida, US.
- 4 The retainers entitled the lawyers to 30-50 per cent of the damages as contingency fees. But most clients were ignorant of this arrangement as the forms were in English.
- 5 According to one study by this agency 98.4 per cent of the sample population suffered from lung injuries leading to exertional dyspnoea, 73.4 per cent had recurrent respiratory infections and 24 per cent had reactive airways dysfunction syndrome.
- 6 Of the 5,500 claimants who were called to the 'Lok Adalat' only 2,800 chose to accept compensation.

UP: Opportunity for the Left

Amaresh Mishra

With social polarisation favouring SP-BSP suffering a setback, Mulayam Singh's revival in UP depends on his aligning with Janata Dal and the left forces.

THE belated dissolution of the Uttar Pradesh (UP) assembly by the governor, Motilal Vora, may have ended temporarily the political uncertainty in the state. But its timing and methodology leaves no room for doubt that the state is again being held to ransom by contending forces through the misuse of office. The unprecedented decision to keep the assembly in suspended animation, once the BJP had withdrawn support from the BSP government, was in itself a partisan act aimed at furthering the interests of the Congress and to see whether any favourable power combination can be worked out in UP. When it became clear that no party was in the actual state of forming the government, and more importantly that the Congress will have little to gain by an unstable government of either Mulayam Singh or the BJP, the revocation of the house was effected, mainly, at the behest of the prime minister. But for quite a few edgy days, there was a virtual state of anarchy with parties claiming the support of members more than the actual strength of the house. Horse-trading, threats of political violence and factious discord also hung like a shadow on the fragile environment of the state.

In this, major parties like the BJP and the SP played a dubious role. Both demanded dissolution and holding of fresh elections but were soon involved in all sorts of legal-extra legal means in order to form a government. They also tried manipulating the position of the Congress for this purpose and at one stage both the BJP and the SP were hopeful of getting the support of the governor. The BSP for its part, was faced with the threat of a virtual breakup with its MLAs showing an inclination to join whichever party appeared close to power. The level to which political propriety sunk for a few days in UP is indicative of the scenario that might unfold in the coming days, which promise to be no less unstable than the previous ones.

The run up to the crisis was no less interesting. Of late, the BJP had begun feeling that continuance of support to the Mayavati government was not yielding the desired result. The BJP had a tacit understanding with the BSP wherein both stuck opposite postures only to climb down later, as seen in the episodes of Mathura, reservations to

backward Muslims and the Periyar Mela. But this alliance of convenience had begun showing cracks, especially with the reported bid of Mayavati to emerge as a powerful figure in her own right. This had brought her into conflict with the state leadership of the party, even as she enjoyed a cosy relationship with the central leaders. Division in the BJP had increased which was reflected in the elections to the post of the state chief where the Kalyan Singh backed nominee, Kalraj Misra prevailed over a BJP leader from Mirzapur who had had the presumed backing of the central leadership. On the other hand, Kanshi Ram's tilt towards the Congress and his politically motivated anti-BJP statements were causing anxiety at the central level. Moreover, the nominations to the upper house, the vidhan parishad had become due and it was feared by the BJP that Mayavati will use the opportunity to get herself nominated and then demand a dissolution in the hope of continuing as a caretaker chief minister till the next elections. This would have been disastrous for the BJP; what is more, the party wanted some of its nominees in the list of the vidhan parishad nominations to which Mayavati was not willing to accede. Apparently, the former chief minister had decided to pursue her political ambitions without the BJP for the time being; though there are reports that Kanshi Ram too, in order to forestall Mayavati's swearing in as a caretaker chief minister, instigated the BJP to withdraw support. As it is, opportunist convenience, rather than a minimum understanding on issues, was the bedrock of the BSP-BJP alliance which came off precisely, at an 'opportune' moment.

Contrary to media speculations, however, the withdrawal has not done the expected harm to the BJP. It was argued that the upper castes are angry with the BJP, first, for supporting the BSP and then withdrawing at the wrong juncture, and this would result in a shift towards the Congress. But the BJP, at present, has not lost much, though it is unclear how much it has actually gained. The marginalisation of Mulayam Singh could not proceed beyond a point and it is clear that a mere weakening of the dalit-OBC agenda is not sufficient to constrict the anti-BJP space which is the main strength of

Mulayam. The Congress is hoping to garner some upper caste votes from the BJP and a few dalit votes from the BSP. But this possibility has yet to assume any concrete shape; the speculations regarding the Congress are centring more around a pact up between Narian Dutt Tiwari and Narasimha Rao which might boost up the party.

The party which lost out heavily in the latest bout of UP politics was, of course, the BSP. It has ended up divided, faction ridden and a rump of its former self. The outcome has been a logical culmination of the BSP's journey which began from shrill anti-brahminism without a radical ideology of political and social transformation, went over to an alliance with the political agents of brahminism and finally degenerated into 'neo-brahminical' mess of vested interests, sleaze and corruption. There are charges of unprecedented swindling on the Mayava government and many contractors have openly spoken about payments to the former chief minister. Funds were also misappropriated through pressures on the private sector, diversions from the welfare schemes and transfer of officers. In the last mentioned instance, which saw the former chief minister transferring a record number of IAS and IPS officers, a precedence of sorts was established as regards favouritism and corruption.

The balance sheet of the Mayava government is a sullied one, indeed. It was a regime which turned everything, even its own utterances, into their opposites. The much trumpeted offensive against the 'goonda raj' of Mulayam Singh ended in the limelight offered to the noted criminal of Ghazipur, Mukhtar Ansari, who addressed a major BSP rally with Mayavati a few days before the dissolution. This gesture also undercut all measures of the government aimed at 'ameliorating the lot' of the Muslims: here Mayavati was following the tried game of ruling class politics with subtle communal overtones: first, criminals are projected as leaders of the Muslims, and then, the community is subjected to harassment and repression on this very name. Developmental work was neglected to a point where money was siphoned off to unproductive and suspicious channels. A talk of law and order collapsed in the face of rising communal violence, unspeakable cruelty on children and women, and the rising graph of rape, murder, dowry death and atrocities on weaker sections. The second woman chief minister of UP had almost nothing to offer to the oppressed lot of the womenfolk; the CBI was actually denied permission to persecute the guilty officials who perpetrated the killings and rape.

Uttarakhandi women at Muzaffarnagar. For the poor and the underprivileged, a welfare scheme for even populist purposes was not announced and the issue on which relations with Mulayam Singh were broken, the failure to provide security and land to the dalits, was not pursued. Instead, the forces who raised the issue were dealt with a heavy hand. The Mayavati government showed, like no theory or write-up could have, that the dalit phenomena in UP, unlike Maharashtra or Tamil Nadu, has basically been a phenomena of power politics. It has been led, not by a reform-minded petty bourgeois intelligentsia, but by brokers and political agents of the dominant landlord-bourgeois-brahminical ideology. Lastly, it has functioned, crucially enough, as a weapon in the hand of ruling classes to blunt the edge of the left movement, class politics and democratic consciousness in the region.

With the sidelining of the BSP, the stock of Mulayam Singh is expected to rise once again. But it is clear that 1993 is not going to repeat itself: the social polarisation seen then in favour of the SP and the BSP is over and done with. The dalit-backward-Muslim unity is split along several lines with the disenchantment of the dalits with the BSP showing little signs, as of now, of getting translated into votes for Mulayam Singh. A revival of Mulayam Singh, therefore, can only be achieved by a radicalisation of the 'centrist plank' on which this 'unity' was achieved, or a return to the old centrist politics of the pre-93 days. Till now, the SP leader has shown little inclination of following the earlier option; renewed efforts to forge an alliance with the Janata Dal and the left parties seem more probable. Within the former, Mulayam is more keen on forging an understanding with Ram Vilas Paswan and his Dalit Sena in order to fill the gap created by the BSP. Even otherwise, the JD is reduced to a small force in the state and Mulayam has never been 'principled' or foresighted enough to seek unity for ideological and larger political reasons. His immediate concern is UP and he is unlikely to toe the National Front tag merely because it will send a different message at the national level. But the left tag will definitely help; it is quite interesting that even in a state like UP, where the left has traditionally stood weak in the electoral arena, its ideological and movemental appeal has been quite strong, something which the centrist parties have always tried to use. This has also constituted one of the 'sorrows' of the left which have yet to, it seems, leave the desired impression on the conventional wing of the movement. Even before the current crisis, the CPM openly, and the CPI covertly, extended

unconditional support to Mulayam Singh while the socialists linked to Mulayam were demanding some form of an apology from him for misdeeds committed in Uttarakhand and on other fronts, while in power. The left also overlooked Mulayam's history of breaking up the CPI and his indulging in anti-leftist propaganda.

The left, it appears, is failing to read the ground situation. Previously, Mulayam could go alone, but now he is dependant on the left. Moreover, with the failure of shrill, 'caste-oriented' centrist plank, the focus is back on secular issues which will naturally favour the left. Now, if the left, despite its 'weakness' (after all even Mulayam is quite weak now compared to his earlier strength), chooses to evolve an agenda of land reforms, democratic rights, unemployment, secularism, Uttarakhand and a radical change at the social level which will really empower the downtrodden, it stands a good chance of effecting a new anti-BJP, anti-Congress polarisation with an independent leftwards tilt. This might as well force Mulayam to take a different position or to support the left.

Amongst the left parties, the CPI-MJ, has taken up this position. Just before the dissolution of the assembly, it organised a 10,000 strong east UP peasant rally at Benares. Before that, the CPI rally at Allahabad and the CPM rally at Lucknow had both attracted less than 5,000 people. Even at other places, like Pilibhit, Faizabad and Unnao where the CPI-MJ organised Terai, Avadh and Bundelkhand based peasant

marches, respectively, the mobilisation was beyond anything achieved by the left so far. These indicators are quite interesting for they show that in quantity too, the revolutionary left trend is slowly edging past the CPI and the CPM. This can be of far-reaching consequences in the long run, though the main newspapers of Benares, belonging mostly to the Congress, the BJP and the Mulayam 'think-tanks' and money bags, highlighted the east UP rally as significant also in the immediate electoral scenario of the region.

A very noteworthy aspect of the rally was the focus, after many decades, on the issue of land reforms (even by government estimates UP has 1,59,000 acres of surplus, undistributed land, though unofficial figures are much higher) and its link up with the political situation of the day. Normally, these two are seldom linked; in the traditional left agenda, land reforms have functioned basically as an economic issue whereas political postures have had little bearing with the struggles of the peasantry. The CPI-MJ's rally was a peasant march on the issue of communalism, it sought explicitly to link the struggle going on around 10,000 acres of unaccounted land in the Barah farm of the Raja of Benares with the fact that in the east UP countryside upper caste landlordism has taken on a communal character. Thus, the class basis of communalism stands exposed along with the objective, political target of the land struggle, linking the fight of the rural poor with the fight against the BJP.

Agricultural Economics Conference

The 55th Annual Conference of the Indian Society of Agricultural Economics will be held at the Institute of Rural Management, Anand (Gujarat) from 23rd to 25th November, 1995. The following subjects have been selected for discussion at the Conference.

1. Livestock Economy
2. Rural Non-Farm Employment
3. New Economic Policy and Indian Agriculture

Montek Singh Ahluwalia, Finance Secretary, Government of India, will inaugurate the Conference and M V Nadkarni, Professor and Head, Ecology Economics Unit, Institute for Social and Economic Change, Bangalore, will preside over the Conference.

Geopolitics of Communicable Diseases

Plague in Surat, 1994

Sharat G Lin

Highlighting the occurrence of plague in a stereotypically poor country like India has the effect of setting the industrially-developed countries above the seemingly 'chaotic' and 'substandard' conditions of the developing countries.

A YEAR after the epidemic of plague that swept through Surat, its origins are still not clear. What is clear is that the international attention it received was driven not so much by genuine public health concerns, as by a media opportunity. When international press reports first carried news of plague in India, it was not of the outbreak of plague itself, but instead of the panic exodus of an initial 2,00,000 people from the industrial city of Surat. That was on September 23, 1994. But just the month before in August, officials had reported an outbreak of bubonic plague in 25 villages around the town of Manla in Beed district at the periphery of the Latur earthquake zone in southern Maharashtra. Among some 90 diagnosed cases, there were no deaths and no international panic. Similarly, when 80 children died from encephalitis in June 1995 in Muzaffarpur, Bihar, the event passed virtually unnoticed.

In Surat, the first diagnosed case had been reported days before the first confirmed death from the plague on September 21. The mere fact that plague had broken out in the pneumonic form and posed a risk of spreading to epidemic proportions was not in itself as great a concern to the world community. It was not until after the media drama of the mass exodus began that the *New York Times* carried a front-page article, first reporting the outbreak of plague in India. Focusing on the panic, it stated: "As many as 2,00,000 people fled the city of Surat in western India today after an outbreak of pneumonic plague that medical experts described as one of the most serious reported in the world in recent decades, officials have said"[1].

Once brought to world attention, the public health threat was dramatised by portraying this outbreak of plague as the recurrence of a previously extinct disease: "The epidemic of pneumonic plague in India that has led to panic and mass evacuation from the industrial city of Surat over the last week is a grim reminder that diseases commonly thought vanquished remain an immense threat to the world"[2].

This notion of a sinister global threat was amplified by referring not to the disease caused by the bacterium *Yersinia pestis*, but rather to the narrower categorisation of a specific and less common clinical presentation of the disease – pneumonic plague. The *New York Times* called it "the

first epidemic of pneumonic plague anywhere since early in the century"[3]. A second article in the same issue repeated the assertion, saying that the plague attack is "believed to be the first confirmed incidence of pneumonic plague anywhere in the world for decades"[4].

ONE DISEASE, MANY CLINICAL FORMS

The natural host of *Y. pestis* is domestic and wild rodents. Transmission is usually via a flea vector – in Asia most commonly the rat flea *Xenopsylla cheopis* – to other rodents and occasionally to human beings. Humans, dogs, cats, rabbits, and other non-rodents are accidental hosts in the natural life cycle of plague[5].

Bubonic plague is the initial form developing after the bite of an infected flea, with a usual incubation period of one to seven days. It is the more common form in humans, with abrupt onset, fever, enlarged tender lymph nodes (buboes) and abdominal pain.

Secondary pneumonic plague develops a fever, rapid breathing, cough, and pneumonia within two to three days after the initial symptoms of bubonic plague. This infectious stage enables human-to-human respiratory transmission and direct acquisition of the pneumonic form – primary pneumonic plague. If not treated with antibiotics within a day of onset, primary pneumonic plague may progress to marked difficulty in breathing (dyspnea), bloody sputum, respiratory failure, and death within two to six days of initial contact[5, 6].

Thus pneumonic plague is not a separate disease, but rather a more contagious form of the same disease as bubonic plague. Bubonic plague is an infection localised in the blood stream and in lymph nodes. Pneumonic plague is, in addition, an infection of the lungs, which becomes its primary manifestation. For epidemiological purposes, the World Health Organisation (WHO) classifies both bubonic plague and pneumonic plague as one disease. Its International Classification of Diseases (ICD-9) groups all clinical forms of plague under the code 020[7], since they are caused by the same organism and are inter-transmissible. In other words, a person with bubonic plague can develop pneumonic plague once *Y. pestis* bacilli cross from the blood circulation into

the alveolar tissue of the lungs. Conversely a flea having bitten a person with pneumonic plague can transmit *Y. pestis* bacilli to infect another person with bubonic plague.

The third clinical form, primary septicemic plague reaches overwhelming sepsis before lymphatic or pulmonary manifestations dominate. If untreated, it progresses very rapidly with fever, chills, rapid heart rate, nausea, vomiting, delirium, and death within 48 hours. The fourth form, plague meningitis, is a rare late complication when bacteria cross the blood-brain barrier.

GLOBAL INCIDENCE OF PLAGUE

According to WHO surveys, plague is endemic in Vietnam, Myanmar, India, Indonesia, Zaire, Kenya, Tanzania, Lesotho, South Africa, Madagascar, Libya, the US, Brazil, Ecuador, Peru and Bolivia[5, 6, 8]. In 1992, the latest year for which comprehensive data were available from the WHO, nine countries reported 1,768 cases, of which there were 198 deaths (11.2 per cent). During 1978-1992, a total of 14,856 cases, including 1,451 deaths (9.8 per cent), were reported in 21 countries[9]. The largest previous epidemic in modern times was of over 5,800 cases of plague in 1967 in Vietnam, generally recognised to be an anomaly owing to the disruption of the rodent population by extensive chemical defoliation by large-scale US military operations during 1966-69. In Southern Vietnam, 86 per cent of all cases occurred in provinces which were heavily defoliated[8]. Thus, contrary to the impressions given in western press reports, plague worldwide was far from being an extinct disease prior to the outbreaks in Manla and Surat.

In India, plague is not only endemic, but historically has been epidemic. An estimated 10 million deaths have been attributed to plague in India during the 19th century[5]. In 1953, 78 per cent of all reported human plague cases in the world occurred in India. Cases of plague in India have been reported in nearly every year during the first two-thirds of this century. Between the outbreaks in June 1969 and August 1994, both in Beed district, Maharashtra, the country had been largely free of the disease[8]. In fact, prior to 1994, the last laboratory-confirmed human case in India was reported in 1966[9]. This fact undoubtedly contributed to the erroneous popular notion that plague was a vanquished disease in India prior to the epidemics of August and September 1994.

By limiting the clinical form under discussion to pneumonic plague, the *New York Times*' assertion that this is "the first epidemic of pneumonic plague anywhere since early in the century" avoids comparison to later bubonic plague epidemics, such as the one in Vietnam in 1967, and ignores the current prevalence of isolated cases of pneumonic plague. Even in the US among

the 10 confirmed cases of plague reported to the Centres for Disease Control and Prevention (CDC) in 1993, one was primary pneumonic, seven were bubonic, and two were primary septicaemic (including one death) [11]. Among the 11 cases in 1992, one was fatal primary pneumonic plague and the rest bubonic [12].

Thus, far from vanquished, pneumonic plague still occurs around the world - even in an industrially-developed country like the US. Even though dramatic progress had been made in bringing plague under control during the first half of this century, the number of cases in the US has been generally increasing in successive decades during the latter half of the 20th century as shown in Table 1 [11, 13-15]. Then why did the *New York Times* attempt to erroneously portray the plague as a "once vanquished disease" when panic struck Surat? There are several possible contributory explanations.

'HOLIER THAN THOU' ATTITUDE

First, the word 'plague' conjures up in the minds of most people a ghastly vision of the 'black death' as it came to be called in the 15th century when a catastrophic epidemic of the plague wiped out an estimated one quarter of the entire population of Europe. It portrayed as the first epidemic of pneumonic plague since early in the century, the drama is elevated from an almost routine notifiable public health problem to a once-in-a-century outbreak of a killer disease.

Secondly, highlighting the occurrence of plague in a stereotypically poor country like India and not in the US, where it is equally endemic and, in fact, on the rise, has the effect of setting the industrially developed countries above the seemingly 'chaotic' and 'substandard' conditions of the developing countries. This provides the pretext for developed countries and some newly industrialising countries as well, to impose travel restrictions against the spread of plague from India. But this is more likely a euphemism to embarrass a less developed country in the hopes of making the more developed look better and safer.

Sure enough, on September 24, 1994, US federal health officials announced that they planned to increase surveillance at international airports in the US to 'identify any cases among passengers coming from infected areas of India' [3]. Other countries - including Saudi Arabia, Kuwait, UAE, Malaysia, Germany - followed suit, taking still stronger actions to cut off or restrict flights from and to India. Some warned their citizens not to visit India. Of course, Pakistan lost no time to use the opportunity to embarrass India by cancelling flights and closing border crossings, citing 'public health' concerns. Ironically, many of these same countries - the US, Saudi Arabia, and most - south-east Asian countries - are

themselves endemic areas for plague. While quarantining any geographic locality to contain the outbreak of a potentially deadly communicable disease is a sensible precaution, the same measures were not taken when plague originated in the US. Health inspections were not implemented for air or ground travellers leaving a plague affected country or state within the US. Other countries neither banned flights originating from the US nor imposed emergency health screening at ports of entry.

Despite a plague mortality rate consistently higher than India's in recent times (10 per cent in the US in 1992 and 1993 versus less than 1 per cent in India in 1994), the US Centres for Disease Control and Prevention in Atlanta, Georgia, offered to send four epidemiologists and technical experts to India during the panic in Surat. The government of India accepted critical laboratory supplies, but kindly declined the offer of expertise. The pattern was repeated in 1995 when CDC's Special Pathogens Branch spent \$1.8 million to help contain the epidemic of Ebola in Kikwit, Zaire. In spite of its efforts to control the spread of the hantavirus in Brazil and Argentina, the disease managed to reach US soil. The American offer of assistance was motivated not so much by charitable humanitarianism as out of a keen sense of national self-interest. Clarence J. Peters, chief of the Special Pathogens Branch, acknowledged that his responsibility is to protect public health in the US. According to *Business Week*: "When he learns of an outbreak, he asks a series of questions. Is the problem here [in the US]? How easily can it get here? If it gets here, how easily can it spread?" [16].

Yet CDC, in analysing the public health potential of the Surat epidemic, itself admitted that "imported cases are expected to be rare" [17]. In fact, two weeks after the exodus from Surat, no imported plague cases had been detected in any other country. CDC further advised that "travellers to India and other plague-endemic countries are at low risk for infection with *Yersinia pestis*," but were nevertheless being provided with precautionary information [18].

Of all the occurrences of plague in the world in recent decades, only the outbreak in Surat elicited an international response which amounted to turning India into a pariah nation for a number of weeks. In scale and mortality, it was certainly greater than the post-earthquake epidemic in Manila (Table 2), but this could not have been anticipated at the outset of the Surat epidemic, given the inadequate public health surveillance information available at the time. The only unique feature of the Surat epidemic was that it was accompanied by public panic and a frenzied mass exodus from the city, which risked a geographical spread of the disease. This was, no doubt, the trigger - or, at least, the excuse - that set off a

worldwide panic by national authorities and the international press.

The issue here is not that screening and quarantine measures should not be undertaken to contain the spread of a potentially fatal communicable disease. Rather the decision of when to apply these measures should be based on a scientific assessment of public health risks consistently weighed against the costs and public inconvenience of specific measures. Consider that if 10 or so confirmed cases originating in the US every year are no serious public health threat, why then should a potential case arriving from India be cause for overriding alarm? There remains the distinct possibility that certain national authorities and elements of the press, particularly those in the US, bear a 'holier than thou' attitude and sought to use the epidemic to embarrass India because of unrelated political differences.

PART OF A BROADER GEOPOLITICAL AGENDA

This non-reciprocal pattern is reminiscent of the US government's denial of visas to known HIV positive foreigners coming to attend an international AIDS conference when the US itself had the world's largest known HIV-infected population. This is consistent with the attempts to attribute the onerous origin of the AIDS virus first to Haiti and then to East Africa (still scientifically unproven) rather than to the US, thus

TABLE 1. FREQUENCY OF PLAGUE IN THE UNITED STATES

Decade	Number of States Reporting Plague	Confirmed Cases of Plague	Deaths due to Plague
1900-1903*	1	119	106
1904-1913	2	211	108
1914-1923	4	121	60
1924-1933	1	47	38
1934-1943	5	14	6
1944-1953	3	9	2
1954-1963	4	12	5
1964-1973	7	41	5
1974-1983	9	175	24
1984-1993	13	125	7

* Plague was first recognised in North America in 1900.

Source: Centres for Disease Control (CDC), formerly Communicable Disease Centre.

TABLE 2. COMPARATIVE SCALE OF THE EPIDEMICS IN MANILA AND SURAT IN 1994

	Suspected Cases Treated	Cases of Plague Confirmed by WHO	Deaths due to Plague
Manila	> 1000	90	0
Surat	> 6000	272	57

Source: Agence France Presse (AFP) and Deutsche Press Agentur (DPA).

deflecting the associated notoriety from the US. Political, not public health, reasons were and still are evidently the driving force behind public health policy.

This is after all not the first time India has been embarrassed in a concerted action led by the US government, supported by a compliant press. In recent years, we may recall the intense diplomatic pressure of Russian president Boris Yeltsin to cancel the sale of dual-use cryogenic rocket engine technology to the Indian Space Research Organisation (ISRO) in 1993, the influence exerted on France to suspend the supply of fissionable reactor-grade uranium (U^{235}) to India's Tarapur reactor in 1993, applying 'Special 301' unilateral trade sanctions against India for failure to change its intellectual property laws to meet US demands in 1993, or the singling out of certain Indian fabrics for not meeting US flammability standards in 1994 when others were no better.

The purpose of these arguments is certainly not to deflect criticism from the Indian authorities' handling of the Surat epidemic. Had public health surveillance activities been sustained, the threat of a plague epidemic could have been foreseen before it happened. Once the first cases of plague had been announced, the authorities could well have calmed public fears by reassuring the population of available and precautionary measures. This could have averted panic and the mass exodus – and the pretext for adverse international reaction to embarrass India. The point is not that India should never be put on the spot, but rather that a nation with similar health problems of its own, such as the US, should not be allowed to manipulate non-political matters like public health for political ends – that is, to use distorted pretenses to boost its own standing in the world community at the expense of others.

Neither world public health nor international political standing are zero-sum games. Petty nationalisms vying for global political dominance serve no useful humanitarian end. There is ample room for all nations to correct their deficiencies, develop, and prosper on an even global playing field.

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In a Debt Trap

Kripa Shankar

Failure to generate revenues and cut non-productive, especially administrative, expenditure has led UP into a debt trap.

UTTAR PRADESH is one of the poorest states but appears to be very reluctant to mobilise resources for faster development or to take measures to increase the efficiency of investments. Per capita tax revenue in the state is almost one-third of what it is in the richer states – even backward states like M P and Rajasthan have higher per capita tax revenue. A state like Kerala which does not have a much better per capita income has a tax incidence of Rs 570 as against Rs 249 in U P.

The share of the state's own tax revenue in the total revenue receipts is constantly declining, and currently it is only 35 per cent. The share of the state's non-tax revenue has also declined to 12 per cent. The rest comes by way of assistance from the central government and share in central taxes. But as for revenue expenditure the state appears to be unmindful of its rising non-developmental expenditure. In 1995-96 the total revenue receipts are slated to increase by Rs 1,541 crore over the previous year's revised estimates, but expenditure on administrative services alone is slated to rise by the same amount of Rs 1,541 crore. Thus rise in administrative services will eat away the entire increase in revenue receipts. Interest payment is to increase by Rs 621 crore, expenditure on organs of state by Rs 121 crore. All this will be met by borrowing and cutting down capital expenditure. The share of developmental expenditure in the total revenue expenditure has been steadily declining but it is for the first time in 1995-96 that its share will be lower than that of non-developmental expenditure. One of the reasons is the doubling of the expenditure on administrative services in a single year from Rs 1,443 crore in 1994-95 (R E) to Rs 2,984 crore in 1995-96 (B E) on account of larger D A payment to employees. Within the broad group of administrative services, expenditure on the legislature, cabinet, secretariat, general services and district administration is slated to rise by six times from Rs 274 crore to Rs 1,758 crore in 1995-96 (Aya-Vyay ki Rooprekha, 1995-96, p 16).

Non-developmental expenditure on revenue account increased by Rs 2,268 crore

in 1995-96 over the revised figures of the previous year but developmental expenditure increased by only Rs 340 crore. There was an actual decline in the expenditure on agriculture and allied activities, industry and minerals and transport. It may not be out of place to mention that expenditure on agriculture and allied activities (Rs 702 crore) accounts for only 3.9 per cent of the total revenue expenditure and if the capital expenditure of Rs 9 crore is added the same comes to just 3.1 per cent of the total expenditure both on revenue and capital account. Likewise the share of rural development is 5.6 per cent, that of irrigation and power is 6.4 per cent while industry, mining and transport account for another 2.9 per cent of the total expenditure both on revenue and capital account. Thus, economic services account for 18 per cent of the total expenditure in 1995-96 as against 20 per cent in the previous year. Social services like education, health and welfare of S C, S T and backward classes account for another 21 per cent of the total expenditure. Administrative services including pension also accounts for 21 per cent of the total expenditure. Interest payment and debt servicing account for 27.3 per cent of the expenditure. Over the years it is the share of the latter two that has been increasing and now accounts for nearly half of the total expenditure.

In 1995-96 borrowing of the state government is slated at Rs 5,767 crore while interest and debt repayment is put at Rs 6,264 crore. The latter forms 108 per cent of the former. The state has now entered a debt trap.

The revenue deficit is rising rapidly – increasing from Rs 725 crore in 1991-92 to Rs 3,125 crore in 1995-96 (B E). The overall deficit (revenue and capital account) has also increased from Rs 716 crore to Rs 1,998 crore during the same period. If the latter has increased at a slower pace it is because capital expenditure is being cut down. The same has declined from Rs 6,481 crore in 1991-92 to Rs 4,910 crore in 1995-96 (B E). Capital expenditure as a percentage of capital receipts has declined from 99.9 per cent to 81 per cent during the same period. It is a

disconcerting situation that despite absolute declines in capital expenditure to the extent of 24 per cent the overall deficit has increased by 179 per cent during this period. Revenue deficit is now 21 per cent of the revenue receipts and overall deficit is 9 per cent of overall receipts. In 1991-92 the respective percentages were 7 per cent and 4 per cent. The burgeoning deficit can be met either by more borrowing resulting in greater tightening of the debt trap or by cutting down on developmental heads as neither debt servicing nor administrative expenditure can be cut. This is reflected in the declining share of economic services which declined for 32 per cent of the total revenue expenditure in 1990-91 to 26 per cent in 1993-94 and further to 21 per cent in 1995-96. Though in nominal terms there is a modest increase in the expenditure, in real terms there is a significant decline. This increase is also due to the disproportionate increase in salary and establishment charges accompanied by declining efficiency. To illustrate, the expenditure, both revenue and capital, on crop husbandry declined from Rs 451 crore in 1994-95 to Rs 369 crore in 1995-96 (B E), but the D A to the staff increased from Rs 61 crore to Rs 65 crore (Budget Paper, khand-2, bhag-2, 1994-95 and 1995-96). The salary bill of the government is only slightly less than the total own tax revenue of the state. While the latter is slated to rise by Rs 400 crore in 1995-96 over the previous year's revised estimates, the former is slated to rise by more than Rs 500 crore. There are 9.8 lakh state employees out of which 66,056 are gazetted employees. They manage to corner a big chunk of the revenues.

The inability to generate more resources and cut non-productive expenditure and improve the efficiency of investment has resulted in declining capital formation through budgetary resources. The same has come down from Rs 4,041 crore in 1994-95 (R E) to Rs 3,597 crore in 1995-96 (B E). All this cannot but affect the future growth of the state

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Biotechnology, New Global Money-Spinner

Suman Sahai

Biotechnology has come of age today and spells mega-bucks. The state of the art technology in the field is in developed countries which possess little or no germplasm. Developing countries, rich in genetic materials, have a poor technology base. Hence the attempt by developed countries to create instruments and institutions to control the genetic wealth of the world.

NOW that the subject of patents on seeds and other life forms has caught the public imagination, it is a good time to ask: Why has genetic material suddenly become enmeshed in trade discussions; why has biodiversity become the new focus of the environmental debate; why are new fora being created to bring to the global platform the question of access to the genetic resources of individual nations? Why have all these issues peaked now, in these last few years?

The reason why the spotlights are on genes and cells, the little understood stuff of science and research, is the emergence of biotechnology as a mature and so to say, ripened technology. Biotechnology which was till now confined to the laboratory has now begun to enter the market. Its handlers are not anymore just the universities and scientific institutions but increasingly the corporate sector. The raw materials of biotechnology are genes and cells and living organisms like bacteria, its tools are genetic engineering. That is the reason why genes and cells are now on the centre stage of international trade. In today's market language, biotechnology spells mega-bucks. According to the projections of several reputed institutions, biotechnology is slated to account for almost 60 to 70 per cent of the global economy for at least the next two to three decades. What is of special relevance is that biotechnology covers a span of economic sectors which is unprecedented. It will play a role in fields as diverse as mining, feedstock chemicals, energy, pharmaceuticals and of course, food. Disconcertingly, going by present trends, this biotechnology sector will be almost entirely in the hands of the 10 to 12 largest multinationals of the world.

Although biotechnology has been used by human civilisations since long in the production and preservation of foods like cheese and wine, its impact on the global economy is more recent. The effect of this new technology is perhaps most visible in the pharmaceutical industry where drug production has been revolutionised. With the advent of recombinant DNA technology

or what is popularly called genetic engineering, the last decade has seen a revolution in the methods of manufacture of those drugs that were originally obtained from animal and human tissues. Now, the genes that direct the synthesis of such compounds like insulin or clotting factor VIII have been identified and located. With the tools of genetic engineering it has become possible to cut out the gene for, let us say, insulin synthesis, normally found in the pancreas of animals, and transfer it into a strain of bacteria. Once planted inside the bacteria, the gene for insulin continues to do in the bacteria what it did in the pancreas of the pig, namely, produce insulin.

The advantages of this approach are many. Since bacteria grow very fast and quite easily in the laboratory, the quantities of insulin or any other drug they produce is several times that extracted from the pancreas, or other tissues of animals. And it works out much cheaper. This kind of genetic manipulation has become a routine method of production since 1982, when the first biotechnologically produced insulin was released on the market. The bacterial strain found most suited to act as a 'bio factory' for drug production is *Escherichia coli*, normally found in the intestines. What is being done with insulin is also being done with human growth hormone which is used to treat dwarfs, and interferon, which is a sort of wonder drug promising cures for conditions as diverse as cancer and viral inflammations. And this is only the beginning. Many more drugs are in the pipeline awaiting approval from drug regulating agencies that are rightly cautious about releasing genetically altered products.

If modern medicine has turned living organisms as a means for drug production, then super modern medicine, the medicine of tomorrow has underscored this trend in still more novel ways. The latest medical research reports that commercial production of human pharmaceutical proteins may be feasible in the milk of dairy animals. The breakthrough that the mammary glands of cows, goats and sheep can be used as effective

bioreactors has created a sensation in the drug world. Here is a procedure that places human pharmaceuticals, so to speak, on tap. The method is basically the same as what was being done with bacteria: the genes for drugs like insulin and clotting factor can be transferred into the cow or goat like they were into the bacteria, and like bacteria, these transformed animals synthesise insulin or clotting factor or interferon. The novelty in this approach is that since the drugs are secreted in milk, drug extraction is cheap, convenient and continuous. The 'bioreactor' does not have to be sacrificed in order to extract the medicine, as is the case with bacteria and in any case, with the intact animals whose tissues yield insulin or clotting factors.

The latest in this area of biotechnology are, reportedly vaccines which can be produced in plants because it is possible to introduce antibody producing genes into potatoes and peaches. It seems entirely likely that soon it will be possible to harvest antibodies for vaccines from a field. The implications are enormous for lowering the price of vaccines and opening new vistas in medical care. The profits to be earned are mindboggling.

In the plant world, biotechnology has made it possible for genes conferring advantageous traits to be brought into food and cash crops from any source. In conventional plant breeding, genes (traits) could only be transferred within related species. It was not possible for example, to take the disease resistance gene from tomato and put it into wheat. With biotechnology this is possible, and is being done. This approach can be used with effect in crop breeding. An important beneficiary could be pulses where traditional breeding methods have failed to achieve major improvements.

The growing influence of biotechnology can be seen in almost all sectors that relied on chemical processes to produce products. Instead of a chemical reaction that brings molecules together from two sources to 'synthesise' a new product, in biotechnology, the gene synthesises the product directly. The result is there are no toxic chemical wastes and biodiversity is much kinder on the environment than the chemical industry.

In the field of mining, a strongly polluting industry creating acid lakes that are hard to clean up, new bacterial strains are being discovered for bio-mining. Bacterial strains are already being tried for gold, copper and iron, and they are being discovered for other metals. These bacteria break down the ore to release the metal by 'feeding' on the ore. In bio-mining large volumes of bacteria in a culture solution are simply poured over the ore. After some time, the released metal can be collected and the digested material washed away. With biotechnology it has become

possible to exploit low grade ores which was not economically feasible with existing methods. This is of special importance to mineral-rich developing countries like India. These countries do not have efficient state-of-the-art technologies to exploit low grade ores and are therefore unable to exploit them.

Unconventional applications in various economic sectors have made biotechnology a formidable money spinner. It is the control over this technology that is being sought by the corporate giants of the world. The issue of gene and seed patents has exploded on the scene simply because the battle for the political and economic control of the genetic resources of the world has begun. This battle cannot be fought in laboratories, between scientists. Therefore, it has been brought to the trade fora where corporate gladiators can set the rules. Where trade sanctions can be used to force nations to grant access. Where a country's exports can be blocked till it agrees to conditions demanded by western nations with respect to its biological wealth.

This battle has been joined between the developed and developing countries quite simply because the genetic wealth of the world is concentrated almost exclusively in the tropical countries, that is, in today's developing countries. The biodiversity of this planet is found in the tropical rain forests, in the thousands of crop varieties in the fields of farmers of all tropical countries and in regions as disparate as the Andean mountains of South America, the jungles of Borneo and Costa Rica and the fields and forests of India and Nepal.

The developed world has the technological tools needed to convert genes to products and then to money. It does not have the raw materials. Its forests are large monocultural tracts and the diversity in its fields and forests is limited. Its agriculture is based on the germplasm of the south. So conscious is the north of the limitations of its access to genetic resources, that it has been a subject of strategy planning for a long time. J P Kendrick of the University of California at Davis which is the Mecca of agricultural research in the US, has warned that "If we had only to rely on the genetic resources now available in the US for the genes and recombinants needed to minimise genetic vulnerability of all crops into the future, we would soon experience losses equal to or greater than those caused by the Southern Leaf Blight several years ago... at a rapidly accelerating rate across the entire crop spectrum."

In order to overcome its limitations of raw material and to emerge as leaders of the commercial exploitation of genetic material, the corporate interests of the north need guaranteed and continued access to the genetic wealth located in the countries of the south. In order to achieve this, the governments of the developed countries have

dreamed up stratagems like GATT/TRIPS and the Biodiversity Convention. Undoubtedly others are being thought up to coerce the countries of the south by using their economic vulnerability as a lever against them.

The position then is that on the one hand we have the developed countries which have the cutting edge technology in the field of genetics and genetic engineering but have little or no germplasm. On the other hand are the developing countries which are the repositories of the genetic wealth of this world. In addition to this they are also the repositories of indigenous knowledge about how to use this wealth. In almost all cases the technological strength of germplasm owning countries is weak but there are a few exceptions of which India is perhaps the most outstanding.

India is one of those germplasm owning countries that also has a good indigenous technology stand. This is because the enormous investments made in agricultural research specially during the days of the green revolution created a strong scientific cadre from scientist to technical assistant. The combination of technology with germplasm, both its own, puts India in a unique position to take advantage of the field of biotechnology and emerges as a global player in this field.

There are obvious reasons for this. India is a germplasm owning country and in

South-South collaborations with other germplasm owning countries, it has access to a large range of genetic resources. It has a high technology stand available within the country and most of all it has a large repertoire of skilled manpower which makes available comparative skills at half the cost. A technician in India getting Rs 4,000 per month is about 15 times cheaper than a technician in Germany who would get at DM 2,500 per month, the equivalent of Rs 62,500. The great thing about biotechnology from India's point of view is the cost of the technology itself. Biotechnology unlike every other major technology to have developed in recent times, is not capital but labour-intensive. This is a tailor-made situation for a country strapped for cash but rich in manpower.

This combination of fortuitous circumstances is the reason why groups like Gene Campaign fight for the protection of its genetic resources. The Campaign's sustained position continues to be against patents and privatisation in this field. This is one modern technology where we can be highly competitive and should not allow ourselves to be tied up by patent laws that are not of our own choosing. For the first time since independence, India is in a position to be not just the consumer of a new technology but one of its important producers.

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Pakistan's Mini-Budget

Recipe for Disaster

S Akbar Zaidi

The devaluation of the rupee announced in October along with other measures not only shows that the central bank of the country has little influence on decisions which affect the economy, but will derail the measures introduced in the 1995-96 budget which promised higher economic growth.

IT is impossible to see any logic in the confusing and contradictory signals given in the measures taken by the government in its mini-budget at the end of October. The reasoning behind the measures is probably better understood by those who make the policies, but for the rest of us, trying to decipher the meaning of these steps, which are at cross-purposes with each other, is turning into an arduous exercise.

The government announced the following measures on October 28, 1995: (i) a devaluation of the Pakistani rupee by 7 per cent; (ii) a 10 per cent import duty on all dutiable items, except edible oil and pulses; (iii) a 5 per cent duty on imports of all non-dutiable items, with a few exceptions; and (iv) *the piece de resistance*, a 7 per cent rise in petroleum prices. Following these measures, the State Bank of Pakistan was forced to raise its lending rate by 1 per cent, to 16.5 per cent, and there was also a 1 per cent rise in the concessional lending rate for buying locally manufactured machinery which went up to 14 per cent. On their own, these measures may merit some consideration. However, collectively, they make no sense whatsoever.

Before we examine the impact of these measures, some interesting miscellaneous issues have also emerged. Over the last few weeks when rumours were rife about the imminent devaluation, the governor of the State Bank of Pakistan reiterated his claim that the rupee would not be devalued and that it would be allowed to depreciate only gradually. The conviction of the governor was so strong, that he publicly rebuked the commerce minister for suggesting that the rupee would be devalued, and asked him to stay out of the domain of the State Bank. With the devaluation decision, governor Yaqub has ended up with egg on his face.

The government's decision to devalue despite the proclamations of the governor of the State Bank, also shows that the central bank has little autonomy and authority over affairs which the State Bank ought to be accountable for. The exchange rate is announced by the State Bank each day and

this institution is actually responsible for managing the managed float. By being sidelined in one of the most important decisions which affect the country, the economy and the State Bank itself, the government has demonstrated its indifference towards the central bank of the country. So much for the effective independence of the State Bank. A third concern regarding the devaluation issue relates to the credibility of the government and its senior officials. How seriously can we take any of their claims now? By going out of their way by saying that they won't devalue, the government and its institutions were giving certain clear signals to investors and the public in general. By devaluing, all trust in such proclamations has evaporated. Hence, the post-devaluation statements saying that they won't devalue any further, have lost all credibility.

While the credibility and reputation of the State Bank, its governor and the government in Islamabad, is now suspect, the role the IMF has played in the devaluation and mini-budget decision seems somewhat at odds. Did the IMF have any role to play in the mini-budget at all? Were there any preconditions to the release of the remaining \$ 300 million which Pakistan was claiming as part of the (now abandoned) Extended Structural Adjustment Fund Facility 1993-96? If the IMF was involved, it becomes a little difficult to understand how they came up with such a contradictory package. If they weren't involved, things only get curiously and curiously!

The biggest single problem that the government faces today on the economic front, is inflation. The inflation rate in the last financial year 1994-95 which concluded in June, was officially 12.9 per cent, the highest since 1980. One would have thought that the government would have gone out of its way to curtail inflation in the current fiscal year. It did announce a target rate of 9.5 per cent for 1995-96, but most economists felt that the eventual rate would be slightly higher, around 12 per cent at the end of the year. As imports become substantially more expensive, both due to the 7 per cent

devaluation factor as well as due to the 10 per cent levy, the inflation rate will rise. Not only that, but the 7 per cent increase in petroleum prices will also add fuel to the fire of rising prices. With the inflation rate at present around 13 per cent, we can expect at rate of at least 16 or 17 per cent by the end of the current fiscal year. While the official inflation rate will probably be the highest since the days of Z A Bhutto, it would be fair to say that we will be seeing the real, 'unofficial' rate, at close to 25 per cent at the end of the current fiscal year. No attempt at fine-tuning or monetary and fiscal restraint will get the government out of this one.

One reason why inflation has been high, is because the growth rate of the economy has been low. A growth rate of 2.3 per cent in 1992-93, 3.8 per cent in 1993-94 and 4.7 per cent in the last fiscal year 1994-95 have all been substantially below the historic trend rates of 6.5 per cent in the 1980s. Again, one would have thought that the government would focus on higher growth this year by giving investor-friendly signals. The 1995-96 budget was well received because of its friendly tone, but immediately following the budget, the government raised petroleum and electricity prices. If that wasn't bad enough, the new signals given in the mini-budget are all growth-reducing. Let us see how.

Capital goods or raw material for capital goods make up 40 per cent of Pakistan's imports. Machinery on its own has a share of 20 per cent of all imports. These are positive signs which show that capital goods are being imported so as to increase production domestically. If the use of imports is for productive and investment purposes, the overall growth rate can rise despite a deterioration in our balance of trade. However, the steps which the government announced on October 28 will have serious negative effects on growth in Pakistan.

Machinery will be more expensive due to devaluation and the import surcharge, so importers and investors may not be willing to invest. The cost of production will go up due to these factors as well as due to the petroleum price increase. Furthermore, the rise in mark-up rates raising the cost of capital is yet another constraint to investment growth. Despite an expected bumper cotton crop, the measures taken by the government after the budget for this year, all suggest, very strongly, that the growth rate will be well below the 6.5 per cent target for the current year, and we may experience a fourth consecutive year of lower than trend rate.

Devaluation is a mechanism used to increase exports by making them relatively cheaper. On its own, the measure may do

just that, but with the mixed bag of policies announced recently, all advantages will be lost. A higher duty on imports means that raw material for our exports will be costlier increasing the price of exportable goods. The price rise in petroleum will result in an overall increase in prices affecting production costs, hence making our exports more costly. Thus, the price advantage which we may have gained due to the devaluation will quickly be dissipated by the subsequent substantial price rise in the economy. The net effect on the balance of trade may well be negative as exports fall and the price and value of imports rise.

The 1995-96 budget announced in June this year pleasantly surprised most people as it was investor-friendly, targeted inflation, and promised higher economic growth. Interventions by the government since July have nullified all positive expectations. The measures taken by the government will discourage investment due to the high cost of imported machinery and raw materials,

and due to the higher cost of capital. Inflation will rise to probably the highest level since the notorious early 1970s. And, the growth rate will fall well below the targeted 6.5 per cent for the year, despite a likely bumper cotton crop.

The incumbent government in Islamabad has survived many a crisis. It continues to ward off the fall-out from the increasingly brutal political and economic situation in Karachi. It has 'won' the Punjab politically. It has even dealt with IMF demands and kept it at bay. However, one wonders if the recent economic measures announced in October by the government may finally prove to be its own undoing. If that were to happen, one can be sure that there will be great joy across the land. People will be eager to see the fall of a government which will best be remembered for the largest number of foreign trips ever by a head of government, and for the highest inflation rates and lowest growth rates in two decades and, for little else

conservative elements in the contemporary political culture.

What is equally interesting is the way he extolled the organisation of the vast American army as a social institution similar to the family. In a recent interview, he said, "The Army became my other family. I liked being a soldier, and I liked the idea of being in a service. I believed and still believe there is something noble to it." This is not meant to be a criticism of Powell, but an illustration of the change in the political mood and rhetoric from the 1960s to the 1990s. The change in the views of the army and race relations which were dominant in the 1960s deserve attention as a context of Powell's statement.

The relationship between the blacks and the US army has been complex, like other institutions of the society. Blacks were recruited during the civil war by the Union Army and it is estimated that several thousands donned army uniforms, half of them saw action on the battlefield. But, they were segregated. The segregation in the US army continued until 1948, three years after the second world war by an order of president Truman. It was not effectively implemented until 1952, during the height of the Korean war.

Black recruits in the American defence forces today enjoy not only the relative lack of discrimination compared to other segments of the society, but they also benefit from a special form of social welfare benefits granted to soldiers, such as health coverage, pension, financial aid for education and possibility of economic mobility through defence-related establishments. Ordinary blacks joining what is described as 'free enterprise' sectors of society are unlikely to get similar benefits as easily as in the army. According to several studies, in proportion to the overall population size, the number of blacks employed by the defence forces is quite high. The reason, some scholars argue, is the opportunities for job available in the defence forces are higher than in other areas of life. With cuts in the defence personnel budget, this area of opportunity will shrink.

The decline in the rhetoric of radical politics of the 1960s must, also, be seen in two other perspectives. One is the increase in the number of the black middle class who face the dilemma of emulating the lifestyle of their class which consists mostly of the whites and distancing themselves from the lifestyle of those whose racial identity they share. While rejecting the white assumptions of racial superiority, many blacks in this group accept white middle class cultural standards and frequently form institutions parallel to the manners and mores of the dominant white majority. Advertisements and feature articles in some black-run

Black Politics in US Shift in Political Mood

Robi Chakravorti

The emergence of Colin Powell in US politics indicates decline of radical black politics and rise of middle class blacks in the country.

THE emergence of general Colin Powell, the first black chairman of the Joint Chiefs of Staff of the American military, in the political arena as a prospective presidential candidate can be seen as a crucial point in the shift in the political atmosphere since the turbulent 1960s. In the 1960s, terms like 'military-industrial complex', 'neo-colonialism' and 'racism' used to dominate the rhetoric of discussion; now, these terms have lost their punching power. Even if these terms are used, they are subordinated to the notions of the US as a Super Sam (to quote a phrase historian Toynbee once used), a relatively stable democratic cosmos in the midst of worldwide autocratic chaos.

General Powell's military role involved various acts of US intervention abroad, such as Vietnam, Panama and the Gulf war. President Reagan made him a national security adviser before he was named the chairman of the Joint Chiefs of Staff in 1989. With the decline of the radical political mood and rhetoric of the 1960s, it will be difficult to label Powell as a part of the

'military-industrial complex' today. Since his recent moves to enter the arena of presidential politics, he was described by some journalists as a potential 'Black Dwight Eisenhower'. The analogy is interesting. Eisenhower won fame by leading the war against Adolf Hitler. Powell can provide an image of fighting the little modern-day 'Hitlers' in Vietnam, Panama and west Asia. It is relevant to recall in this context that president Bush once described Saddam Hussain of Iraq as a Hitler. From this viewpoint, Powell can be presented as a longtime defender of 'national interest', a phrase frequently used in articles defending the American foreign policy of intervention.

Powell, in a recent interview, extolled his own family values relating his contact with extended family members. 'Family values' constitute an important part of contemporary political rhetoric of conservative forces. It is used often to criticise the blacks for lacking family values. Powell can be presented as an exception on this matter which will endear him to the

periodicals such as *Ebony* and *Jet* reflect straight imitations of the white middle class dominated consumer society. If the radical writer of the 1960s, Frantz Fanon were popular today, one could call this section of the black middle class as people of 'Black Skin, White Masks'. This was the title of his book published in English translation in the 1960s.

One American writer put the upwardly mobile black middle class dilemma as a conflict between 'the college boys and the corner boys', hinting at the street corner gangs in slum-areas which the middle class blacks were able to escape, but where the majority of the black population still live. This aspect of the middle class blacks' consciousness has been variously described in sociological terms as 'cultural schizophrenia' or 'structural pluralism'. In simple language, among the middle class blacks there is strong trend towards behavioural assimilation with the whites, but there is a lack of complete social integration with them. They are, at the same time, separated from the slumdwellers of their own race.

This aspect of the complex situation of the blacks can be seen in the context of a long-standing conflict between two outlooks or ideologies which had split up the black leadership and social movements in the past and is likely to be revived in contemporary times. One outlook can be called 'conservative-accommodationist', the other, 'radical-separatist'. The first type was represented by Booker T Washington, the other by WEB Du Bois. They were important figures at the turn of the century. Their different viewpoints, however, can see a reincarnation in the 1990s.

Booker T Washington, himself born a slave, saw the promise of the blacks in developing the puritan ethic of work and practicality. His model was of the 'responsible and reasonable' Blacks. He was unwilling to support agitational movements and to make direct attack on the whites for segregation. In a speech delivered in Atlanta he advocated a kind of live-and-let-live kind of pluralism, which historians describe as 'Atlanta Compromise'.

Washington's vocal critic was Du Bois, a Harvard graduate and professor at Atlanta university, who set up an all black organisation to oppose Washington's approach. Du Bois supporters' militant approach led to the foundation of the famous black organisation, the 'National Association for the Advancement of the Coloured People' (NAACP) in 1909 with the goal of fighting for the black people's "constitutional rights and the undeclared aim of curbing Booker T Washington's power". Du Bois shifted to the extreme left in the last part of his life, became a member of the

communist party in Ghana, Africa, where he went to live and died at the age of 93.

To understand the political posture of Colin Powell, one must place it in the context of the history of these two ideologies and the emergence of a sizeable black middle class which coexists with the increasing gap between the rich and the poor in the US and the worsening of the economic condition of the poor blacks.

The radical tradition among the blacks, however, is not dead. Jesse Jackson is still active; he recently organised a demonstration in Berkeley, California campus in support of Affirmative Action programmes. Black Nation of Islam leader, Louis Farrakhan, in a speech in the poorest black neighbourhood in the nation's capital, Washington, DC, proposed a 'million-man march' in the capital. The black community is ripe for a renewal, he said in his speech.

The liberal elements in the Democratic party, threatened by the electoral success of the Republican party tend to avoid the radical leaders of the black population. Farrakhan, in particular, is strongly disliked by the powerful Jewish lobby, and Democratic party politicians have to be careful about associating with him. President Clinton is seen rarely in company of Jesse Jackson. Some of the radicals of the 1960s have, also, changed their political colour. Film star Jane Fonda, who actively protested against the Vietnam war, is now wedded to a billionaire media czar and makes money selling a highly popular physical exercise manual.

The influence of the media is another factor that must be taken into account. As one watches the news about Africa and the third world, an average American's viewpoint is likely to be influenced by the fear and dislike of chaos and indiscriminate killings in various parts of the third world and a concomitant feeling of comparative advantage he enjoys. The rush of illegal immigrants from Mexico often appearing in media reports and political debates is prompted by the demand for cheap labour by American businessmen. But, instead of raising class consciousness, these reports may strengthen the feeling of comparative advantage which the majority groups will support in the name of strengthening the superiority of America's national image.

This factor is figuratively supported by Powell's statements narrating the history of his family's immigration from Jamaica and the success he achieved through hard work and opportunities of mobility which cannot be found in other countries. One can describe this approach as a new subtle theory of comparative advantage extolling a modern version of the Weberian concept of Protestant Ethic fostered under American socio-economic condition.

The dynamics of ideological conflict and changes that have affected black consciousness can be figuratively described by comparing Colin Powell with Marcus Garvey, the leader of the radical 'Black Zionist' movement in the first decade of the century. In the recent autobiography, entitled, *My American Journey*, Powell claims that his personal success story shows the US as a land of opportunity for people with spirit of enterprise.

Radical Marcus Garvey, also a Jamaican immigrant held a different view. He claimed that the advocates of racial integration were naive in their expectation of winning concessions from a fundamentally racist society. He advocated a separate development of the blacks and in time, a return to Africa, the 'Black Zion'. He was popular in early part of his career. He gave the blacks a banner of red, green and black, red representing the blood shed by blacks, green hope and black the skin colour. This banner was used by the black radicals in the 1960s. Garvey, however, lost his political clout and was deported in 1927 as an undesirable alien.

The radical legacy in the black movement since the 1930s took practical, goal-oriented grass roots forms of social movement culminating in the Southern Christian Leadership Conference led by Martin Luther King in 1956. The legacy of this tradition among the blacks is not dead as illustrated by instances of Jesse Jackson and Louis Farrakhan. But, their power is limited since they are deliberately neglected by the major political parties and powerful lobby groups. Moreover, the political atmosphere in the country does not seem to encourage the emergence of massive grass roots movements as in the 1960s.

Colin Powell as a black leader can win support of important sections of the two ruling parties, conservative 'America-first' nationalists because of his outstanding role in the army in defence of 'national interest', sections of the black middle class and new immigrants, and powerful lobby groups. The last is extremely important since expert media exposure is essential to promote popularity among the voting sections of the population. Powell has turned into a welcome lecturer in political gatherings of different groups, mostly corporate ones. He received six million dollars in advance for his autobiographical book. He goes around telling stories of his own life and his parents' struggle in his childhood days and how their lifestyle inspired his work ethic. Ironically, as one journalist pointed out in a recent article, he tells this "wonderfully American story for the equally wonderful American price of around \$ 60,000 a lecture".

From Victim to Agent

Memories of Emergency from a Resettlement Colony in Delhi

Emma Tarlo

Literature about the emergency tends to portray the intellectual as the emotional sufferer, the bureaucrat as the active participant and the poor as the passive victim. Such stereotypes are dangerous for they seem to mask the most frightening aspect of the emergency regime – its ability to draw all kinds of people, through fear, into participation. To ignore the active role of the thousands of men and women who competed for plots in the resettlement colonies of Delhi is tantamount to denying the generality and diffuseness of the power of the state as it seeped into the corners of everyday life, inviting strange and unnatural responses.

CRITICAL literature concerning the historical and political significance of the emergency (1975-77) in India has tended to focus on four main categories of participant: the leader, the bureaucrat, the resistor and the victim. While the first three types of participant are remembered in terms of the active role they played in the emergency, the victim, when not portrayed as resistor, is seen as the passive recipient of direct physical state abuse. Important though these categories are to our understanding of emergency, the aim here is to highlight the role of another category of actors found, in particular, in Delhi. Like all members of Delhi's urban poor these other actors were the main targets of the demolition and sterilisation drives that became such important features of emergency in the capital. They include 'rickshaw-walas', sweepers, peons, labourers, craftsmen, 'kabadiwalas', street vendors and poor housewives, all of whom can be considered the direct victims of emergency. But in calling them victims, it should be recognised that their participation was not, by any means passive. Unlike those who were forcibly sterilised, murdered or abducted, these were the people who actively contributed to government schemes; sometimes with reluctance, sometimes with indifference and sometimes with enthusiasm. In highlighting their particular predicament the aim is to analyse the process by which they were tempted to participate, and ultimately perpetuate, the state regime. The two main projects in which they were active were the Delhi Development Authority (DDA) housing policies and the family planning policies, both of which intruded deep into their domestic and personal lives. These two

policies, though conceived separately, at times functioned in unison, trapping their victims at the vulnerable point of intersection. For those caught in the middle, there was only one way of lessening the impact and that was by diverting the effects of one policy through participating in the other. This became a common survival strategy, but one which often involved the transfer of victimhood onto friends, neighbours and total strangers in the effort to save oneself. This set rolling a process of co-victimisation whereby the obvious targets of emergency also became active agents in the search for yet more victims. How this process came about, and how it related to market forces are the two main themes examined here.¹

Despite the passing of two decades it is not difficult to meet the people who were once the primary physical targets of emergency policies in Delhi. Many live in the various resettlement colonies that line the outer edges of the city. It was here that the interlocking of housing policies with family planning policies was at its most explicit. This was true both in the early resettlement colonies established in the 1960s and in the 27 new colonies established during emergency itself.² This study is based on the particular experiences of people living in East Delhi in a trans-Jamuna colony known as 'Welcome' (Seelumpur Phase III and IV).³ Like other resettlement colonies, Welcome houses people from all over Delhi and in this sense can be considered representative of a wide range of different Delhi experiences. Some inhabitants had been living and working as craftsmen, vendors, factory hands and rickshaw pullers in Old Delhi when their homes were demolished and they were

'resettled' during emergency; others had been working in building sites and commercial centres in New Delhi while yet others were already located in the colony and its environs when emergency was declared.⁴ Since the colony was initially established back in 1963, it provides interesting insight into the nature of the different problems faced by those already settled in the colony and those who joined it during the emergency years. But before examining their experiences, it is necessary first to outline the structure of the family planning policy, the housing policy, and the process by which the two became interlocked in Delhi.

The structure of the family planning scheme which, by February 1976, had become part of Sanjay Gandhi's four-point (and later five-point) programme⁵ is well known. In Delhi the force of the scheme lay in its centralised grip not only over government institutions: schools, colleges, hospitals, police stations, transport bodies and all offices of the Municipal Corporation of Delhi (MCD) and DDA, but also over private industries, civic bodies, traders, shopkeepers, cinema halls and, to some extent, even trade unions.⁶ By April 1976, it had become clear that the main thrust of the programme was not that people should plan their families but that they should cease to reproduce altogether once they already had two children. This was to be achieved through the quick and relatively easy operation of vasectomy and, to a lesser extent, tubectomy.⁷ What rapidly emerged was a pyramid of pressure for sterilisation, headed by Sanjay Gandhi flanked by members of the 'Family Planning Motivation Committee',⁸ with the heads of government offices, civic bodies and major industries a little below. Situated further down the pyramid were senior employees, followed by their juniors until, at the bottom was the low income workforce: peons, cleaners, coolies, gardeners, delivery men and transporters. The intention was to create a structure of motivation which was to function through an elaborate package of 'incentives' and 'disincentives'. Heads of institutions were provided targets for sterilisation and were instructed to recruit their victims from their staff. They were threatened with 'severe consequences' if they failed to meet these targets and promised substantial increments and rewards if their efforts proved successful. And it was through this same structure of threats and rewards that the pressure worked its way down the human chain to the bottom of the pyramid where unskilled workers who had more than two children found their

salaries withdrawn until they got themselves sterilised. While the pressure for sterilisation worked from the top downwards, the accumulation of cases worked from the bottom up. If a lower level official could boast that he had motivated 50 cases, then his superior would be able to accumulate around 300 cases, and the head of a large institution might be able to boast 1,000 cases. Rewards, in the form of cash, promotions and increments would then be duly distributed, providing people with a further incentive to motivate yet more cases in the hope of outdoing rival officers, institutions or companies, and reaping further benefits. These institutional pyramids, when slotted together contributed to the achievements of the union territory. Meanwhile individual states were left to raise their own targets and exceed them by almost whatever means they could, thereby creating an atmosphere of inter-state competition. Delhi, as the capital, was to set a spectacular example. In the year 1975-76 it more than doubled its target of 11,200 sterilisations, and in 1976-77 it more than quadrupled its target of 29,000,⁹ thereby achieving a record of 1,38,517 sterilisations (477 per cent of the target).¹⁰

There is no doubt that the pressure in government institutions, though intense throughout the system, accumulated most at the bottom of the hierarchy where those with no one beneath them could not gain merit by motivating inferiors but could merely save themselves from unemployment by submitting their own bodies to the operating table. Of the people interviewed in Welcome, all the men with more than two children who were working in the MCD — a mixture of sweepers, water supply men, demolition workers, construction workers, carpenters and gardeners — were sterilised (or occasionally had their wives sterilised) under the threat of losing their jobs. The same was true for all those employed by the DDA and Delhi Electricity Supply Undertaking (DESU).¹¹ But the fact that the pressure dug deepest into the bodies of the unskilled labour force, should not deceive one into thinking that its members did not actively participate in the very system of motivations and rewards that oppressed them. For, the pressure to motivate others for sterilisation extended into every domain both inside and outside the work place and at every level of the socio-economic strata. So too did the system of rewards and deprivations. And it was when these 'incentives' and 'disincentives' became framed in terms of land and property that the family planning programme and the DDA housing schemes joined hands.

Urban development policies in Delhi during emergency were built around the notion of clearing, beautifying and imposing

order on the city. These objectives were to be obtained by three major plans of action: demolition, resettlement and planting trees. Unauthorised property all over the city succumbed to DDA and MCD bulldozers leaving over 1,00,000¹² families displaced. The vast majority of these were either slumdwellers or long established residents of the congested Old city which was scheduled for massive clearance and redevelopment. These populations were shifted in trucks to resettlement colonies on the outskirts of the city where most were allocated small plots on which to build new homes. As vast sections of the urban poor found themselves relocated on the edges of the metropolis, their demolished territories were either levelled for new development or were converted into park land and planted with trees. Where there was insufficient space for such ecological imperatives, the remaining buildings were spruced up and the area declared beautified.

Whilst it is impossible to ignore the parallels between the sterilisation drive and the demolition drive both of which seemed to function to remove the urban poor, if not obliterate them from the city centre, it should also be recognised that the two policies initially functioned independently with the latter taking the lead. This meant that during the first 10 months of emergency all of the people whose homes were demolished had the right to a DDA plot without having to prove their participation in family planning. By the summer of 1976 the situation had changed. The DDA, having already accumulated sterilisation cases from amongst its staff, began to extend its family planning objectives into the public domain. This is done by making family planning, and in particular sterilisation, a criterion for the right to DDA housing. Flats, plots, tenements and loans became officially denied to those with more than two children who were not sterilised whilst those with less than two children had to sign a declaration promising to limit their offspring to two. To those already living in DDA property who had more than two children the DDA announced its plans for eviction, whilst to those who got themselves voluntarily sterilised the DDA offered priority allotments of new or existing housing facilities [Dayal and Bose, appendix pp 212-15]. An order issued by the Delhi Administration (M and PH Department) on May 15, 1976 clarifies the objectives. Under the heading 'Provisions for the General Public' it reads: "Allotment of houses, flats, tenements, shops and plots in all income groups... will be made only to 'eligible persons' or eligible couples... An ineligible person can become eligible on production of the sterilisation certificate in respect of him/her or his wife or her husband from

the previous authority' [Dayal and Bose p 223].

By incorporating the family planning policy into its housing policies the DDA had effectively trapped thousands of Delhi citizens into sterilisation. This trap was deepest for those citizens whose homes were being demolished on the outskirts of the city. As summer temperatures gave way to the hostile monsoon months,¹³ the need to have some form of shelter was an obvious imperative, but with demolition squads all over the city it was impossible to squat temporarily on unauthorised land. Some of the displaced citizens from inner city areas were still able to obtain plots purely on the basis of demolition slips, whilst others took shelter with relatives to tide them over for this harrowing period, but for 'jhuggi' dwellers living in and around resettlement colonies, the situation was more difficult. Their relatives were either in their villages of origin or, like them, displaced from demolished jhuggis. For them the only official way of remaining in Delhi was by getting sterilised through the rapidly emerging DDA family planning motivation camps. It was essentially a choice between sterilisation or homelessness. Through examining the reactions of those who obtained plots in Welcome it is possible to gain insight into how people coped, and to some extent, circumvented this choice.

WELCOME: A RESETTLEMENT COLONY

Although Welcome was to take its current shape during the 20 months of emergency, it is not a direct product of the emergency period. It was initially developed under the Jhuggi Jhompri Removal Scheme (JJRS)¹⁴ way back in the 1960s when slumdwellers were offered plots in exchange for their demolished jhuggis.¹⁵ To be entitled to a plot a person had to be in possession of a demolition slip and an allotment slip (sometimes combined) which acted as proof of their authenticity and entitlement. What they got in return was a temporary 25 sq yd¹⁶ 'camping plot' or 12 sq yd 'commercial plot' for which they were charged a nominal licence fee. Some wealthier residents soon transferred to built-up tenements on a rented basis, but the rest of the population either made do with simple plots or left the colony. By the mid 1970s there were 2,551 residential plots in Welcome of which approximately 75 per cent were in the hands of the original allottees with the remaining 25 per cent either abandoned, rented, squatted or purchased by new comers.

How did the DDA's emergency policies affect the development of the colony? The most obvious effect was that an additional 1,483 plots were provided for incoming

residents. These residents consisted of people whose homes had been destroyed in the new demolition drives throughout the city¹⁷ as well as tenants from nearby areas and people transferring from other resettlement colonies further afield. Those who were 'fortunate' enough to have their homes demolished in 1975 were allocated plots on the simple basis of demolition slips but for many of those entering the colony in 1976 as well as those already living in the colony without allotment slips, the situation was more complicated. They soon found themselves trapped in the new double bind initiated by the DDA's intensive participation in the family planning scheme. What this actually meant varied considerably according to a person's particular situation, but the main thrust was that without a sterilisation certificate a family risked losing its right to both property and space: those whose homes had been or were being demolished in and around Welcome were barred from getting new plots, whereas those who had purchased or rented accommodation in the colony were threatened with eviction. By contrast those who produced a sterilisation certificate could obtain plots, regularise unauthorised structures, transfer from other colonies, obtain loans, transform residential into commercial plots and do all manner of things which were usually unattainable. But the one problem was that in order to do these things a person had to get sterilised. Or so it at first appeared from the DDA statement that a person must produce a sterilisation certificate "in respect of him/her or his wife or her husband". But on further scrutiny there is an ambiguity in the wording of the document, an ambiguity which was to offer the seekers and savers of plots an alternative path. When the document states that the certificate should be 'in respect' of the husband or wife, what does this actually mean? Does it mean that it is the husband or wife who must get sterilised and produce their own certificates or does it mean that as long as either the husband or wife registers a sterilisation certificate then the transaction is valid? In theory it meant only the former in practice it very clearly meant both. This gave vulnerable people two alternatives to homelessness: either they could get sterilised submitting their own certificates, or else they could produce someone else's certificate which acted as proof that they had 'motivated' the latter. It was, of course, an extension of the system practised in government institutions in which it was the motivators rather than the motivated who reaped the choicest rewards. And it was this possibility of motivating the other that was to invite the process of co-victimisation as many chose to transfer the pressure for sterilisation onto those more vulnerable than themselves. As

one man in the colony recently put it, "it was like sacrificing others to get benefits for themselves".

Before turning to the personal experiences of people in the colony, it is helpful to get an idea of the number of people involved. Of the 3,459 personal files available¹⁸ concerning plots in Welcome, a total of 975 (28.1 per cent) of them contain a document called the "DDA Family Planning Centre Allotment Order". These orders bear witness to 1,098 operations of which 506 (46.1 per cent) were 'motivated', 486 (44.3 per cent) were 'self' and 106 (9.6 per cent) remain unspecified. The number of operations exceeds the number of allotment orders because in some cases the DDA extracted more than one case per plot out of the motivators. These figures do, of course, represent only properly related cases. To obtain the total number of operations performed on the residents of Welcome one would have to double, if not triple these amounts.

The DDA Family Planning Centre Allotment Order is a small slip of paper containing a matter of fact list of required information: the applicant's name, father's name, age, number of children, address, 'date of voluntary sterilisation' and 'nature of assistance claimed'. Flicking through hundreds of such orders in file after dusty file in the offices of the Slum and JJ Department, one gets a picture not so much of violent abuse but of a frighteningly mechanical bureaucracy whose very efficiency seems to mask the fact that it is dealing not in lottery tickets but in human infertility. Under point 5, demanding the date of the 'voluntary sterilisation' the DDA official notes either 'self sterilisation' or 'motivated case'. In the former instance he fills in the applicant's name, sterilisation number and date of operation; in the latter case he includes the same details but this time concerning the motivated person or persons. This leads to point 6, 'nature of the assistance claimed', opposite which the DDA officer generally writes one of the following: 'allocation of residential plot', 'regularisation of residential plot', 'regularisation of commercial plot', 'transfer of plot in applicant's name' or 'transfer from... colony' and so forth. Occasionally one comes across an unusual case such as a Hindu woman regularising an unauthorised temple by getting sterilised, but even this is made to seem unremarkable through the starkness of the statement: 'regularisation of religious plot'. Finally the order is signed or thumb printed by the applicant concerned and handed over to the local DDA Executive Officer, then K K Nayar, who personally signed and dated every order. Once processed, the slips are slashed in blue biro

and a comment added to the effect that the incentive has now been used up. This was to prevent the same allotment order being used twice.

It is not difficult to draw a profile of the people who submitted their own bodies for self-sterilisation. They were, on the whole, the poorest of the colony who could not afford to motivate others but who wanted either to save their homes from confiscation or to obtain a plot. As one old man put it: "We would not have got sterilised ourselves if we had had the money to purchase cases". In spite of having listened to many of their accounts as to how they came to have the operation, my aim here is to focus, not on their experiences, but on the predicament of those who decided, for whatever reason, to motivate others. For it is they who, by transferring the burden of sterilisation onto friends, neighbours and total strangers, became co-victims of the emergency regime. Through their experiences we can trace the process by which the family planning programme developed into a warped but profitable trade which lured ordinary citizens into active participation. We can also get a clearer sense of the logic and reasoning that enabled these participants to perceive this blatantly abnormal trade as acceptable and even desirable at the time.

Let us begin by tracing how people in Welcome set about trying to motivate others. It certainly was not through convincing them of the benefits of family planning. Since both the motivators and the motivated were almost unanimously opposed to the operation,¹⁹ the terms of persuasion had to lie elsewhere. Some turned to their immediate families where loyalty and sacrifice were easiest to find. In Welcome there were a few cases of husbands motivating wives, wives motivating husbands, brothers motivating brothers, sons motivating mothers and fathers. It is likely that these were not monetary transactions but cases of family members pulling together to help each other either to increase or to save their collective property. The most common permutation is that of sons motivating their fathers. In this case a young recently married man living in a joint family could succeed in obtaining a separate plot for himself, his wife and child by persuading his father to get sterilised. Since it was the son who was the motivator, it was he who claimed the reward, whilst at the same time retaining his own fertility. Meanwhile his father, who was probably nearing the end of his child-producing years, did not lose too much by having the operation. Similarly in cases where a family had already spread its territory through purchasing a second plot this same technique could be used to save the purchasers from eviction. Since no one was entitled to have more than

one plot registered in their name, the system of motivations provided a useful means by which a family could expand and legitimise its right to more property. This could, of course, be considered a form of 'family planning' but one which had very little to do with birth control. It throws light on the fact that for those registering cases with the DDA, sterilisation generally had much more to do with property rights than with trying to limit the size of the family.

As long as motivators found their motivated from amongst their own families, then the system of motivations retained a personal element. But such cases were comparatively few. Of the motivated cases documented in the files in Welcome, only 11 record motivations within the nuclear family. Even bearing in mind the fact that when a man motivated his married sister, as I was told sometimes happened, it was not recorded as a family affair, we can still conclude that motivations within the immediate family were relatively rare. This meant that it was necessary to find one's victim amongst more distant friends and relatives, but since they too were probably in need of sterilisation certificates, they were not necessarily ready to comply. Furthermore there was something awkward about persuading one's own relatives to face the knife, particularly for Muslims most of whom considered sterilisation a grave sin.²⁰ It is quite possible that for some families, the motivation option provided a means of establishing or resolving longstanding family debts. But conversations with people in Welcome suggest that the vast majority preferred to find their victims elsewhere. Once the search began outside one's own friends and relatives, the choice of victims was greater but the motivational factor was no longer sympathy or emotional blackmail but cash.

The government was offering people tins of ghee, electric clocks and a cash incentive of between Rs 75 and 90 for having the operation. This meant that a potential motivator had to be prepared to offer considerably more. For private employers there was an easy way out: motivate your staff under threat of dismissal. But the majority of people in Welcome did not have any staff and had to find their victims amongst people as poor or poorer than themselves. A few such candidates could be found within the colony, living mostly in those 1960s blocks that were inhabited mainly by scheduled castes. Here it was possible to find people who were willing to undergo the operation in exchange for offers of cash. Being too poor to raise 'pakka' constructions on their existing plots, they were not interested in obtaining more land and were therefore more attracted by offers of money than plots. But such people were in a minority

and finding them directly was a difficult and awkward process involving much searching and bargaining. Furthermore it was a process which must have soured relationships within the colony as each scanned his neighbour's 'guli' in search of a potential victim. An ironing man who found that his authorised 1960s plot had been regularised in the name of a squatter who had taken it by force during his absence, told me of the many difficulties he had faced in trying to find someone to motivate. Having three small children and full financial responsibility for his family, he was frightened of getting sterilised himself lest he should be weakened by the operation. On the other hand he needed a plot to replace the one that had been seized from him by force. Scanning the colony, he was unable to find anyone willing to be motivated for less than one thousand rupees which was way beyond his meagre capacity (probably at least four times his monthly salary). In the end he had to abandon the search altogether and has been living on rent ever since whilst his original plot has remained in the hands of the impostor who got himself sterilised in order to transfer ownership rights to his own name.

But there was a simple way of avoiding the sordidity and embarrassment of having to find a person for sterilisation, and that was by obtaining the potential victim indirectly through a 'dalal'. Such dalals were easy to find since they hung around in droves outside the family planning camps, and sometimes even came door to door offering their services. They found their victims mainly outside the colony amongst pavement dwellers, beggars, labourers, rickshaw pullers and villagers. Once outside the vicinity they were in a good position to obtain cheap sterilisations and to sell them at competitive rates back in Welcome. For the motivators, not only were the cases they purchased through dalals as cheap if not cheaper than direct motivated cases, but they had the added advantage of reducing the human contacts since all the arrangement and financial transactions were done by the dalal. The motivator would simply accompany the victim to the hospital in order to be sure that he did not escape or try to run off with the sterilisation certificate.

In order to comprehend the circumstances that led people to approach such dalals, let us examine the predicament of a kabadi wood merchant in the colony. He had been allocated a plot after the demolition of his jhuggi in Matka Pir (New Delhi) in 1972. He had since purchased a second plot in the colony and it is this plot that he stood to lose during emergency. Government officials accompanied by local goondas came to his door giving him an ultimatum: either he was to hand over the documents of purchase, or else he was to get sterilised or 'give a case'.

As a Muslim he considered sterilisation sin against god and was also convinced of its negative effects on the body. This left him with only two options: either he was to hand over his documents, thereby losing both the plot and the structure he had raised on it, or else he could pay a dalal the sum of around Rs 500 in order for the latter to purchase a case on his behalf. Had he himself been faced with the direct task of finding a person for sterilisation, the kabadi man may well have hesitated or even chosen to renounce his plot. But with a dalal to do all the intermediary work, the choice of action seemed obvious: of course it made sense to pay for a case and save his property. Like many other 'motivated' people, the kabadi man's victim was a villager who had fled to Delhi to escape sterilisation in his village. The kabadi man, speaking 20 years later, recalls: "The person who got sterilised for me had escaped from a village called Mehwa in UP. His buffaloes had been captured by the 'patwari' and 'amin' with the help of the local police, and he was threatened that, if he didn't get sterilised, his land and house would be confiscated too. So he ran away from his village and came to Delhi thinking that if he had to get sterilised then he would rather do it here where the doctors were better and where he could earn some money for having the operation." Asked about the victim's age and whether he had children the kabadi man answered: "He was a young man... I think he must have had children but I cannot say for sure." Then, with a ironic laugh, as if suddenly struck by the brutality of his own vagueness, he added "You only thought of yourself at that time!" The money he had paid went directly into the hands of the dalal, and the kabadi man never knew how much of it was seen by the person who got sterilised. Neither did he need to think too much about it. The victim had disappeared out of his life on the same day he had entered it, and the kabadi man need never see or hear of him again. There are many people in Welcome who, like the kabadi man, accepted the services of dalals either to save their purchased or rented plot or to obtain a plot to replace their demolished jhuggis.

The personal contact may have been reduced by dalals finding victims outside the colony and bringing them to purchasers inside the colony, but it was not altogether eliminated. There was still that awkward moment when the motivators had to meet their victims in person and accompany them to the hospital. The fact that two decades after the event, the kabadi man can still remember details of the villager he 'motivated' suggests that he had not been able to ignore the poor man's plight altogether. But the risk of rousing uncomfortable emotions in the minds of

motivators was soon to be minimised yet further by dalals offering sterilisation certificates directly for sale. Once a motivated person had been taken to the hospital by the dalal and made to renounce his certificate, there was no need for the motivator to suffer seeing him at all. So by eliminating awkward factors such as the age, identity and situation of the victim, the dalal was able to reduce the transaction to a purely monetary affair. The motivator need not worry whether his victim was unmarried or not; he was simply purchasing a piece of paper for which he would bargain as best he could. This left dalals free to obtain the valuable certificates by whatever means they could whether directly from victims or from other agents such as shopkeepers, other dalals and the local police. The elimination of the human element was therefore liberating both for the motivator and for the dalal, making the sterilisation certificate just one more commodity on the black market. And like all black market products, sterilisation certificates had histories which were best left buried as they passed from one person's hands to another.

To get an idea of the dubious means by which such certificates were sometimes obtained, I turn to the account of a factory worker who was living in Old Delhi until he got sterilised for a plot in Welcome. He gave a description of how shopkeepers in Old Delhi used to connive with members of the local police in order to extract cases in the area where he worked: "It happened like this; the shopkeepers would give information to the police concerning local labourers, telling them who were the ones who were homeless or slept outside in the streets since these were the easiest targets. The police would then arrest these people and keep them in the police station over night. The next day, the shopkeepers would go to the station and offer to bail the labourers out if they agreed to get sterilised. Once there, it was not difficult to make them get sterilised since they wanted to escape from the police and were frightened of going to jail... For every 40 cases bailed out by the shopkeepers, the police could keep 10 sterilisation slips for themselves." Obviously victims trapped in such tenacious sterilisation networks were not in a position to ask for money. Rather, they had to be grateful to the shopkeepers for bailing them out. Meanwhile their sterilisation certificates were siphoned off by both shopkeepers and police and entered local markets through dalals who sold them to individual clients. Divorced of the circumstances under which they were obtained, these certificates appeared to their purchasers, not as evidence of blackmail but as passports to security in the struggle over DDA plots. Concentrating more on their own plight than on that of the people they

'motivated', these purchasers were apt to believe the dalals when the latter told them the certificates had been obtained without any use of force.

Whilst it is easy to be critical of the position of the purchaser, it must also be recognised that such purchasers, trapped between family planning and DDA policies, were often in desperate positions themselves.²¹ Take for example the DESU worker who managed to escape sterilisation at work on the grounds that he had only one child, but who then found his jhuggi demolished only to learn that he could not get a new plot without producing sterilisation certificate.²² Technically a couple with only one child was 'eligible' for a DDA plot without a certificate, but since priority always went to people with certificates, those without (usually the childless, the widows, the aged, people with only one or two children) stood little chance. For this reason many of the people who produced 'motivated' cases rather than self-sterilisations in Welcome were those with less than three children. Feeling themselves unable to have the operation on the grounds that they wanted more children, they were more or less obliged to purchase cases. A notable example is that of young woman labourer who was working on a building site and living on rent in a jhuggi at the time of emergency. Despite being only 17 and having only one child, she had initially decided to get sterilised herself in a desperate attempt to save her family from the burden of paying rent. But her husband and mother had forbidden her to have the operation and even pulled her out of a government jeep that was heading for the hospital. Poor though they were, they decided that their only option if they wanted a plot was to motivate others. When they contacted a relevant official, they were told to produce five sterilisation certificates, a figure which was later reduced to three. In the desperation of the moment the couple's attention was focused more on how to raise the money than on whose certificates to purchase. Selling all her wedding jewellery the woman was able to raise enough to purchase three cases for a record low of Rs 150 each. After much difficulty, including sexual harassment from a dubious agent, she was able to register her cases and obtain a plot. Speaking nearly 20 years later, the couple are adamant that there was no force used in the family planning programme in Delhi (even though one of their own relatives had in fact died following the operation in U P). They claim that the people who got sterilised and sold their certificates to dalals did so because they wanted the monetary benefits. This is certainly true of some of the 'motivated', but in this particular instance the couple had paid only Rs 150 per case to the dalal. One wonders, then, what possible

benefits the victims could have enjoyed. Perhaps they got only the official Rs 75-90 or an electric clock or some ghee from the government. Or perhaps, like the labourers duped by the police and shopkeepers in Old Delhi, they did not receive even this. The point is that when people purchased sterilisation certificates in the open market, they did not know the history of the 'motivated' and it is no doubt this very ignorance that enabled them to ignore the more sordid aspects of the trade. For this reason there are some who look back on emergency as a positive time. The woman above even stated that she wished another such opportunity would arise so that other poor jhuggi dwellers and homeless people could obtain a plot, although she did qualify her statement by saying that the sterilisation should be voluntary.

MULTIPLICATION OF MOTIVATIONS

How was it that the cost of sterilisation certificates varied so dramatically with some, like the woman labourer, paying only Rs 150 per case whilst others paid anything up to Rs 1,200? These fluctuations seem to have occurred according to how difficult it was to persuade someone to get sterilised, how many cases were required per plot, how many plots were available from the DDA and whether the dalal's profit was made on the proportion of cases per plot turned over to the DDA or on the sale of a single case to a client. The price also depended upon the victim's willingness to sell and the purchaser's capacity to buy. Since some victims came more expensively than others, the dalals would, it seems, sell the expensive certificates to the wealthier purchasers whilst reserving the certificates they had obtained for nothing for their poorer clients.

Another factor that influenced the price of certificates was the decreasing availability of people to be sterilised. As one man put it: "As the time went on it became more and more difficult to find people who had not already been sterilised. So the rate increased and some people paid up to Rs 1,000-1,200 for a case. Before that the price had depended on how easily the people could be persuaded. Now it depended on how difficult it was to find someone still eligible for the operation." All of these factors help to explain why some residents in Welcome paid considerably less than others, but they do not explain why some residents gave two or three cases for a single plot whilst others gave only one. There are two possible reasons for this. One is that the DDA was running out of plots in the colony and was therefore raising the premium for the remaining plots.²³ But this does not explain why only certain types of people seem to have been told to produce more than one case per plot. Examining the

personal files in Welcome, it appears that most of the givers of two or three cases were either young couples with one, two or no children or else they were Muslims (occasionally they were both). What childless couples and Muslims shared in common was their violent opposition to self-sterilisation, the former on reproductive grounds and the latter on religious grounds. This raises the possibility that the DDA was deliberately exploiting their resistance to being sterilised by using them as agents to extract the maximum number of certificates from others. If such a hypothesis is true, it would certainly help to explain how in the wood market and the iron market, both of which are run by Muslims, the maximum proportion of cases per plot were accumulated. It would also help to explain how the woman labourer above, who had only one child, and her neighbour, who was childless at the time, were both expected to give three cases for their plots.

How the DDA officials justified their extraction of extra cases varied according to circumstances. In some instances they simply claimed that the cost of a plot was high from the start. The labourer and her neighbour had initially been told to produce five certificates until the number was later reduced to three. Since they were from outside the colony, they did not know that others had obtained plots with only one certificate. While the former had to sell her jewellery to raise the money, the latter, who had no jewellery, had to resort to selling every cooking vessel she possessed. Their accounts provide ample proof that a person's wealth was not the criterion for establishing the number of cases they had to give. In other instances the DDA officials would begin by demanding one case but later raise the demands to two or three by producing some convenient excuse. This was the technique employed in the wood market. In situations where a wood merchant produced a sterilisation certificate by motivating his craftsman he would be told by intermediaries that only sterilisations within the family could be accepted. But in situations where a family member did get sterilised, the merchant would be informed that his first certificate had been mislaid and he would have to produce another. How many of these extra certificates went into the pockets of dalals and how many were used for official purpose is not clear but at least nine files concerning plots in the wood market contain evidence of two motivated cases per plot.

The accumulation of cases through the scrap iron merchants was even more systematic and excessive. Unlike the wood merchants the scrap iron merchants were trying to enter the colony for the first time owing to the fact that their existing kabadi market in GT Road was due for demolition.

The fact that the existing market of 30 shops was authorised by the DDA, gave the merchants the bargaining power to negotiate for 50 sq yd plots in Welcome. Initially they were told that allotment slips would be issued at the time of demolition, but as time went on, the executive officer told them it was impossible to allocate the plots without their producing one sterilisation certificate per plot. This was agreed by the 'pradhan' (head) of the market association who decided to take personal responsibility for finding the cases. Acting as a dalal he, accompanied by some 'assistants', scanned streets and railway stations at night in search of possible candidates for sterilisation. When he found them, he brought them back to the traders, each of whom paid to have a case registered in his name. But by the time they had accompanied 30 men to the hospital for sterilisation, the DDA demand had increased. The pradhan recalls: "At first they demanded 30 cases. But then they kept on increasing the amount. When we gave 30 cases, they said: What is 30 cases? That's nothing! Give us 30 more! And when we gave them 60 cases, they said, we want another 30!... We paid around Rs 400 to 500 per case. The highest went up to Rs 700." The DDA executive officer justified these demands on the grounds that his superiors were trying to get the market moved to a less convenient location. Only by producing more certificates could the kabadi merchants be shifted to Welcome which was the colony they most favoured. Just what personal rewards the pradhan reaped from organising the 90 sterilisations is not clear but it is certain that he would have benefited for his labours.

By trying to extract the maximum density of cases out of Muslims, the government was, it seems, hoping to compensate for the general reluctance of Muslims to participate in the family planning scheme. The fact that the head imam of the Jama masjid had announced the denial of last rites to all Muslims who got sterilised had boosted the Islamic view that sterilisation was a sin against god. Trapped between threats from the government if they did not get sterilised and threats from their own religious leaders if they did, Muslims were presented with a particularly difficult dilemma. Giving a motivated case, though also considered a sin by some, was the only way of minimising potential losses on both sides. Where cases were found from outside the community then this at least saved Muslims from having to lead other Muslims down the path of sin. But at times the government did not even allow this option, specifying instead that only Muslim sterilisation certificates would be accepted from Muslim applicants. This had the effect of inviting people, not only to turn against their own religious doctrine, but also against their community in the

struggle for survival. A Muslim tool maker found himself faced with just such an invitation when the government demolished his shop near the Jama masjid and allocated him a commercial plot in Welcome. Since his home was still in Old Delhi and most other tool makers were obtaining plots in the newly-constructed Meena bazaar near the Jama masjid, this tool maker tried to get a transfer. But a senior government officer told him he could only transfer if he produced 10 cases and not just any old cases: "He told me: 'Give me Muslim cases! I don't want any purchased cases from you, I want only the cases of your own close relatives'". Unable to promise to betray his own relatives into committing the sin of sterilisation, and unwilling to get sterilised himself, the tool maker had to resign himself to remaining in Welcome. But there were some Muslims who were willing to impose the operation on other poorer members of their own community. The pradhan of the iron market, for example, had been ready to motivate 90 people, most of whom were, he claims, Muslim villagers who had fled to Delhi in fear of being forcibly sterilised at the hands of the local police. Meanwhile the pradhan retains the view that sterilisation is a sin against god and that he himself would never undergo the operation.

Most of the cases presented here have involved people who were trapped by government policies. They participated in the family planning scheme in order to lessen the crushing impact of the DDA scheme which threatened them either with eviction or homelessness. But there were others who took a more entrepreneurial approach. Instead of stopping short at using the family planning scheme to alleviate the effects of DDA policies, they went one step further and used the scheme as a convenient means of obtaining more and more plots. In the process they reversed their victimhood entirely and converted family planning objectives into an instrument with which to dupe the DDA. One such category of people were those jhuggi dwellers who, after obtaining plots through self-sterilisation, sold the plots and returned to settle in jhuggis, knowing that the DDA would demolish their jhuggies a second time, so enabling them to obtain another plot in a different colony. Having already got sterilised themselves they would take the opportunity of giving a motivated case second time round. This was not difficult since they had cash available from the sale of their original plots and were still able to retain some profit after purchasing a sterilisation certificate. The immense scale of DDA demolitions made it impossible for officials in different colonies to keep tabs on the thousands of names filling their files, so such cases generally went unnoticed. Although no one likes to openly confess to

having adopted this strategy, there are many in the colony who claim to have witnessed it first hand. The frequency with which such behaviour is described suggests that it was not uncommon. One man estimates that at least a quarter of the inhabitants of his particular block have sold their plots and settled in jhuggis, many during the time of emergency.

For wealthier members of the colony there was another strategy which proved even more lucrative. They would first obtain a plot either through self sterilisation or through giving a motivated case. As long as this plot remained registered in their name, it would be difficult for them to register a second plot in the same colony so they had to find an alternative solution. What they did was find an indirect method of motivating others, offering them Rs 50, not for the operation but for handing over their plots after the operation. The motivated man would register his case with the DDA as if it were self sterilisation. But once allocated a plot, he would be under obligation to sell it to his unofficial motivator with whom he had previously made a deal. Some of these unofficial motivators did this in order to obtain two adjacent plots, enabling them to have double the amount of space than their neighbours. But others made a veritable business out of it and would go on to sell the plots they accumulated, thereby entering the lucrative property market by using sterilisation certificates as a cheap means of obtaining plots. A survey conducted in 1989 bears witness to the fact that some plots were immediately sold after allocation. It is likely that these were the plots obtained by the unofficial motivators. Since Welcome was relatively well situated by comparison to many resettlement colonies, there was no shortage of buyers for plots accumulated in this way.

Most of those who entered the property market were relatively prosperous men who had enough capital and political weight to motivate more than one person for sterilisation. Since the majority of people in the colony had difficulty motivating even one person, there probably were not many who made a full scale business out of the trade in plots. Some poor women did, however, find an alternative means of entering the market. Their strategy was to obtain sterilisation certificates through sleeping with dalals. For them prostitution was a means of paying for the certificates which, for most people, cost more than their monthly salary. While some poor women seem to have slept with dalals out of sheer desperation, others apparently did so professionally in order to accumulate successive plots for sale. Such manipulations may not have been common, but they demonstrate the extent to which individuals

could subvert the system, turning apparently oppressive policies to their advantage.

In focusing on the active victims of emergency and on those who reverted their victim status by aggressively exploiting DDA policies, I have left many other stories untold. Little has been mentioned of those who were physically or emotionally forced into having the operation, nor of how people look back to the horrors and opportunities of those 'nashandi days'. These are both topics I would like to discuss elsewhere, but my aim here has been, first and foremost, to point out the existence of co-victims at the bottom level of the socio-economic strata. This is not to deny their victimhood or underestimate their trials but rather to reverse the imbalances in the literature about emergency which tends to portray the intellectual as the emotional sufferer, the bureaucrat as the active participant and the poor as the passive victim. Such stereotypes are dangerous for they seem to mask the most frightening aspect of the emergency regime: that was its ability to draw all kinds of people, through fear, into participation. To ignore the active role of the thousands of men and women who competed for plots in the resettlement colonies of Delhi is tantamount to denying the generality and diffuseness of the power of the state as it seeped into the corners of everyday life, inviting strange and unnatural responses. Just as disturbing as the blatant force by which some victims were sterilised is the ease with which other victims imposed that burden on others. Many people in Welcome blame family planning abuses not on Indira Gandhi, not even on Sanjay, but on the petty bureaucrats and intermediaries with whom they had to deal. But there are a few alternative interpretations. Asked whose responsibility the family planning programme was, an ironing man replied disparagingly: "What responsibility? Everyone was responsible for this. You were responsible and I was responsible. The government started the programme but it depended on the person whether he accepted it or not."

Notes

- 1 The research on which this article is based was conducted from March to July 1995 as part of a collective project on Delhi organised by ORSTOM (Paris) and the CSDS (Delhi). It involved examination of local DDA and MCD records relating to a resettlement colony in Delhi, followed by in-depth open-ended interviews with residents in the colony. I am grateful to my research assistant, Rajender Singh Negi for his valuable contribution at every level, and to people of the colony for their willingness to talk openly and extensively. I am also grateful to the director of the Slum and JJ Department of the DDA and to the staff of the Slum and JJ Department, East Zone B for their kind co-operation.

- 2 There are currently 46 resettlement colonies in Delhi. The collective population of official residents is around 2.16 lakh households. The actual population is much higher owing to the development of jhuggi clusters within the colonies (cf. Ali Sabir, 'Typology of Delhi Slums', working paper presented at the Delhi Seminar at the CSDS, Delhi, April 18, 1995).
- 3 Although officially known as Seelampur phases II and IV, the colony is locally referred to as 'Welcome'. It is named after the old Welcome Han Oil factory which used to be located there but has long since closed down. This distinguishes it from Seelampur Phases I and II which are locally referred to as 'Seelampur' or 'New Seelampur'.
- 4 A state of emergency was declared on June 25, 1975 under article 352 of the Constitution on the basis that security was threatened by internal forces.
- 5 The Ministry of Health and Family Planning's attempt to get family planning added as the 21st point to Indira Gandhi's 20 point programme was rejected one month later on the grounds that such a measure was not necessary. This was presumably because Sanjay Gandhi's points were to be treated with equal validity as the official 20 points (cf. *Shah Commission of Inquiry*, Third and Final report, August 6, 1978, pp 163-64).
- 6 For a good description, cf. Dayal John and Bose Ajoy, 1977, *For Reasons of State: Delhi Under Emergency*, Delhi Ess Ess Publications, especially, pp 120-57.
- 7 A National Population Policy Statement issued by the government on April 16, 1976 clearly stated that sterilisation was to be the main plank of the programme, (cf. Mehta Vinod, 1978, *The Sanjay Story*, Bombay Jaico Publishing House, p 118). That this was the case is evidenced by the fact that the achievement of national sterilisation targets reached 190 per cent in the year 1976-77 whilst achievement in regard to other forms of contraception fell far short of targets set for the same period (cf. *Shah Commission of Inquiry*, Third and Final report, August 6, 1978, p 154).
- 8 The committee was set up by the Lt Governor of Delhi, Kishan Chand in late December 1975 with Vidya Ben Shah taking the role of chairperson (Mehta op cit 116). Its primary function was to motivate the top bosses of Delhi's civic organisations to take active responsibility in the vigorous new wave of family planning. Its most infamous non-official member was Ruksana Singh (otherwise known as Ruksana Sultana) who took charge of the controversial family planning camp at Dujana House in Old Delhi.
- 9 This target was in fact raised to one lakh by the Lt Governor of Delhi in April 1976. The indiscriminate raising of targets by different state governments is considered one of the major causes of the family planning excesses which followed. In his statement before the Shah Commission in 1978, the ex-union minister of health and family planning, Karan Singh, attributed this target-raising to the fact that chief ministers were anxious to win favour with Sanjay Gandhi, referred to indirectly as "an extra-constitutional centre of power." (cf. *Shah Commission of Inquiry*, op cit, p 199, p 206).

- 10 cf *Annual Report of Ministry of Health and Family Planning, 1975-76, 1976-77*.
- 11 Out of those I interviewed, the only people with more than two children who managed to retain their government jobs during emergency without being sterilised were working for the railway authorities. One worked as a coolie and the other two worked in the parcel department at Old Delhi Railway station where their superintendent was apparently anti-sterilisation on the grounds that it would incapacitate his workforce. This superintendent was later 'transferred' and replaced by a stricter man who managed to motivate a number of sterilisations, but it still seems to have been possible to avoid the operation. Of the three railway employees I interviewed, one avoided sterilisation altogether, one motivated a case of sterilisation, and the other's wife got sterilised. These sterilisations were undergone not in order to save jobs but in order to obtain plots.
- 12 It is difficult to know the precise number of people resettled during the emergency. Jagmohan, then vice-chairman of the DDA states that 1,45,000 residential plots and 10,000 commercial plots were developed at the time. He talks in terms of the resettlement of 1,20,000 families involving a population of around 7,00,000 (cf Jagmohan, 1978, *Island of Truth*, Vikas, Delhi). That demolitions and tree plantations were directly proportional is suggested by a DDA publication during emergency which apparently boasted the resettling of half a million people and the planting of half a million trees [Dayal and Bose, 1977:109].
- 13 The monsoon of 1976 was particularly heavy with floods and cyclones in 10 states. In Delhi the Jamuna was reported to have risen 90 cm above the danger mark leading to the evacuation of some areas (cf *India Today*, September 1-15, 1976, p 11). The resettlement colonies in the trans-Jamuna were particularly badly affected owing to their location on low-lying territory, originally designated as 'green land' in the Master Plan.
- 14 The JJRS was initiated in 1958 on the recommendation of the Advisory Committee set up by the ministry of home affairs, government of India. It was approved in 1960, and its implementation was entrusted to the municipal corporation of Delhi (MCD). Over the years it has undergone frequent changes and modifications, with responsibility for its implementation being passed back and forth between the MCD and the DDA (cf Ali Sabir, *Slums Within Slums: A Study of Resettlement Colonies in Delhi*, Vikas, Delhi, 1990, pp 76-82).
- 15 The majority of these early settlers were removed from slums in B N Nagri (1963), Delhi Gate (1963, 1964 and 1965), Rajghat (1964), Central Power House (1964), behind the Red Fort (1964), Sher Shah Road (1965), Jhandewalan (1964), Dairy Kisan Chand (1965), Jamuna Bazar (1965, 1967, 1968, 1969).
- 16 The official 25 sq yd plot includes space for the front gutter. The actual space available for building a house is therefore 22.5 sq yd. In the earliest resettlement colonies of Delhi the government had begun by issuing plots of 80 sq yd. The size was later reduced to 50 sq yd and then 25 sq yd. The usual

explanation given for this reduction is that large numbers of resettled people were selling their substantial plots and returning to jhuggis whilst others found themselves unable to pay the necessary monthly instalments (cf Ali Sabir, op cit, 1990, chapter 5). By 1963, when Welcome was established, the size had already been reduced to 25 sq yd.

- 17 They were mainly from Bapu Dham (1975), Laxmi Nagar (1975), British School (1975), Jantar Mantar Road (1975), Jamuna Bazar (1975), Defence Colony (1975), Khyala (1975), INA (1976), R K Puram (1976), and areas around the Jama Masjid including Dujana House (1975), Kalan Mahal (1975) and Urdu Park (1976). Others were from demolished jhuggis in Welcome (1976) and nearby resettlement colonies (1976).
- 18 Welcome contains 4,034 residential plots and 198 commercial plots, making a total of 4,232 plots. The above statistic are based on an analysis of the contents of 3,459 files. The remaining 773 files were reported missing.
- 19 Both men and women tended to link vasectomy to the notion of impotence, and at times, castration. Of the 30 men interviewed who underwent the operation during emergency, not one of them claims to have wanted it. The same is true of the women who underwent tubectomy. All felt pressurised by forces which had nothing to do with family planning: saving jobs, getting children admitted in school, preventing evictions, obtaining plots and so forth. Two decades later some are strongly in favour of family planning but they resent the way it was forced on them at the time.
- 20 Most Muslims interviewed in Welcome were opposed to sterilisation, considering it an unnatural interference with Allah's will. Although a few prominent Muslims did take

an active role in promoting family planning during emergency, they tend to be remembered more as traitors to the community than as leaders worthy of respect.

- 21 By focusing on the dilemmas of the urban poor I do not wish to imply the process of co-victimisation was specific to them. Rather, I would argue that it characterised the structure of the family planning policy in general. Teachers, for example, were told to produce five sterilisation certificates and threatened with the withdrawal of their salaries if they failed to comply. Many motivated their pupils' parents with reluctance, whilst others purchased certificates from dalals. They too were co-victims of the system, but for those with neither power, education, money or influence, the situation was even harsher.
- 22 This unfortunate man ended up losing out on all fronts since, by the time he had got sterilised, the DDA claimed to have run out of space for new plots. His pragmatic solution has been to build himself an unauthorised structure in Welcome in the hope that one day the government will demolish it and offer him an official plot. For this, he is still waiting 19 years later.
- 23 There certainly were more people submitting sterilisation slips in Welcome than plots available. Near one block there are six unauthorised houses belonging to people who were unable to obtain official plots despite having valid certificates. In another block we came across two other families in the same situation. They had been told that the DDA had run out of space for further plots and that they would have to try for admission in a different colony. Having got sterilised through the motivational camp in Welcome, they refuse to leave the vicinity.

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Making 'Poverty Research' More Relevant to the Poor

A Vaidyanathan

Including the Poor: Proceedings of a Symposium Organised by the World Bank and the International Food Policy Research Institute edited by Michael Lipton and Jacque Van Derkaag; the World Bank, Washington, DC, 1993; pp 579 plus Bibliography and Index.

THIS volume of collected papers emerged out of a series of workshops held during 1989 under the joint auspices of the World Bank and the IFPRI to review poverty research. They seem to have been part of the preparatory work of the *World Development Report 1990*, which was devoted to poverty alleviation. The papers are presented as a survey of the relevance of recent poverty research to the twin track strategy – "much of it undertaken under the aegis of the World Bank and the IFPRI" – for poverty alleviation recommended by the *WDR*. (One hopes that the editors do not mean to suggest that much of the recent poverty research has been undertaken only or mainly under the auspices of these institutions.)

The collection merits attention because of its wide scope, the relevance of the themes discussed, and the stature of several of the contributors as scholars on poverty-related issues. The papers are grouped into four parts. Part I deals with some important issues concerning concepts and measurement of poverty. Part II focuses on the effects of major events and policies form the subject of the Part III. Part IV consists of reviews of the trends in poverty and poverty alleviation programmes in three big developing countries.

CONCEPTS AND MEASUREMENT

Of the four papers in this section, one deals with the problem of measuring poverty variations from sample surveys; two are concerned with targeting; and the fourth with the relation between poverty and malnutrition. In addition Part IV has two long papers (Kakwani and Subba Rao and Malik) reviewing trends in poverty incidence in India and Pakistan, and their poverty alleviation programmes.

Kakwani rightly points out that poverty measures estimated from sample survey data cannot be used to infer differences/variations in poverty incidence without doing tests of statistical significance. Also valid is his point

that the validity of such tests depends crucially on the assumption that "samples used are representative of the population they are drawn from". He says that such an assumption may not be valid because of non-response errors or systematic non-sampling errors. But there is no discussion about how serious these errors are, how to assess them and how they affect the inferences. The paper would have been enriched if these aspects had been considered in the context of the Ivory Coast survey which forms the basis of the paper.

By far the most important contributions in this section are the papers related to targeting. Besley and Kanbur, reviewing the problem from a theoretical angle, explicate the main difficulties of ensuring that the poor and only the poor benefit from PA programmes: (1) the identification of beneficiaries and the administration of programmes involves costs; (2) beneficiaries have to incur a variety of costs to secure benefits; (3) PA programmes affect incentives to work and create incentives for understating income; and (4) it may be difficult to secure wide enough political support to strictly targeted programmes. Hence the appeal of mechanisms which encourage self-targeting and of targeting by indicators. The latter requires less information, is easier to verify and involves less costs. Country specific research taking these considerations into account and using micro level data is needed to devise targeting strategies appropriate to each situation. These strategies should however also comprehend the design of institutions (decentralisation, democratic local governments, minimising the agency problem) and programmes (minimising target groups and multiplicity of overlapping PA programmes). These aspects, which have a crucial bearing on efficacy of targeting, costs of monitoring and the incidence of leakages, do not figure in the discussion.

Datt and Ravillion argue that strategies focusing on elimination of inter-regional disparities in per capita income will make but a marginal difference to poverty

incidence. Much the more important problem, according to them, is to reduce intra-regional, (i.e. inter-class/individual) inequalities. This is not particularly surprising. But nor is it a meaningful way of posing the targeting problem in the context of PA programmes: Here the task is to maximise the impact of a given PA budget in terms of reduction in poverty incidence. Since the poor are very unevenly distributed across space, the regional allocation of PA budget is important. Linking these allocations to the number of poor and/or extent of poverty in different regions would substantially improve the efficacy of PA programmes compared to the situation in which targeting is done mostly by class or individuals.

Alderman discusses the reasons for, and implications of, recent findings that income elasticity of demand for food is much lower than earlier assessments. Some of the reasons for the sharp differences between nutrition surveys and consumer surveys (in terms of levels of intake and their relation to income) are cited in the paper, but not all. Nutrition surveys typically measure actual intakes (usually for a single day) while consumer surveys report gross food consumption (usually for longer periods). Apart from differences in the reference period, one has to allow for the fact that actual intake is likely to be less than reported gross consumption on account of losses and waste in the process of cooking and because part of the cooked food gets discarded into the garbage bin. The incidence of these factors could vary systematically across income groups. Casual empiricism would suggest that the rich tend to waste more than the poor which implies that elasticities of gross consumption would be higher than that of actual intake.

The evidence from sample surveys at different points of time also need to be interpreted with caution: The design and the manner in which information is elicited change over time. More importantly the level and patterns of reported food consumption are affected by several factors other than income, such as the monetisation of the rural economy, changes in the proportion of perquisites given in kind and changes in the extent of purchased meals/snacks and beverages taken outside the home. It needs to be demonstrated that, *after allowing for these other factors*, there is a marked reduction in elasticity of calorie intake and foodgrain consumption. If this is indeed true, it follows that ensuring that the income needed to afford the nutritionally

satisfactory diet will not by itself ensure that nutritional standards are met. This raises serious questions about the interpretation of poverty trends relative to nutrition-based poverty lines.

Alderman's other major point relates to the use of food intake or even physical stature and growth as indicators of nutritional status. The discussion draws attention to several important but neglected points. Physical stature *per se* is not an indication of nutritional status; growth faltering (and, one may add, changes in weight for height) are more relevant. Nutrition is but one of the inputs determining the health and well being of people; and the effects of food and other inputs are interrelated. Research on these aspects reviewed in the paper however is largely based on models of household behaviour focusing on the determinants of particular health producing inputs. Pinstrip Anderson's review of nutrition interventions (included in Part III) brings out the paucity of systematic empirical studies on their impact. Integrated programmes covering nutrition, health and education are more appealing in concept but there seems to be hardly any scientific evaluation of the impact of such programmes.

EVENTS AFFECTING THE POOR

According to Kakwani et al, judging by the behaviour of such overall indicators as per capita real income/consumption, government expenditure on education and health, life expectancy, food intake and school enrolment, economic problems and adjustment programmes of the 1980s did not on the whole cause any irreparable damage to living conditions. Their inference would have been more convincing if it had also given data on trend in poverty incidence and compared the experience of countries which went through SAP in the 1980s and those which did not. The data presented in the paper and also in the paper by deJanvry and Sadoulet (in Part IV) happen to show that between 1980 and 1986 most Latin American countries – where strong SAPs were taken up widely in the 1980s – recorded a significant decline in government expenditures on education, health and welfare, while others did not!

Based on a combination of illustrative examples from experience of particular country/regions and more formal and rigorous models in a few cases, Binswanger and Van Braum conclude that commercialisation and technological change in agriculture normally help poverty alleviation by inducing faster growth of agricultural

output and employment and increasing food supply. However, there are circumstances (usually associated with inelastic demand for agricultural produce or unfavourable institutional features and policies) which could impede the ability of the poor to take advantage of opportunities provided by growth. They are of the view that such adverse consequences can be avoided or mitigated by appropriate policies. Examples of the nature of such policies are also given.

The impact of agricultural growth on poverty alleviation via increases in non-farm employment is the subject of Hazell and Hagglade's paper. The econometric estimation of direct and indirect income and employment multipliers both overall and for different fractiles is impressively heroic. But it is apt to leave any reader aware of the limitations of the basic data rather sceptical about the inferences. The more so because non-farm employment is viewed exclusively as a function of agricultural prosperity and proximity/ease of access to towns. The role of public expenditure, the degree of commercialisation of agriculture, the characteristics of the rural labour force, of public policy in changing the relative attractions of rural vs urban locations for industry are neither discussed nor estimated.

Given that the negative externalities of rapid population growth (via degradation of resources) affects the rich as well as the poor, Birdsall and Griffin argue, it is sensible for

the rich in the poor countries and people of rich countries to devote a part of their resources for programmes (such as education, public health, old age security, poverty alleviation programmes) which reduces the 'demand' for children among the poor. But they are also concerned that the choice of methods to reduce fertility should avoid sterilisation and other ethically unacceptable means.

Polak and Williamson's review of Britain's experience in the early phase of industrialisation has some relevance to contemporary debates on poverty. Of particular interest is their finding that while poverty incidence did decline, especially in the mid-19th century, there was a relocation of the poor to the towns. The poor in towns were worse off. Also poverty became more dependent on market forces and was associated with low wages or large families, rather than widows, aged and the infirm. Anti-agriculture policies (which shift TOT against agriculture), regressive fiscal policy and marked income inequality went hand in hand during early industrialisation. The removal of traditional pre-industrial safety nets by *laissez-faire* policies of the industrial revolution, and government's failure to invest in urban social infrastructure despite their demonstrably high social returns meant that the poor were big losers. Protection against poverty/destitution had to be provided largely by the state and public institutions.

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DIRECTOR

The papers in this section deal with the role of specific interventions by way of land reform, rural development, nutrition programmes and social security in a few selected countries. The reasons for relatively limited achievement of state mandated reform programmes in Latin America and the prospects for achieving the goals through market mediated means are discussed by Carter and Meshah. Redistribution of land to small peasants would promote both efficiency and equity. But small farms find it difficult to compete with large holdings because of inherent imperfections in the functioning of labour and credit markets. These imperfections, they argue, affect the prospect of market-mediated reform as much as reforms under governmental auspices. Land tenure policies in Malawi (the subject of the paper by Sabhu and Arulpragasam) which deliberately favoured large estates against small holders, failed to stimulate productivity growth even as they aggravated the plight of small holders.

Birdsall and James argue against viewing privatisation and user charges for public services in terms of efficiency-equity trade off. Concentration of social spending on public goods (like preventive health programmes, primary health care and elementary education) and withdrawing from areas (like high cost curative services and higher education) would enhance both efficacy and equity. Distortions in public spending on social services, reflecting as they do the prevailing distribution of political and economic power, are difficult to correct. A practical strategy, according to the authors, would be to disseminate more information in the public domain on the nature and consequences of the distortions in order to generate the necessary political pressure and concentrate reforms on new rather than past investments so that the chances of their acceptance are improved.

The growing interest of the Bank and other aid agencies in social safety nets is reflected in the inclusion of a separate paper on Social Security and Public Policy. The paper, authored by Ahmed, provides an overview of social security programmes in developed countries, the prevailing formal and informal arrangements (including commodity transfers, subsidies, and public works and other protective and compensatory measures) to protect segments of population vulnerable to risks of income loss due to old age, bereavement and other life cycle contingencies, and to factors like unemployment and large shift in relative

prices. Useful as it is, the subject clearly deserves much more thorough treatment than accorded in this volume.

These papers are either too country specific or too general to advance the debate on remedies. Of greater interest are the papers which attempt to assess, in a general equilibrium framework, the relative merits of different policies for poverty alleviation. The paper on Brazil (Fox and Morely) looks primarily at macro-economic policies, while the Indian paper (Parikh and Srinivasan) assesses the impact of three different packages, namely, general good subsidies, targeted public works and reducing subsidies and using proceeds to invest in agricultural infrastructure. The Brazilian study concludes that macro policies (especially on wages) during the structural adjustment period were not conducive to poverty alleviation. The India study finds that a targeted works programme will achieve a much higher reduction in poverty than generalised food subsidy programmes or using the resources to stimulate agricultural production. Given the limitations of basic data, the gaps in our understanding of the underlying interactions between various facets of the economy and the limited range of alternatives considered, scepticism about the robustness of the inferences from these model is inevitable. But this does not mean that the efforts are worthless. Rather it is an argument for investing more in efforts to deepen our understanding of the direct and indirect ramifications of particular interventions and in generating better data and refining modelling techniques.

CONCLUSION

Where does all this leave us in terms of understanding poverty and better ways of tackling it? The editors suggest that the contributions generally support the strategy — credited to the *WDR* — which combines policies to promote rapid growth with social policies to increase employment for the poor and to provide them basic social services as well as safety nets. There is nothing new in this so called 'twin track' strategy: countries like India have been committed to it for nearly three decades. What is new is the debate on the kind of policy reforms required to quicken the pace of growth and promote more efficient use of resources and on ways in which poverty alleviation programmes can be made more effective. Contributions of this volume deal with the latter issue.

The argument that structural adjustment does not adversely affect the poor or

expenditures on social programmes meant to benefit them is belied by the facts of the Latin American experience in the early 1980s. On the other hand, the volume reflects the by-now widespread consensus that even if growth is fast and benefits trickle down, state intervention is essential to alleviate the condition of groups and regions who do not or cannot avail of opportunities afforded by growth sufficiently to lift them out of poverty.

The discussion of specific PA measures in the volume is of rather limited value partly because it deals with only a few policies either in general terms or in relation to specific countries. More importantly, the papers show the paucity of carefully designed evaluations to serve as the basis for meaningful discussion of experience and its lessons for better design and implementation of PA programmes. On the other hand, the discussion of targeting strategies and food-nutrition-poverty relations, recognition of providing social security to the poor against contingencies as an essential ingredient of PA and the attempts to assess alternative PA policy packages in a general equilibrium framework open up several interesting and important issues. Questions relating to the design of institutions for better planning and implementing PA programmes and for more effective targeting, which have not been addressed, are however equally important. But all of this call for much more systematic and sustained research. One wishes that the seminar had considered the lacunae in the current state of knowledge and come up with a research agenda to remedy them.

The Bank, IFPRI and other international agencies spend large amounts on 'poverty research'. But much of it is spasmodic, piecemeal and spotty in coverage. Many of the issues raised in the discussions need for not only theoretical work but, much more importantly, sustained, focused and carefully designed programmes of diachronic and comparative studies of specific schemes in different countries. The best locus for such research is in the concerned countries where costs are also much cheaper than research done by expatriate experts and consultants. There is room for imaginative ways of organising inter-active, multi-country research around a common agenda with participation by international funding agencies. This calls for a willingness to invest more in such research with a long-term perspective and work with and through research institutions in developing countries. But as of now the international agencies which have the necessary funds are hardly interested in such an approach.

Intervention for Environment Protection

Soutrik Ganguli

World Resources 1994-95 by World Resources Institute in collaboration with United Nations Environment Programme and United Nations Development Programme; Oxford University Press, Delhi; pp xii + 400, Rs 295.

THIS guide to the global environment, prepared by a group of experts, has its purpose clearly stated in the first paragraph of the preface as, "to meet the critical need for accessible, accurate information on environment and development. Wise management of natural resources and protection of the global environment are essential to achieve sustainable economic development and hence to alleviate poverty, improve the human condition and preserve the biological systems on which all life depends". This volume has not been a disenchantment in the sense that it has always stuck to this central theme and has substantial research to back it. The 14 chapters (excluding the data tables) have been divided into three sections according to the nature of the topics covered and the first section is of special importance as it focuses on broadly what are the problems and the key remedies to them.

The first section contains three very complex and controversial issues like natural resource consumption, population and environment, and the role of women in sustainable development. These three chapters deserve a special mention as they address the heart of our problem regarding resources, and going through these chapters are bound to change some of our ideas regarding the problems of resource crunch and wastage. But there are a few slips in some of the statements. In the first chapter it is said that according to popular belief lifestyles and the scale of industrial activity only influence resource consumption and its environmental impacts but in reality certain other factors like geographic patterns of production, terms of trade, level of technology and the distribution of wealth also play important roles in the process. But these 'certain other factors' also contribute to determine the lifestyle and thereby get incorporated, though indirectly, in the popular belief. These chapters reveal some surprising differences from conventional wisdom. It is the renewable resources which are most in danger of depletion and it is the industrial countries as a group which consume majority of the resources. But the most endangered resource, petroleum, has been considered an exception here which makes the statement lose some validity. It has been rightly pointed out that poverty and inability to meet basic needs often compel the developing countries to use natural

resources in ways that lead to their rapid depletion.

The chapter on population and environment tries to construct the link between resources degradation, poverty and population growth also mentioning the importance of the social factor. According to the case studies presented in this chapter, wealth distribution, government policies regarding natural resource management, land tenure and the economic environment determine if at all population growth should imply environmental degradation. It is common perception that a 2 per cent population growth rate can be alarming for China whereas a 5 per cent population growth rate can just bring the promise of a better economic environment for Siberia.

This volume has marked the role of women as the critical factor for poverty alleviation and finding environmentally sustainable development paths. Women, though primarily burdened by domestic responsibilities, have been viewed in this study as primary managers of natural resources on a local level. The cultural and religious attitudes, economic and educational constraints coupled with institutional constraints and political powerlessness have acted as major barriers to women's full participation in the society. But they play a fundamental role in checking the rapid resource degradation by putting a break on population boom. More than that they nurture children and hence inculcate values for future generations. So they only can offer sustainability to any development project. To elevate the status of women, this study suggests infrastructural investment on women as a pivotal requisition in any sustainable development plan for the future. The three chapters in section one prove that the environmental and the developmental issues are intertwined and an isolation of any of these issues will render the study incomplete.

The second section deals with two particular case studies on China and India. Both countries have a economic momentum. But constant environmental threats and population explosion can make the growth possibilities sluggish by rendering the two nations impoverished on the resource front.

The third section analyses major arenas like energy, biotechnology, etc., where the environmental problems have crept in. The coverage is definitely wide and the study

detailed, but certain basic questions remain unanswered. The study talks of measuring consumption costs accurately which is quite compatible with the UNCED objective of 'sustainable consumption patterns' where the consumption patterns of the industrialised countries do not affect the consumption pattern of the developing countries. But this involves the inclusion of social cost in the cost profiles of the big industrial houses. Frank Popoff, the chairman and CEO of Dow Chemicals company, has vigorously stressed the need for this (which has been quoted in this volume). But as long as an organisation is the instrument for achieving the goal of profit maximisation, it is difficult to incorporate the social costs of using resources. So until and unless this consciousness is incorporated in the corporate practices this will not serve much of a purpose and this point has hardly been stressed in the study.

This volume asks for a resource consciousness to start from national and local levels because the brunt of resource depletion is first felt at these levels and only after the successful conglomeration of numerous local-level efforts can sustainable policies be pursued at the international level. In this context, the role played by the NGOs has been emphasised. The volume talks of willingness of industrialised countries to support sustainable development in the field of biodiversity in developing countries. But this proposition becomes controversial in the light of the current debate on Intellectual Property Rights. The study is optimistic about the dawn of an era of international governance. As most of the environmental problems are global in nature, a global management of resources has been suggested. For that an expansion of the UN's information base has been suggested. The role of IDA has been highlighted as a source of funds. An important suggestion on diverting the 'peace dividends' to resource management has been made which is appealing but seems a bit utopian. Though the roles played by the international institutions have been stressed, this volume is uncertain about the role UNCED is supposed to play to guide the world towards sustainable development. This comes out in the following statement: "Of course, signing documents does not ensure implementation; the real test of UNCED's success will be the extent to which governments follow up on the commitments they made in Rio".

On the whole this is an in-depth study of the basic problems of resource management and the elaborate data work in section four is excellent and will prove useful to any scholar working on related issues. The beautiful cover illustration of this volume, depicting a Dogon woman drawing water from a well, deserves a special mention.

True Cost of Public Expenditure

Raghubendra Jha

Any listing of the benefits of state intervention in the market place, and hence of public expenditure, is incomplete without a parallel enunciation of the costs of public expenditure. This note examines this question and enumerates the components of the true cost of public expenditure.

IN many countries, particularly ours, several economists have written extensively on the benefits of public expenditure. Any civilised society - prosperous or developing - requires a large public sector. In Adam Smith's classic list,¹ for instance, government expenditure has (1) "the duty of protecting society from the violence and invasion of other societies", (2) "the duty of protecting, as far as is possible, every member of the society from the injustice and oppression of every other member of it, or the duty of establishing an exact administration of justice", and (3) "the duty of erecting and maintaining certain public works and public institutions which it can never be for the interest of any individual, or small number of individuals to maintain". To this we may add a number of items that have become essential since Adam Smith's days. In particular every modern government must deal with externalities such as the protection of the environment and ensure a certain amount of redistribution of wealth and income among its members.

It should also not be supposed that markets will always work ideally - like the textbook model of perfect competition. The local store always has a little bit of monopoly power. Firms are unlikely to provide adequate personal security to workers working on hazardous assignments and externalities crop up almost everywhere. A fair amount of business activity is predatory. Vast resources are wasted in bargaining and lobbying and in corruption. Large firms, sometimes, wield dangerously large amounts of power over the state. Viewed in this light there is little in the private sector that is not tainted with some inefficiency, or that may not be subordinated to some 'higher' interest. Any number of arguments can be advanced for subsidies to various sectors.

Any enunciation of the benefits of public expenditure cannot be complete without an analysis of the costs of public expenditure. The essential point to be grasped is that any listing of the benefits of state intervention in the market place and, hence, of public expenditure is incomplete without a parallel

enunciation of the costs of public expenditure. On this point the advocates of state intervention and higher public expenditure have been less than forthright. In this paper we wish to examine this question and enumerate the components of the true cost of public expenditure.

The components of true cost of public expenditure are the following:

(1) *Resource Cost*, defined as the minimal cost of public activity to the government, abstracting from the effects of dishonesty or want of incentive on the part of public officials and ignoring costs associated with the private sector response to taxation, public services and transfers. The resource cost of running a government school is what must be paid to the teachers, administrators, other workers, sellers of teaching equipment, the electricity and transport company and the like. Thus resource costs would include all purchases of goods and services, regardless of whether these are acquired by contract (when the government hires a consultant, for example), or by employment (teachers, doctors, civil servants and the like) and regardless of whether goods are bought (the air force purchases new planes) or made (when HAL produces new planes).

(2) *Overhead Cost* may be more or less extensive in its coverage. It may include, for instance, the fixed cost of the entire government sector - such as parliament, the state legislatures, the holding of elections and so on. It may be more specific - the cost of fertiliser subsidy, and the food subsidy, for example. These involve substantial overhead costs as the government must have highly paid staff to determine criteria, review performance and so on.

(3) *Deadweight Loss in Taxation*. One of the most significant recent developments in the theory of public expenditure has been the recognition that, since taxes are rarely lump sum, funds for public expenditure must be collected through distortionary taxation which, in turn, levies costs on taxpayers in excess of the amount of revenue collected. This is the so-called Marginal Cost of Public Funds argument. A simple example may

illustrate this point. Consider a mason whose house requires electrical work and an electrician whose house requires structural repairs. Both parties could do both jobs but each is naturally better at his own vocation. The mason can do the job of the electrician in 20 hours but the electrician can do it in 12. Similarly the electrician can do the job of the mason in 20 hours but can do his own job in 12. Any pattern of allocation of work is feasible. Clearly, the most efficient method is for each person to do the job for which he is qualified. In doing so a total of 24 hours are expended whereas the same work could have taken 40. Suppose the wages of masons and electricians are both Rs 20 an hour so that the cost of each job (when most efficiently done) is Rs 240. Let us assume that the rate of income tax is 50 per cent. Each party would now have to earn Rs 480, pay Rs 240 in taxes, and pay Rs 240 to the other party. Given the wage each party would have to work 24 hours to earn Rs 480. Hence each party would find it in his interest to do the job himself - since this involves working for 20 hours only. The mason would do the job of the electrician and the electrician that of the mason. Allocation of work would be thoroughly inefficient. The effect of the tax is, then, for each party to waste 8 hours with a social value of $\text{Rs } 20 \times 8 = \text{Rs } 160$. Total loss to society is Rs 320. This is the deadweight loss or excess burden of the income tax. Any undergraduate student of economics knows that, under certain conditions, a uniform commodity tax has the same effect as an income tax. Hence the above arguments would apply to the case of commodity taxes - indeed any distortionary tax as well. It is not very hard to show that, under certain reasonable conditions, the excess burden of the tax - the cost to society in excess of the revenue generated - is proportional to the square of tax. The excess burden goes up ever more steeply as the tax rate rises! Surely, overhead and excess burden are also ingredients of the true cost of public expenditure.

(4) *The Concealment of Taxable Income*. As excess burden rise people might be induced



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to reduce supply of the taxed goods and to shift their efforts from taxed to untaxed goods. A similar, and additional, contraction occurs when an increase in the tax rate induces taxpayers to devote extra resources to tax avoidance. People might be expected to devote resources to tax avoidance until the point where the marginal benefit from such avoidance just equals the marginal cost of doing so. Legal tax avoidance and illegal tax evasion have to be placed on the same footing because they are the same from the point of view of the immoral taxpayer. Each entails the non-payment of tax at some cost – the use of resources to discover ways of making income tax exempt in one case, and the use of resources to hide income, together with the risk of punishment, in the other. Each course of action proceeds until the marginal benefit equals the marginal cost and each drives up the marginal cost of public funds because each reduces the tax base. From the point of view of the general public, however, the two are not the same because they involve different amounts of intimidation costs.

(5) *Intimidation Costs.* Virtually any task that the public sector is required to perform involves the establishment of rules which, in turn, require enforcement. Enforcement entails costs which must be counted as part of the costs of public expenditure. Among these costs are the citizens' time and money devoted to evading the rules without getting caught, the cost to the government of identifying infractions of the rules and the cost to the government (and ultimately to the taxpayers) of prosecuting rule-breakers. Intimidation costs become a latent cost of public expenditure whenever an increase in the tax rate leads to increases in public expenditure to enforce compliance with the tax laws. The greater incentive to evade tax can be expected to require a somewhat larger public expenditure to enforce the rules.

Marginal deadweight loss, marginal concealment cost and marginal intimidation cost may be strictly additive as latent costs of public expenditure, although there are circumstances when it is not the case. Strict additivity holds for legal tax avoidance and in the special case where tax evasion is costly but foolproof because tax evasion may involve working in the underground economy where productivity is low.

(6) *Transfers Magnify Deadweight Loss.* We have so far been assuming that all citizens are alike. When we admit of inequalities in the distribution of wealth and income another problem rises. Let us take the case of fertiliser subsidies or subsidies for investment in selected industries. In this case the deadweight loss of taxation is paid by all but the benefits of the subsidy are collected only by a few people. In this case

it is possible to show that, under certain eminently plausible conditions, the benefits to the recipients are more than outweighed by the deadweight loss to all. The full cost to the taxpayers could exceed the full benefits to the recipients of subsidies.

(7) *Waste of Resources in Transfer-Seeking.* An important message we have received so far is that private manoeuvres to avoid tax place a wedge between the marginal cost of tax to the taxpayer and the marginal revenue collected. A similar and additional wedge is created by private manoeuvres in response to public provision of goods, transfers or privileges. Suppose, for example, that society consists of two sets of people – the rich and the poor. Each person has the same probability, at birth, of becoming rich later in life. This probability is a function of the effort put in by this person. The greater the effort the greater the probability that the person will become rich. The rich are taxed at a proportional rate to finance a transfer to the poor. If people could form binding contracts for effort and redistribution of income they would choose full insurance – values of the transfer and effort high enough to ensure that the consumption of both groups of people is the same. But such contracts are not enforceable and the ensuing moral hazard problem dictates that the value of the transfer should be low in order for the tax system to provide an incentive for effort. The essential point is that any selective transfer would create incentives for people to bring about (or not to take steps to avoid) the conditions under which the transfer is granted and that these steps – by lowering effort or by some other means – may bring about a reduction in total national income. Thus, subsidies to industries reduce incentives for these industries to weather true competition. Unemployment insurance reduces people's incentives to search for and retain jobs and the like. As with the deadweight loss in taxation, these private incentives generated by public activity have to be counted as part of the cost of this activity – cost which is worth bearing when the benefits are substantial, but not otherwise.

(8) *Commodity Effects.* Consider a bachelor who works for the government and whose sole motive is to provide for his old age. He retires at the age of 60 and, in the absence of the government pension, would have accumulated Rs 2 lakh worth of capital at age 60. If the government pension provides a stream of income with a present value of Rs 1 lakh on his 60th birthday then it would be rational for this person to accumulate Rs 1 lakh less. If the government pension plan is funded then the reduction of Rs 1 lakh in private saving is made up by an increase in government saving of Rs 1 lakh. If, however, the public pension is not funded

there is no corresponding increase in government saving. What appears to the recipient of the old age pension as a substitution of public saving for private saving may constitute a reduction in saving for the economy as a whole, depending on how the pension is financed.

The same kind of consideration applies to the firm-specific subsidisation of investment. Public subsidisation of investment may be general – when all firms become eligible for a tax credit, for instance – or specific – when firms producing certain goods or employing certain kinds of people (cottage industries, for example) or operating in certain backward areas – get subsidies and/or tax credits.

Firm-specific subsidisation may be socially advantageous in some cases but it is highly unlikely that an ad hoc programme of such subsidisation put together by bureaucrats and politicians will be beneficial on balance. Knowing that subsidies are available firms have the incentive to claim that they satisfy the criteria for subsidisation. From the point of view of the society as a whole, however, a distinction must be made between the benefit of the subsidy and the benefit of the subsidised investment. Clearly, the investment itself must be beneficial on balance for the subsidy to be socially advantageous. An additional, but necessary, requirement for the subsidy to be beneficial is that the investment would not be profitable otherwise. Firm-specific subsidisation may not be beneficial in practice because it is difficult, bordering on impossible, for public officials to determine with any acceptable degree of certainty whether these two conditions obtain in any particular case.

In the absence of such information public officials may have to resort to intuition or judgment or, worse, be swayed by bribes. Such a *modus operandi* removes all possibility of a proper *ex post* audit.

The possibility that firm-specific subsidisation leads to investment that cannot be justified leads us to wonder whether such subsidisation diverts much needed investment funds from genuinely productive and profitable areas. The end use of public expenditure, in this case, is to reduce the volume and effectiveness of national investment and, surely, is a cost to the economy.

(9) *Rent Seeking.* The term 'rent seeking' is usually employed in the context of quotas rather than of public expenditure, but the basic principle applies to both. Whenever the government establishes a valuable prize, be it a patent for innovative research, entitlement to an import licence or an industrial subsidy granted on any principle whatsoever, incentives are set up for people and firms to employ resources to acquire these prizes. A contract yielding Rs 10 lakh

as profits is awarded at random to a 'suitable' firm, where suitability refers to the acquisition of a machine that costs Rs 1 lakh via an import licence. This machine has no use whatsoever apart from the contract. If only one firm buys the machine, that firm is sure to win the contract and to pocket the Rs 10 lakh as profit. In a free market this profit will be competed away. If firms are risk neutral, this machine will be purchased by 11 firms of which one will be awarded the contract. Of the Rs 11 lakh spent by the 11 firms all but Rs 1 lakh will be wasted. What, at first, appears as a transfer from the government to one privileged firm or lucky firm, turns out to be a social waste in circumstances where ex ante profits are normal.

Rent-seeking is a rather general term that may cover any of the three types of activity: lobbying, bribery, and positioning. Lobbying is, almost always, a pure waste. The same is true of bribery. Positioning refers to the type of behaviour discussed in the preceding paragraph: A quota or some other valuable privilege is allocated by the government to firms on the basis of a property characteristic of the firms, and the choice among eligible firms is entirely random. The acquisition of the property becomes like the purchase of a lottery ticket. Firms position themselves for the prize by acquiring the property.

Sometimes, rent-seeking can be socially advantageous. R and D expenses in order to get a patent is an obvious example. But such instances are rare. Corruption, for instance, is almost always socially wasteful and may take many forms: kickbacks on government contracts, bribes to the police to overlook infractions of the law, selling of offices and of credentials, or demanding payment for the simplest jobs. This is government-wide predatory activity which is, often, indistinguishable from despotic government.

It is sometimes argued that corruption involves no social cost since it is a mere transfer of resources from the private sector to public officials. This argument is generally false because of the tenuousness of the connection between the private gain to the corrupt official and the social loss from his actions. Consider an immoral officer who is weighing the pros and cons of a corrupt act – such as granting one firm a contract that should, by rights, go to another. He benefits from his misbehaviour if it is undetected. He runs some risk of detection and punishment. Like any criminal he acts if his expected gain exceeds his expected loss. But the calculus of the corrupt official does not admit the social gain at all. He is concerned only with his private gain or loss. In particular if the corrupt official is sure

that the corrupt act will remain undetected he will go ahead and do it, regardless of the social cost.

(10) *The Inflationary Tax.* The above factors tend to make public expenditure higher than it should be. When this is the case and, in particular, when expenditure exceeds tax revenues the ensuing deficit is covered by borrowing. If the borrowing is done from the public interest rates rise and crowding out of productive private investment occurs. If the borrowing is done from the central bank of the country the monetary base expands, money supply rises and inflation sets in.

Inflation acts as a very regressive tax since there is imperfect indexation and most incomes are fixed. Moreover, financial markets are affected since cash balances are taxed and financial portfolios are affected.

CONCLUSIONS

In many analyses of the cost of public expenditure only item 1 (resource cost) is mentioned. However, as I have tried to argue the dimensions of the costs of public expenditure are several-fold. In any comparison of the costs and benefits of public expenditure it is necessary that the true cost of public expenditure be kept in mind. In India it is extremely common to expound on the benefits of public expenditure whereas a dispassionate analysis of the costs is rarely forthcoming.

Note

- 1 Adam Smith, *The Wealth of Nations*, Stigler-Canan edition, University of Chicago Press, 1976, book IV, chapter IX, page 208 of volume 2



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Human Rights and the Third World

Towards a Reassessment of Ideological Dynamics

M Shiviah

In the aftermath of the failure of the Soviet Socialist experiment, the victorious social liberal (capitalist) camp led by the US is taking a narrow view of 'human rights' in the third world, policing the observance only of civil and political rights. The affluent countries accept social and economic rights for their citizens via the welfare state but deny the same to the rest of the world. Third world countries should struggle for an international declaration and programme of human rights in the broader sense, including rights to resources, food, education, health, and a clean environment.

I

IF democracy is meaningless without civil and political rights, so is socialism with any credible claim to the deeper humanistic moorings of Marxism. The tragic failure of the Soviet experiment on this score seems to have eclipsed its historic achievements in furthering the cause of economic and social rights. Among their global spin-offs, not the least important one was the transformation of the old, *laissez-faire*, liberal state into the new, social liberal (welfare) state.

Notwithstanding the high visibility and close proximity of this transformation, the victorious social liberal camp (technically more appropriate than the polemically more provocative 'capitalist camp'), led by the US and some affluent west European countries, is taking a cock-eyed view of human rights *vis-a-vis* the third world. Still in the coils of a celebratory mood, it is exploring opportunities for 'policing' the observance of 'human rights' in their narrower civil and political versions. In the murky world of *realpolitik*, interest in these versions is often accompanied by a keener interest in the economic advantages of 'structural changes' in the third world. Let it be stated clearly that while the dimension of global environment, or 'compulsions', is there, the case for structural changes might rest on their intrinsic merit, viz, the impetus to economic growth in third world countries. The critical note struck above is not directed against structural changes as such, but against a selective approach to human rights. Countries and social segments adversely affected by it might well develop a cynical posture and ridicule civil and political rights for their supposed rhetorical content. Those on the other side might develop a similar attitude towards economic and social rights for a different set of considerations. In situations of cross-fire, the adverse consequences for human rights – a core asset of human civilisation – could be unpredictable. It is, therefore, time to take stock of things, and to see whether such an exercise yields useful insights for policy and action.

In the modest compass of a paper such as this, only a preliminary analysis can be attempted. The issues are many and complex,

particularly those impinging upon economic life and political processes. We have selected the following issues for discussion in the belief that they need to be addressed first for a better appreciation of the vital political dimension, and that such an approach would be an advantage for economists better equipped to tackle economic issues. A certain tentativeness and vagueness in their formulation is a reflection of their complexity. They are broad enough to permit considerable freedom for interspersing reflections and analytical exposition. Given the conceptual amplitude and historical span of the issues, this kind of freewheeling discussion might entail jarring gaps in neatness. The price may be worth paying for the sake of exploratory gains, with subissues popping up and aiding a more nuanced discussion in some contexts. They (the issues) may, therefore, be regarded as signposts at unevenly spaced turning points, rather than as indicators in a well-designed tourist map.

– Against the background of the significance of the 'bill of rights' tradition, and its recovery and enrichment culminating in the emergence of social liberalism, what are the relative prospects of civil and political rights on the one hand, and economic and social rights on the other? Is the disproportionate emphasis on the former, accompanying a full-throated invocation of faith (in recent years) in the free-market economy, congruent with the ideological imperatives of the (social) liberal state?

– Considering the level of achieved integration between civil and political rights and economic and social rights on ideological and empirical planes, can the social liberal camp go back to the pre-welfare dispensation, or drastically weaken the welfare net?

– If it cannot, how does one view the credibility or plausibility of actual or contemplated efforts to commend to the third world a more restricted package of civil and political rights? Does the overall picture warrant pessimism or optimism?

– If optimism, what political initiatives and institutional mechanisms are needed to concretise economic and social rights on a universal basis? Would such concretisation entail a more critical view of 'economism'?

II

To the extent the subtitle and the above formulations reflect the anxieties of intellectuals in, or empathising with, the third world (an empathy deepened by the ethical bases of socialism), we plead guilty to the charge of initial bias to an extent. After all, even the best of (so-called) value-free exercises cannot escape inarticulate value premises 'in the ultimate analysis'. In the inspiring tradition of liberal political theory, the present exercise seeks to have both a distinct normative content and a sturdy academic orientation. We can only hope that faith in the utility of such discussions in extending the boundaries of a more nuanced and objective appreciation of issues turns out to be rewarding.

The hope derives sustenance largely from the centrality of 'human rights' for liberal political discourse and institution-building for more than two centuries. Notwithstanding setbacks attributable to the exigencies of statecraft, interest peddling by individuals and groups, economic management, and so on, the achieved level of concretisation in political and constitutional spaces should warrant some optimism. The problem, mainly, is one of unevenness. If the focus is on economic and social rights, the achieved level in the first world contrasts sharply with that in the third world. Until recently, the second world was in a fairly happy position *vis-a-vis* these rights, with a disconcerting record of gross lapses/indifference *vis-a-vis* civil and political rights. Its attempts since 1991 to build liberal democratic structures in a situation of crumbling bases of economic and social rights in a number of east European countries might succeed, given an improbably high dose of good luck!

The stakes being what they are, we have to go beyond 'soft' optimism to a keener appreciation of the evolutionary contours of the discussion. When Laski wrote in *A Grammar of Politics*, nearly 70 years ago, that "every state is known by the rights it maintains",¹ he was summing up a historical trend of deep import for the character and future of human civilisation. Their leit motif was human rights, not the glory and pomp of rulers and ruling groups. In the preceding 14 decades, this leit motif had found

expression in the mighty thunders of the French and Russian Revolutions. One does not know if the present upsurge in favour of free enterprise can be described as a revolution, but its leitmotif is palpably different. Projection of 'civil' and political rights' as a concomitant or consequence of free enterprise can be credited with musical qualities in the present ambience. But the deeper issues, particularly those relating to economic and social rights, are being pushed into the background. Are the gains of social liberalism, not to speak of those of socialism, to be sacrificed for the sake of a pre-social liberal dispensation? Will the ball of retrogression, as it were, stop here or move farther back? One hopes that such doubts prove to be untenable in a relatively long-term perspective.

As a source of light and lessons, the past can be far more useful if we refuse to be blinded by the present. The political and constitutional roots of the 'bill of rights' tradition could be deeper and stronger than what its detractors might suppose. Rewinding the reel of history, and looking at the reel from the standpoint of the problems characterising the present, could well be the best way of appreciating the ideological dynamics underlying the operative forces today. Revitalising and fostering the roots mentioned above should be the obvious political plank of those who see in the blighting effects of new conservatism or cynicism a threat to the onward movement of the forces of human development. In this perspective, figuring out the debating points, if not the hattle lines, would be a task of no mean significance.

Though the contexts are vastly different, Burke's attack on the French Revolution's 'Declaration of the Rights of Man and Citizen' (1789), in the name of the prescriptive rights of 'tradition', provides a convenient (and hopefully apt) starting point. He described the declaration as the "paltry and blurred sheets of paper about the rights of man".² Paine's rejoinder, premised on a radical shift away from the prescriptive pretensions of the feudal order, contained the forthright assertion: "When I contemplate the natural dignity of man, I become irritated by the attempts to govern mankind by force, as if they were knaves and fools..."³ This was by no means a flash in the pan. Two years before the French Revolution, Jefferson wrote in his letter of December 20, 1787, to Madison: "A Bill of Rights is what the people are entitled to against every government on earth, general or particular, and what no just government shall refuse or rest on inference." The French declaration provided a resounding confirmation of the Jeffersonian 'entitlement' in the following enunciations:

(i) "Ignorance, forgetfulness, or contempt of the rights of man are the only causes of public misfortunes and of the corruption of governments".

(ii) "Men are born free and equal in rights. The aim of every political association is the

preservation of the natural and imprescriptible rights of man: liberty, property, security and resistance to oppression".

These enunciations reverberated through the corridors of history in subsequent decades practically all over the world. Burke's 'age of chivalry', with its feudal prerogatives and privileges, receded into the limbo of history never to appear again, unless one believed in some congenial cyclical theory of history. The emancipatory gains of the liberal revolution *vis-a-vis* the antecedent feudal order, are here to stay in large parts of the world; civil and political liberties, despite their price of eternal vigilance against enemies, are doubly secure in terms of the roots they have struck in constitutional systems, and in the psyches of hundreds of millions of people the world over. If the ball of 'retrogression' strikes this great historical divide, some retrogressive ballast might well be lost on the rebound. Such indeed is the legacy of the French Revolution to mankind.

The poor and the exploited of the world, particularly those belonging to the third world, might wish for a similar protection *vis-a-vis* economic and social rights. As a major historical referent of such aspirations, the Russian Revolution, despite what has happened in the former Soviet Union, continues to exercise more than symbolic fascination. After all, until yesterday the 'socialist camp' meant so much for global history. We are, however, concerned here with a more modest proposition: social liberalism – something within the 'free world', opposed to the Soviet Union – centred power configuration. Are the achievements of the social liberal dispensation too in peril? Now that its *bête noire* is down, will it resile, as if on the rebound, from some of its earlier commitment to economic and social rights? This question may not be a product of sick imagination, for the free enterprise chorus includes some harsher notes against welfarism too.

With quite a few romantic illusions lying shattered, recent events should compel keener attention to the darker side of human nature in politics, notwithstanding the spectacular success achieved in the direction of realising 'utopia' since the publication of Thomas More's book bearing the title. As the cause of human rights, fired into the orbit of history by the French Revolution, wended its mighty course through the tortuous streams of hypocrisy/opportunism/expediency/prevarication/betrayal, cascading through revolutionary rapids in between, the zigzags of history have left quite a few scars on the course of liberalism and socialism. In spite of them, the net gains made by the liberal agenda of human rights have a securer base now. The socialist agenda did not register comparable gains, partly because it made heavier demands on human nature, and partly because in the feudal order liberalism had a simpler adversary both politically and economically. As an adversary, the liberal-capitalist order was far more complex and

sophisticated; because of the shared ground of industrial civilisation and human rights, a love-hate relationship has had, quite often, the better of a simple adversarial one. The deflecting mirrors of nationalism and imperialism, becoming more hideous in several instances on account of atavistically feudal forms of religious or racial identities, made the equations even more complex. Somewhere along the course of intertwining from the 70s of the 19th century, radical liberals and moderate socialists have been casting affectionate glances at each other. At the other end of the pole, those swearing by Marxism took a confrontationist stance for decades. We have now the wisdom of hindsight to suggest that the plank of abolition of private poverty, inherited by Marx from More and Babeuf, turned out to be more complex than anticipated. The progressive liberal side showed a shrewd awareness of subtle changes in forms of property and economic organisation generated by an increasingly sophisticated industrial civilisation. The rougher edges of dogmatism in the Soviet camp weakened the capacity for a more nuanced response on the other side. As the plank is too intricate for fundamentalisms on either side, we leave it at that, noting that what we are left with at the present juncture is the 'mixed bag' of social liberalism.

The mixed bag might give the impression of being a simpler proposition. To save ourselves from superficiality, let us look at another part of the rewound reel of history more closely. The scene: the Great Depression, followed by frenzied attacks on the liberal state by Nazi and Fascist regimes. Together, they summed up the severest crisis in the career of the liberal-capitalist formation. Hitler's brazen assertion that the masses "feel inwardly more satisfied by a doctrine, tolerating no other beside itself, than by the granting of liberalistic freedom with which, as a rule, they can do little, and are prone to feel abandoned", found more than an echo in Mussolini's war cries: "Fascism has taken up an attitude of complete opposition to the doctrines of Liberalism. (A)ll the political hopes of the present day are anti-Liberal, and it is therefore supremely ridiculous to try to clarify this sole creed as outside the judgment of history, as though history were a hunting ground reserved for the professors of Liberalism – as though Liberalism were the final unalterable verdict of civilisation". He went on to claim that "the conception of the Liberal State is not that of a directing force... but merely a force limited to the function of recording results"; in contrast, he described the fascist state as an 'ethic' state.⁴

Devils are exceedingly clever at the game of distortion, but their rantings are not always devoid of insight. Both Hitler and Mussolini touched a raw nerve in the body politic of liberalism. The former had a keen perception of the point that liberalistic freedom would mean little if the people felt that they had

been abandoned; and the latter assured the liberal state for its failure to go beyond the function of recording results, and for not being the 'ethic' state. True, they used all the cleverness at their command to exploit the urge for a 'positive state', to put a turgid philosophical gloss on the ideology of rabid nationalism. In the event, liberalism could survive its gravest crisis only by jettisoning *laissez-faire* capitalism (J M Keynes' book, *The End of Laissez Faire*, published a few years before the Great Depression set in, provided a tell-tale anticipation), and by evolving into social liberalism, i.e. a kind of radical liberalism which, while committed to civil and political rights, was alive to economic and social rights as well. Though the contents of the mixed bag bore the marks of a bumpy journey, the new liberal state, to use Laski's test, came to be known for the following rights it sought assiduously to maintain: the former set included the right to life, dignity, liberty, equality, security of person, and property, freedom from torture and arbitrary arrest, and freedom of thought, conscience, religion, opinion, expression, assembly, association, movement, etc; and the latter: the right to work for a fair reward, form and join trade unions, rest and leisure, health and well-being, social security, and participation in cultural life. FD Roosevelt's description of the new dispensation (economic and social rights) as the 'Second Bill of Rights' showed a keener perception of the epochal divisions of modern civilisation than has a lot of jargon-ridden economic analysis published then and since.

Flying the second bill of rights aloft, the ship of the welfare state cruised through the ideological high seas with spectacular success for nearly a quarter century – success in terms of high economic growth rates as well. Later, problems on the growth front occasioned re-examination. Before we touch upon that at a later stage, we may ask if the crisis faced by socialism now is of a graver variety than that faced by *laissez-faire* liberalism in the 30s? Hardly, if one does not seek in the 'comparisons are invidious' proposition an easy escape route. Assuming that it is graver, should socialism pack up and quit the scene to the greater glory of free enterprise? If fundamentalist positions are not allowed to cloud reason, one can say with some confidence that it (quitting) may not be necessary. The liberal-capitalist camp did not allow *laissez-faire* fundamentalism to block the process of its renewal then, by travelling on the road of accommodation right up to the socialist end; the historically influential Beveridge Report went to the extent of declaring that it had an 'open mind' on such a crucial issue as 'nationalisation'. Given the will to survive and serve, socialism too should be capable of renewal.

A degree of optimism on the future of economic and social rights would depend upon the ideological influence which a renewed and revived socialism could exert. It can derive considerable help from the

trend of institutionalisation of the second bill of rights since the end of second world war. For the first time in human history, a world body, the United Nations, proclaimed in its Charter (1945): "We the Peoples of the UN, determined to reaffirm faith in fundamental human rights, in the dignity and worth of the human person". The poignancy of the Charter derived not only from its global span, but also from the fact that it came in the wake of the defeat of the Nazi/Fascist challenge to liberalism. Above all, it represented a resounding repudiation of Burke's position on prescriptive rights. This should serve to underline the potential for harm of conservative liberals/liberal conservatives who might seek to hush their elitist disdain for human rights, particularly economic and social ones, with the prescriptive ambience of the feudal past. For them, Brownlie's following comment on the significance of the Charter could be a basis for rethinking: "A major achievement of the draftsmen of the Charter of the United Nations was the emphasis of the provisions on the importance of social justice and human rights as the foundation for a stable international order".¹

More comprehensive, and more important from the standpoint of those on the lookout for a parallel to the historic French Declaration, was the 'Universal Declaration of Human Rights', adopted by the General Assembly of the UN on December 10, 1948. The declaration raised the banner of social liberalism higher still, sanctified the second bill of rights, and projected it onto the world stage. The enunciations – "every one... has the right to...social security" (Art 22), and to "work...and protection against unemployment" (Art 23) – serve not only as universally visible ideological beacon lights, but also as guides for practical initiatives. The value of these enunciations depends upon their incorporation into the constitutional systems of sovereign states all over the world. While the goal is still fairly distant, reiterations and refinements at numerous regional/international conventions can be drawn upon to bring the goal closer to achievement. Thus, the Social Policy (Basic Aims and Standards) Convention of the ILO (1962) called upon member states to 'declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment'; the European Social Charter (1961) invoked the ideals which are 'their common heritage' for 'further realisation of human rights', through, *inter alia*, protection of the rights to work, social security and benefits from social welfare; the Second Conference of Independent African States (1960) drew pointed attention to the incompatibility between alien domination and exploitation, and fundamental rights; the African Charter on Human and People's Rights (1981) emphasised the right to education; the Additional Protocol to the American Convention on Human Rights in the Area of Economic, Social and Cultural

Rights (1988) reiterated the right to work and social security, with interesting references to the rights to 'adequate nutrition' and 'health environment' as 'the means for living a dignified and decent existence',¹⁰ and the Chapter of Paris for a New Europe (1990) of the Conference on Security and Co-operation in Europe (CSCE) asserted that economic liberty, social justice and environmental responsibility are indispensable for prosperity, and issued a call to all nations of the world that the CSCE was "ready to join with any and all the states in common efforts to protect and advance the community of fundamental human values".¹¹

Will all the states join in common efforts to protect and advance the community of fundamental human values in their bearing on the solemnly, and frequently, affirmed economic and social rights? If the answer is 'yes', these rights will almost be as safe as civil and political rights. 'Almost', because the 'economic capacity' argument can pose formidable, though not insuperable, difficulties. Evolving a more efficient system of economic management to achieve the needed economic capacity may not be awfully difficult in the context of 'Third Wave' technologies. But bringing about a situation where states join together to evolve a common political plank for economic and social rights may appear to be a remoter possibility. The problems are, therefore, political rather than economic. A major responsibility for this rests with the social liberal camp. It can, and should, play a facilitative role, in the spirit of the call issued by the CSCE in 1990, by enabling the third world to acquire the economic capacity to give effect to economic and social rights.

The bases of ethical support for human rights in general are clear enough. So are, in a sense, those of legal support. Commenting on the legal significance of the UN Declaration of Human Rights, H Lauterpacht said in 1950: "The individual has acquired a status and stature which have transformed him from an object of international compassion into a subject of international right". Paul Sieghart describes this declaration as a 'veritable revolution in international law'. He goes on to assert that as human rights inhere in human beings 'inalienably', they 'could not be abridged, denied, or forfeited by even their sovereign rulers'.¹² The authority of regional conventions, subscribed to by the member states, does not lag far behind. Adverting to the European Convention on Human Rights, Blackburn observes: "Although technically the Convention is no part of Britain's law, it is with increasing frequency that judges do in fact refer to its human rights principles for *persuasive authority*, to help explain the moral issues in the case before them and how British law fits into these principles".¹³

These good tidings, these nicer points of international law, may not add up to much in the field of economic and social rights

if sovereign states are either unwilling or unable to provide the needed constitutional and economic back-up. All the same, they mean a net addition to the stock of optimism. On this basis, one might hope to see a situation in which the current disproportionate emphasis on civil and political rights could be contending with the correctives of social liberalism. In the social liberal camp application of such correctives would be a relatively easy proposition, for it will be a case of activating what they already have. Perceptions of incongruence on account of the 'disproportionate' emphasis will have a higher degree of visibility and plausibility here. However, because of weaker economic sinews, the third world countries will find it difficult to emulate those in the first world. Their problems will get compounded if the latter choose to jettison welfare economics on grounds of either its 'inefficiency' or its incompatibility with the ideological effervescence of victorious capitalism. Allied with *realpolitik*, the temptation to make a faster buck by exploiting the vulnerabilities of the third world countries might become irresistible. Neither the lessons in *realpolitik* nor the excuses for such temptation, will be in short supply, if one cares to draw upon history, particularly that involving the imperialist phase. When that happens, the mercury in the pessimism column will shoot up. Appeals to good sense of the powerful, invoking the ethico-legal principles set forth above, are more likely to fall on deaf ears.

In the end, we are still left with fluctuations in the optimism and pessimism columns – a poor warrant for hazarding a categorical response to the first issue. The unfolding scenario might, at best, reveal three possible stances: we will cross the bridge when we come to it, accompanied by a cynical view of short-term gains; the social liberal dispensation, despite some problems, is good enough to be continued, and extended to other parts of the world; and it is time we respond to the call of CSCE (1990), and act with a sense of vision, reflected in speed, to create the conditions for "living a dignified and decent existence" for all human beings. With 'power' as a major intervening variable, these stances may appear to be too logical for the zig-zags of real life. However, to the extent they are not relatable to whimsicality, a deeper appreciation of the ideological dynamics in the social liberal camp in relation to the third world would be more helpful in figuring out the nuances of the present debate.

III

The ideological dynamics of the social liberal (welfare) state revolve around the actual or perceived nexus of liberalism with capitalism. Those who conceptualise its detachability from capitalism, try to explain, or explain away, the conventionally assumed historical association between them as

something circumstantial rather than intrinsic. With mainstream socialism, deeply anchored to Marxian perceptions and tenets, down (and 'hopefully' out from the standpoint of adversarial capitalism), such a conceptualisation may sound more plausible than it did earlier. It is social liberalism which holds the ground now, and would, therefore, claim a lion's share of political attention.

In a book published in 1977, Massimo Salvadori draws attention to the distinction, in French between 'liberiste' and 'dirigiste': the former "denotes the free enterpriser dedicated to *laissez-faire*", and the latter "the free enterpriser conscious of the defects of a market economy and committed to their elimination through the action of public powers – from the central government down to municipal authorities".¹⁴ To him, liberalism is more egalitarian than is customarily conceded by its socialist critics. He maintains that "the term 'bourgeois' continues to plague liberalism in spite of the extension to all citizens of the liberties advocated by liberals"; that (as a part of this extension) incorporation of universal suffrage transformed the erstwhile liberal government into 'liberal democracy'; that "the diffusion of property, not its abolition, has been advocated by progressive liberals as a solution to the perennial problem of the relationship between the haves and havenots"; and that the blame for visualising 'the good society' as the one which was elitist and therefore unequal should be placed at the door of "constitutional conservatives alien to the liberal tradition".¹⁵ And so on right up to the emergence of social liberalism, and thereafter echoes of the 'managerial revolution' thesis in: "For liberals, capitalism as the system in which capitalists have the upper hand belongs to the past".¹⁶

Now that bitter 'paradigmatic struggles' also belong to the past, one might go along with Salvadori for considerable length. Even so, the effusiveness surrounding the chorus of free enterprise could create a nagging doubt: Is not the very disappearance of 'paradigmatic struggles' a factor tilting the balance in favour of liberiste liberalism? If "constitutional conservatives alien to the liberal tradition" could push liberalism in the direction of elitism, where is the guarantee that latter-day conservatives (like the followers of Milton Friedman?) would not push dirigiste liberalism towards liberiste liberalism? These are vital issues from the standpoint of the third world. A new version of elitism will spell gloom for its teeming millions. As it is, 80 per cent of the world's resources are believed to be consumed by the affluent countries accounting for 20 per cent of the world's population. The situation has a parallel in the internal equations in the developing world: in India, for example, a comparable '20 and 80 per cent' picture is accentuated by the deeper inequities and indignities of the caste system. If the elites everywhere make common cause, the ideo-

logy of the welfare state along with its gains for the poor and the weak could be jettisoned through an elitist gloss over free enterprise. The setback to the cause and content of economic and social rights could be severe.

Has the 'liberal tradition' any built-in protection against such distortions or regressions? Now, a 'tradition' is not a simple thing; it is a "family of disagreements, and not a single view".¹⁷ Like in so many other cases, lexicographical definitions might be better guides to reality than stipulative ones. According to *The Random House Dictionary*, tradition is that which is handed down from generation to generation by word of mouth or practice (emphasis added), spanning beliefs, customs, etc. Can we discern some dominant or distinctive trend in the liberal tradition, identified as practice, shaped by a coherent set of views or beliefs? Those who would be reluctant to say 'yes', could invite our attention to the inconsistencies, tardiness, responsiveness of the fire-fighting variety, the tendency to sacrifice liberal sensibilities at the altar of economic gain or efficiency, opportunistic rather than principled alliances with conservatives or progressives, and an ambivalent distance from equality, and so on, which have presumably characterised the liberal tradition. Add to this the logic of the 'western state system' in modern times, we have a complex of perceptions which would be grist to the mill of cynicism rather than vibrant faith. A well known political scientist belonging to the 'realistic school', Hans J Morgenthau, has some home truths to tell: "It is a characteristic aspect of all politics, domestic as well as international, the frequently its basic manifestation does not appear as what they actually are – manifestations of a struggle for power. Rather, the element of power as the immediate goal of the policy pursued is explained and justified in ethical, legal terms. That is to say: the true nature of the policy concealed by ideological justifications and rationalisations". "Colonial imperialism, in particular, has frequently been disguised by the slogans of the kind – "the blessings of Western civilisation", "the white man's burden", "the national mission", "manifest destiny", "Christian duty", and so on. The supreme irony of the following situations cannot easily be missed. "Napoleonic imperialism swept over Europe under the banner of 'Liberty, Equality, Fraternity'". "Russian imperialism, especially in its aspirations for Constantinople and the Dardanelles, has successively or simultaneously made use of the Orthodox faith, Pan-Slavism, world revolution, defence from capitalist encirclement."¹⁸ In fact, the impact of "the concept of interest defined in terms of power"¹⁹ is too pervasive to be limited to international politics.

As realism is not all in human affairs, one might speculate about the relative mix of vision and necessity in the emergence of social liberalism. The conservative government in the UK is being satirised for

going back on its promise not to tax with the quip: "We tax not because we want to but because we have to". Did the historic initiatives of the New Deal era have any resemblance with this? To an extent, 'yes', because liberalism was facing then the severest crisis of its career. The Great Depression seemed to vindicate Marx's prognosis of capitalism as something crisis ridden (booms and depressions) and doomed to collapse under the weight of its own contradictions. The challenge posed by Nazism and Fascism to the survival of liberalism has already been discussed. The situation then could invite the wisecrack: "They transformed liberalism into social liberalism not because they wanted to but because they had to". To the extent this is plausible, the finer qualities attributed to liberalism by Salvadori (*vide* In 15) would seem to have an element of overstatement in them. This does not mean that Salvadori is entirely wrong. On the other hand, he is substantially right. There have been great displacements in the evolution of humanistically inspired ideologies like liberalism and socialism, practically all along the way. Yet, this very source of inspiration (humanism) imparts to them a deeper sense of vision about human development, and makes them qualitatively different from anti-humanist ideologies. Apart from the compulsions of events in the emergence of social liberalism there was this shared ground of humanist vision; in the idiom of 'rights', a shared ground between 'civil and political' and 'economic and social rights'. A preliminary awareness of this ground, understandably dim in the beginning, was shown in Europe from the early 70s of the 19th century. In a situation of prolonged insensitivity to the sufferings of working classes, culminating at times in the extreme callousness of 'social Darwinism', Bismarck (good 'autocratic' company for liberals) showed some 'social liberal' responsiveness in the form of 'social security' and other 'positive' measures. As a minister in the Liberal government, Winston Churchill struck a warmer note in the first decade of this century. In his book, significantly titled *The People's Rights* (first published in 1907; mainly an attack on the Conservative position *vis-a-vis* the House of Lords), he observed: "I believe that Liberalism mobilised, and active, as it is today, will be the principal and indispensable factor in that noble evolution (towards a 'fair Utopia')". "I am of opinion that the state should increasingly assume the position of the reserve employer of labour ... No view of society can possibly be complete which does not compromise within its scope both collective organisation and individual initiative." A programme formulated by him in December 1908 (and supported by cabinet) included the following items: Labour exchanges and unemployed insurance; national infirmity insurance, etc; modernised poor law; railway amalgamation with state control and guarantee; and

education compulsory until age 17. The political significance of such a stance can be better gauged from the remarks of Cameron Hazlehurst in the 'Introduction': "But by invoking the socialist spectre, the Liberals unintentionally hastened a political transformation which they were to prove incapable of controlling".²⁰ Several cuts above this in the positive state ideology was the Fabian movement whose contributions must have had some impact on the kind of thinking reflected by Churchill. And what George Bernard Shaw, a leading light of this movement, noted in 1928 (before the onset of the Great Depression) should be of serious interest to students of ideological dynamics. "Mr Keynes dismisses *laissez-faire* contemptuously as an exploded fallacy." The reference was to Keynes' book, referred to earlier, published a couple of years earlier. Interestingly, Shaw put Keynes in the lineage of John Stuart Mill, Cairns and Ruskin.²¹ That says something about the roots of social liberalism stretching over a longer period of history than is ordinarily acknowledged.

Their roots in the psyche of the social liberal west go deeper to the extent 'vision' ("of that noble evolution towards a fair Utopia") has survived the refractoriness of human nature and the inadequacies and inertia of socio-economic-political institutions. As adult franchise, universal literacy and access to mass media advance their cumulative educational task, the vision seeps into popular consciousness, projecting reference points for 'auditing' individual behaviour and institutional mechanisms. The machinations, even the might of rulers and their henchmen would be increasingly ineffective against such auditing. The following observation of L. T. Hobhouse in his well known book on *Liberalism* at a time (around 1909) when social liberalism was in its infancy, applies with greater force to the New Deal era and to the subsequent period: "[The] vision of justice in the wholeness of her beauty kindles a passion that may not flare up into momentary scintillation, but with the enduring glow of central heat".²² Viewed against this background, 'economic and social rights' as the bottomline of a civilisational enterprise built on the foundation the material for which was supplied by 'Utopian' thinkers from More to Marx, would be difficult to crase from the balance sheet of history. If More were to survey the western world in mid-20th century, he would not only have been pleasantly surprised by the way 'economic and social rights' were being actualised, but also by the power of utopia to shape realities, and vice versa.²³ Old stereotypes about reality and realism are no longer tenable. The evolutionary compulsions behind the reality of social liberalism cannot be understood through a 'realism' uninformed by the imperatives of human rights. Saner voices in the (developed) social liberal camp are deeply conscious of this. The developing world, where these imperatives have greater

relevance, may be less fortunately placed for the time being. To borrow the resonant language of the feminist movement, the oppressed and the exploited people of this world too will be able to "break out of the imposed reality (of men as the metaphor for the powerful) through to a reality they can define and control themselves".²⁴ Given the universalistic thrust of human rights, the historic dimensions of the efforts to 'break out of the imposed reality' may be measured in the decades to come in terms of billions rather than millions of human beings.

Until such a situation emerges, the powerful can hardly be expected to forget the art of honing the tools of exploitation and oppression. Among them, the most intricate and confusing are the economic ones. The failure of socialism on the economic front has brought into sharper relief the claimed/demonstrated superiority of free enterprise as an engine of economic efficiency. The important issue at this juncture of history is: Is there any possibility of the 'exploded myth' of *laissez-faire* reincarnating to the detriment of economic and social rights? The decline of faith in the prowess of Keynesian economics, after a successful run for about a quarter of a century to solve the intractable problems of inflation recession and unemployment, does cause anxiety. But the lack of a sounder alternative further aggravated by environmental problems, has plunged economic theory into a state of crisis. Some episodic experiments inspired by the school led by Milton Friedman, have produced mixed results of a rather funny kind: "There is very little, if any, correlation between monetary policy credit, and interest rates on the one hand and entrepreneurship, invention, and innovation on the other".²⁵ A bewildered left has hardly had the stamina or creativity to counter the right; its main contribution has been to lend support to the idea of the efficiency of the market with a rider that such efficiency should not be at the expense of socio-economic justices - a somewhat scaled-down version of an earlier, full-throated, song of economic and social rights. Public spending on welfare and social security items became the obvious targets but not to the extent that the economic foundation of social liberalism were gravely threatened. In a perceptive assessment of the impact of Thatcherite policies, Dennis Kavanagh notes, "In spite of such cuts total security spending continued to increase as a proportion of GDP - by an average of 5 per cent in real terms - in OECD states between 1975 and 1985. For all the talk of a tax backlash and attempts to cut state spending on welfare, the irony is that both are now higher as shares of GDP in all OECD states compared with 1975 or 1980." Consequently, "among more radical monetarists and free marketeers there remains disappointment that the government (in the UK) had not done more to shift the middle ground. Such critics want bolder measures

to cut taxation and state spending".²⁶ Keynesian economics may have lost a lot of its original potential for solving the problems of recession and unemployment. But the alternatives preferred by free enterprise 'rightists' have not proved their effectiveness either; free enterprise 'leftists' will continue to retain their ideological relevance and appeal as long as the problems of recession and unemployment underline the historical justification of social liberalism.

Corresponding to the 'free enterprise' rightists and leftists, we can visualise the relative loci on 'civil and political' rights and 'economic and social rights'. The blurring is even more pronounced here – in the purer realm of ideological dynamics. In his classic on *Equality* (first published in 1931), R H Tawney stressed the primacy of the ideological approach over the economic one: "These values and preferences are not something fixed and unalterable. On the contrary, they have changed repeatedly in the past, and are changing today; and the distribution of wealth has changed and is changing with them". This implies "the conversion of economic power, now often an irresponsible tyrant, into the servant of society, working within clearly defined limits, and accountable for its action to a public authority". "While many today may not go along with him on the institutional capabilities of public authority, his old position on the limitations of pre-welfare liberalism still rings true. "It (old liberalism) condemned the inequalities of the feudal past; it blessed the inequalities of the industrial future". In the 30s, and thereafter, the picture changed qualitatively: "If we speak of equality, we do not mean political equality nullified by social and economic privilege." Above all: "Liberty is composed of liberties. In considering, therefore, the indictment of equality as its predestined assassin, the beginning of wisdom is to specify the particular terms of the torments which the pursuit of the latter is held to impair."²⁸

The mood caught on as the crisis deepened. Like the right to equality, the right to life acquired a socio-economic content. Russell W Davenport observed (in 1949): "Violence does not constitute the chief threat to life... When a worker loses his job he cannot eat. Therefore, an economic right must be established." The implications of the right to life for that to property are informed by a similar logic: "This right extends beyond the problem of life and limb to that of economic need; it must include in its meaning the proposition that society shall not proceed in such a way, and the right to property be so construed, as to deny to human beings the possibility of living – that is to say, in modern society, of earning a living." To sum up: "What the people mean by 'welfare' is, precisely, the implementation of the Right to Life." To William Beveridge (of the *Full Employment* fame), the private ownership of the means of production was "not an essential citizen liberty in Britain,

because it is not and never has been enjoyed by more than a very small proportion of British people".²⁹

To say, therefore, that the two sets of rights are equally important is to underestimate their interconnection on logical and empirical planes. Their integration is mediated by two common factors – security and equality; security of life and limb gets restated as socio-economic security, and equality before law gets restated as socio-economic equality (interpreted as equality of opportunity). Such is the force of logic and history behind these gains of integration registered by social liberalism that the possibility of a decisive break with the underlying humanist moorings can be considered too dim for historical prognosis.

This perspective discourages an unduly pessimistic response to the second and third issues posed at the outset. The 'free enterprise' right might try to overemphasise civil and political rights as long as long fits of celebratory excesses last. But pretty soon, it will have to come to grips with the dynamics of forces discussed above, demanding the universalisation of social liberalism rather than its constriction. The first world will not be in a position to give up its social liberal (welfare) plank. Its capacity to commend a pre-social liberal model to other parts of the world, particularly the third world, would be limited by the very forces released by it over the centuries.

IV

The ideological dynamism of the west, especially since the French Revolution, has been a major factor in making human rights the central pursuit of human civilisation. Thanks to this transformation, the third world is more acutely aware of the deeper damage caused by the west's imperialist ways, and is better equipped to participate in the new civilisation. The watchword for the next stage of civilisational advance will be universalisation. In fact, the die was cast much earlier: "It was the glory of the liberal movement," wrote Tawney, "at least in France, to have poured its doctrines into the mould of a universal creed, so that the truths which it propounded were framed, not for Frenchmen, nor for the age of Louis XVI, but for men."³⁰ And Bernard Crick asserts with far greater confidence: "If 'socialism' means anything... it is universalistic".³¹ Allied with nationalism more deeply, the former connived at encouraged imperialism with greater psychological ease. This explains why socialism, despite its own version of goal displacement, has had greater appeal for the third world.

Today, the situation is qualitatively different. Since the end of second world war, there have been conscious and concerted initiatives in the direction of universalisation. The unique significance of the Universal Declaration of Human Rights has deservedly evoked tributes like 'the Magna Carta of mankind', and 'the greatest document in

human history'.³² Some follow-up documents (fn 6-13) illustrate the progress in this direction from the standpoint of economic and social rights. There are many more documents of that type. A heartening feature of the whole story is that many in the advanced countries are unhappy over the slow pace of universalisation. In their 'Declaration on Human Rights' of July 21, 1986, the foreign ministers of 12 EEC countries observed: "The Twelve deplore the fact that countless people around the world suffer hunger, disease and lack of opportunity, thus being denied the enjoyment of the most basic economic, social and cultural rights as well as civil and political rights, which is of paramount importance for the full realisation of human dignity and for the attainment of the legitimate aspirations of every individual."³³ While the 'deplorable' fact continues, the ideological basis for universalisation is a good augury. The general impression that western countries are more enthusiastic about civil and political rights than about economic and social ones may look less tenable against this background. As Julia Hausermann recalls (in the context of the activities of the Human Rights Division of the UN Secretariat): "The initial fear that the Economic Covenant would not be ratified by western states had proved ill-founded with more states ratifying it than the twin covenant. As of September 1, 1987, the former had been ratified by ninety states, eighty-six of which had also ratified the Civil and Political Covenant."³⁴

The gap between the deplorable fact and the admirable principle (formally) accepted on such a wide scale, may be taken as an illustration of the inevitable tension between aspiration and achievements. Some touchy persons get so annoyed with the gap that they develop contempt for the principles. For them, Jose Figueres, a former president of Costa Rica and an economist, had some wise words at the International Conference on Human Rights, held in Teheran in 1968: "If it had not been for the enunciation of principles that were difficult to fulfil, the progress that has been made by these nations would not exist, and probably the vices of dictatorship would be officially sanctioned today." Further, "ethical codes have always preceded ethical conduct. A certain time is needed for education and adaptation. Even afterwards, perfection is never attained."³⁵ The weight of consensus behind the enunciations discussed above imparts to them the character of settled principles. Let us remember that even within the framework of an individual state, and notwithstanding the claims of liberals on behalf of their ideology, some segments, such as blacks in the US, had to wage prolonged struggles to win the battle of human rights for all. The 'liberal conscience' took quite a bit of logical and political nudging to be awakened! The world as a whole has benefited by such nudging in different advanced democracies. Viewed thus, the consensus in favour of

universalisation of economic and social rights, posited, of course, on civil and political rights, can be considered a development of the highest significance in the evolution of human civilisation. Recalling a reference earlier to the reality-shaping potential of utopias, we may note that the 'settled principles' represent a great advance on the road to realisation. It is no mean tribute to describe them as 'soft law'. But the situation is actually better than that. As one writer asserts: "To the entrenched sceptic who dismisses this as 'soft law', the reply now is to point to judicial decisions which make such basic rights as freedom from slavery and racial discrimination binding on all states."¹⁶

The principles are ripe for implementation. What needs to be done at this stage, largely beyond that of 'education', is to figure out the political initiatives and administrative instrumentalities appropriate to the situation in the third world. Their ideological compass may produce the following reading.

(1) In most countries of the third world, imperialism has left deep economic scars, including those with a bearing on environment. Notwithstanding the ideological 'gift' of the weapon of liberalism, and a certain political capacity to figure out goal displacements with or without the help of socialism, imperialism has meant a legacy of indelibly wide global disparities. The cause of distributional equity, at the core of social liberalism, has suffered grievously at the hands of a more intense kind of exploitative and exclusionary dispensation of politico-economic policy. As long as they lasted, racial/national/religious forms of arrogance fuelling imperialism constituted grave violations of human rights. The sombre picture of poverty and misery in most countries of Asia, Africa and Latin America, aggravated by gaps in distributional equity, should not be tolerated by a world committed to the tenets of social liberalism. In the words of the Brandt Report, the North-South divide is 'the great social challenge of our time'.¹⁷ The fact that the richest countries of the world, accounting for 20 per cent of its population, consume 80 per cent of the world's resources tells a lot about the case for a sharper focus on economic and social rights. Ritual obeisance to civil and political rights, without this focus, sounds like a cruel joke: Imperialism peeping through the politics of human rights!

(2) A related aspect is the equally disconcerting dimension of the problem of third world debt. According to some, the art of 'doublespeak' has been responsible for a favourable gloss on the problems of the affected countries. "By the lenders' own favoured criterion of success ('the restoration to credit worthiness')", says Mike Faber, "the collectivity of debt-troubled countries are now (1989) some 40 per cent worse off than they were in 1982..." The IMF, by adopting the gross GDP criterion, instead of the net GNP one, artificially boosts the gains of the debtor countries; for a correct picture

substantial downward adjustments would be necessary. And "when all debtors are advised to increase exports of identical commodities, as a result of which prices fall, (and) debtors are worse off..."¹⁸ Citing the case of Latin America, Miguel Olea draws attention to the following facts: "The Latin American debt has increased by more than 400 per cent in the last ten years. From 1975 onwards the accumulated debt increased by an average growth rate of more than 20 per cent annually. During the same period, the ratio of service payments to export income increased from 26.6 per cent to more than 65 per cent. What this means is that the debtor countries run the risk of going back several decades in their development and welfare..."¹⁹

(3) The recently signed multilateral GATT Agreement, and the controversies preceding and following it, may stand on a different footing, considering the near universal acceptance of free trade across the globe as something conducive to economic growth the world over. There is a corresponding disapproval of protectionist barriers. But here too, the powerful countries (particularly the US) are trying to use their clout in ways palpably harmful to the economic interests of the poorer countries. Addressing a meeting of the Interim Committee of the IMF, held in Washington on April 25, 1994, the governor of India's Reserve Bank made the following points: (i) While developed countries have reduced tariffs and opened their borders for trade, many industrialised nations have strengthened tariff and non-tariff barriers, particularly against imports from developing countries. (ii) There has been a steady decline in the international prices of commodities exported by the developing world – for 1993, the loss on account of falling prices was more than double the amount of net aid received by it. (iii) The tendency in the west to link unrelated issues, such as labour standards, social conditions and environment to the new trading regime worked to the disadvantage of the developing countries. (iv) The pursuit of macro-economic stability necessitated the balancing of different objectives, like fiscal deficit, trade and tax reforms, etc, as also the desirability of providing effective safety nets to disadvantaged sections of society.²⁰ One cannot help noting here the link between 'effective safety nets' and maintenance of human rights in their economic and social aspects.

(4) Ironically, the sanction of human rights is invoked by the self-appointed policeman of the world – the US – to pressurise threshold nuclear power countries to sign the Non-Proliferation Treaty, while it and its allies remain free to use nuclear blackmail to secure their strategic objectives. If the history of imperialism (dotted with numerous instances of amoral policies and conduct) is any guide, it is these powerful countries which need be disciplined first. The enormous amounts saved through drastic cuts in defence budgets can be used to concretise economic

and social rights for mankind as a whole.

Viewed in the light of the ideological dynamics outlined earlier, the task of deriving an action plan from the meanings embedded in these readings should not be difficult. On the top is the pursuit of effective safety nets to the disadvantaged. The subdued tone of India's bank official, apart from the style of a civil servant, is largely attributable to the high volume of free enterprise chorus and the fear of displeasing those powers who might use 'sanctions' to discourage discordant notes. This, however, does not mean that third world countries are incapable of appreciating, or taking advantage of, the opportunities offered by the new dispensation of free enterprise. But they also perceive economic and political risks against which the 'welfare net', already available to the rich countries, is expected to provide a degree of protection. In a more propitious international political climate, they are likely to assert this position in a more forthright language. At the recent G-15 summit held in New Delhi in the last week of March 1994, the prime minister of India stated that "our absorption in the task of today will not come in the way of our seriously addressing the emerging and transcendent issues of tomorrow... We shall exemplify the intrinsic symbiosis between the interests of industrialised countries and ours." The president of Nigeria made a strong plea for poverty and hunger alleviation projects in the third world, and delivered, as it were, the punch line: "If we succeed and can demonstrate beneficial results, then we shall be further strengthened and justified." And those who should may draw appropriate conclusions from the generous ambit of his observation: "We should avoid the earlier experience of some international organisations and groups whose efforts became mired in controversy, isolated by excessive rhetoric and crippled by their inability to demonstrate practical results." Can the present 'free enterprise' – centred efforts, also characterised by excessive rhetorics, escape being mired in controversies if the results turn out to be cosmetic rather than practical? The Indonesian president provided a good summary by raising the issue: "The important question before us is whether we should allow the ongoing changes in the world today to proceed on their own momentum, unmanaged and uncontrolled, or whether, in all good will and sincerity, we should join forces – both among ourselves in the south and with the north – in directing these changes, rationally and equitably, towards a new order more capable of ensuring stability, social justice and equitably shared prosperity."²¹

An ambience of trepidation in these formulations imparts to the implicit battle lines a low visibility. Once they become explicit, sooner rather than later, they will demand attention to the logic of economic and social rights in their bearing on 'poverty', 'hunger', 'social justice' and 'equitably shared prosperity'.

The whole thrust of historical development behind the gratifying gains of 'soft law', discussed above, indicates that the affluent (but social liberal) west cannot ignore this logic. Some evasions, distractions and delays are possible, on account of the following factors.

(1) The consciousness of being the only superpower in the world, and the temptation to make hay while the sun shines, may make the US insensitive to the heritage of New Deal vision. As a part of its celebratory excesses, it may read more virtues in free enterprise than are warranted by historical experience.

(2) Not being novices in the imperialist games of helping themselves to larger mouthfuls, several western countries might exploit further rather than correct unequal exchange mechanisms, and thereby inflict greater misery on poorer countries. Protecting a few hundred jobs in their countries is considered far more important than creating/protecting a few million jobs in the latter. Their approach to recession, balance of trade, investment and technology transfer would be of a piece with this.

(3) To make a more exploitative, and regressive, package less unpalatable, the affluent countries might resort to projects highly publicised but cosmetically funded. They may also rope in strategically-placed elements in the poorer countries to achieve their economic and political objectives, on the assumption that conditioning to an 'unequitably shared prosperity' in the national context might make that in the international context a shade more tolerable. There is no fear, at least for the time being, of socialist radicalism on the prowl.

Factors such as these provide insights into some dimensions of the politics of human rights: suppressing an integrated view of human rights embracing economic and social rights, and suggesting a partial, and, therefore, false view of human rights through an undue emphasis on civil and political rights. The technical mask of economics can be pressed into service to lend plausibility to the whole exercise. To see through it, it is worthwhile stressing some well known positions: "The crucial point is that economics is about power".⁴² Much if not most of debilitating poverty today is a political, not a natural, product...⁴³ "The key variable in the mix of factors affecting human rights is the 'political space' in which decisions are made..."⁴⁴ States are not neutral instruments of technocratic economic management but rather the instruments, direct or indirect, of class or elite rule...⁴⁵

For some decades from the 30s, social liberalism incorporated a kind of optimal interface between political and economic considerations, between distributional equity and productive efficiency. With that balance upset, the crisis of economic theory and policy is awaiting a technical synthesis of the order achieved by Keynes. In the prevailing confusion, the free enterprise right is exercising its skills to give itself the benefit of doubt to jettison distributional equity.

What this has meant to the vulnerable, practically the world over, must be a source of anxiety for all. In China, we have a major example of a country trying to strike a better balance between economic and social rights on the one hand, and free-market reforms on the other. The former communist countries in eastern Europe must be ruing their improvident hurry. The predicament of the third world has been brought out by the G-15 summit recently.

In these circumstances, the advice of the affluent countries (enjoying the vital cushion of social liberalism) to the two worlds to wait for the miracles of the new economic dispensation will hardly command credibility. Nearly four decades ago (1956), C A R Crosland in his book, *The Future of Socialism*, criticised the ruthless hurry on the part of communists/socialists dissatisfied with the slower ways of the welfare state, and preferred the less prosperous welfare state with civil and political rights on the ground that "we do not want to enter the age of abundance only to find that we have lost the values which might teach us how to enjoy it". A similar stance vis-a-vis economism is needed now. Along with civil and political rights, economic and social rights sum up the values of a civilisation whose technological and organisational capabilities can create enough wealth to sustain a juster social order. It is time we defend the welfare state everywhere against the allurements of a free market-led abundance which is not worth having, even if we give the benefit of doubt to an exploded fallacy seeking restoration in a new garb. Protestations of love for civil and political rights, without economic and social rights, sound as hollow as protestations of love for economic and social rights, without civil and political rights, did in the 50s.

To say this is not to deny the contextual appeal, relevance and efficacy of free enterprise. The communist model of vanguard dominated and bureaucratically operated centralised planning having been discredited, there is no effective alternative. But some aspects of the structural adjustment programme, forced on the third world to the detriment of economic and social rights, with economic sanctions where sufficient and use of political clout reminiscent of the odour of gunboat diplomacy of an earlier era where necessary, entail sacrifices and suffering for those least able to bear them. Frequent recourse to the 'sanction' of human rights, in the untenably narrow sense of civil and political ones, accentuates the irony of the situation. On the other hand, the range of structural adjustments, in the range left by the imperatives of free enterprise, should have been the other way round, i.e. supportive of economic and social rights mandated by international consensus and law. There are straws in the wind to indicate that such a distortion is having an adverse impact on the economies of the LDCs (least developed

countries). The latest report of the UNCTAD states that "while the overall picture remains bleak, there are nonetheless some welcome signs of progress – even if halting – in approximately one quarter of the LDCs". A key issue, the report adds, was "the apparent inability of many countries to improve – and in some cases even to sustain – the provision of essential services, particularly health care and education". And here is an interesting conclusion: "Arresting this persistent deterioration in the human condition is seen as a key to economic recovery and sustained growth."⁴⁶

Apart from a sounder human rights picture, this 'key' suggests that the expected spin-offs, in terms of economic recovery and sustained growth, from economic and social rights could be better than the suspected ones from only civil and political rights. So, the third world would do well to make common cause with many, many adherents of social liberalism, instead of subordinating its interests to the greater glory and prosperity of the power elite in affluent countries, or, nearer home (in individual countries), to the greater glory and prosperity of feudal-fundamentalist-bureaucratic-conservative (liberal) elements.

The situation calls for political initiatives geared to strengthening the consensus and 'soft' law in favour of economic and social rights, and articulating political-cum-administrative instrumentalities in furtherance thereof. They might take the following forms:

(1) Organising a global response to the calls of the type issued by the foreign ministers of 12 EEC countries in July 1986 (fn 33), and issuing an updated version of the declaration, prioritising items such as education and health, and elimination of primary poverty through employment assurance/insurance measures. Universal education (up to high school graduation level) should be welcomed by the advanced countries as knowledge has been considered the 'central capital' and the 'crucial resource of the economy'; it will not only contribute to higher economic efficiency but also to raising the levels of health awareness, culture, and receptivity to media inputs on population control and environment. Those in the west, who are now worried about the competitive edge of the third world because of cheap labour, should be happy at the blunting of this edge on account of universalisation of education. It will also enormously simplify the issue of 'right to information' in the context of the advancing information revolution.

(2) The declaration should concentrate on priorities and not trivialities. There are several items, such as 'holidays with pay',⁴⁷ whose exclusion would not make a vital difference to the substance of economic and social rights.

(3) This should be followed by confirmatory/adaptive declarations by existing or new regional formations.

(4) Finally, the constitutions of individual countries should operationalise them in

relation to their quantitative and qualitative requirements.

Such declaration and provisions would remain platitudes unless they are backed by financial and organisational support. The following points might be examined for working out an action programme.

(1) Establishment of an international universal education fund to aid third world countries in accordance with the criteria of educational backwardness, with the most backward countries getting a higher share of funds. The fund may comprise contributions of all countries, with the affluent countries contributing one per cent of their military budget, and the less developed countries contributing less according to a graded scale.

(2) The existing World Health Organisation should be enabled to aid public health programmes in developing countries. Its scope and reach should be expanded to include extensive preventive and public hygiene programmes, particularly to strengthen the needed infrastructure.

(3) A human right implies entitlement to the world's resources to satisfy, to start with, the most basic want of hunger. Normatively, suffering on this account anywhere in the world should be the concern of the world community everywhere. At present, perverse practices like dumping huge quantities of foodgrains in the sea are resorted to as 'price stabilisation' measures. To obviate them, a world food security system should be evolved so that surplus stocks are scientifically preserved for use in emergencies in any part of the world at short notice. To placate the god of the market, surpluses may be purchased at rates conducive to price stability. Financial implications may not be formidable when we consider the fact that in the affluent countries multi-billion (dollar) industries cater to the nutritional needs of dogs and cats. The inconvenient moral dilemma has been resolved in favour of these more fortunate animals, as otherwise the poor facing the threat of starvation will lose the motivation to work for themselves, and possibly, for the greater good of the market and its more resourceful beneficiaries. It is time the exponents of human rights assert the parity of human beings with dogs and cats, and demand, without hurting the interests of the latter, investments in the proposed (or existing) food security system comparable to those in the industries mentioned above.

(4) The current emphasis on environmental problems, and on environment-friendly agriculture, is shared worldwide. There appear to be some subtle attempts to compel the already poor third world countries to invest in environmental protection measures so that the affluent countries do not suffer in terms of competition on account of such investment in their countries. These ironies may not be lost upon the developing world, used to the burden of 'reverse flow' of resources for many years. To prevent such

factors from getting compounded, it would be advisable to gather the organisational and financial threads of the 'environment' movement together, and to set up a world environment and employment fund. It is well known that massive afforestation, dryland agriculture, land and water management programmes, etc. to save the earth, have a high employment potential. As the future is more important, one need not harp on the resource guzzling record of an industrial civilisation whose main beneficiaries, aided by imperialism, have been the affluent countries. But mankind as a whole gains by correcting the consequences of past excesses and working for a better future. The technological and organisational capabilities available to mankind, coupled with the potential of 'informationalised' money, are yet to be tapped for making the vital right to employment a reality.

This is a fair modest programme of social liberalism in its bearing on mankind, and not just the affluent countries which can afford it. To make rights dependent upon the size of a country's purse is to drain them of their political content and spiritual flavour. Conservatives can, as always, be expected to put spokes in the wheel of progress in the name of the individual's duty to help himself, but with the hidden political agenda of preserving a power structure posited on imposing greater sacrifices on the poorer segments. Development, they would say, is not a zero-sum game; such sacrifices would not be necessary once the angel of free enterprise showers the manna of abundance. The position taken here implies a reversal of this short-term burden. To say this is not to remove free enterprise from its present high economic pedestal, and put back in its place the failed socialist icon of centralised planning managed by an unresponsive, 'self-serving bureaucracy'. The position with regard to development being a non-zero-sum game remains. Beyond this it can also be argued that to further strengthen the already strong countries, albeit for a short period, is to reinforce the cumulative factors which widen the gap and make corrective interventions at a later stage even more difficult/ineffective. Can anybody with a concern for human rights, even in their cribbed civil and political version, contemplate the massive human suffering in the third world with a sense of equanimity, unless he subscribes to fascism or the theology of suffering for the poor? One need not be a fire-spitting communist revolutionary of yesterday to appreciate the soundness of Ronald Dworkin's formulation that the most fundamental of rights "is a distinct concept of the right of equality, what I call the right to equal concern and respect". Paraphrasing it, Richard Harries says: "In Dworkin's view the concept of equality leads to the legitimacy of positive discrimination in

favour of the deprived." Its congruence with the theology of rights has an inspiring ring about it: "Bible is a book about positive discrimination. Its theme song is an imperative to discriminate in favour of the marginalised; and triumph song is an affirmation of god's vindication of the powerless. It is the right of those whom Franz Fanon called 'the wretched of the earth' - to life, to the basic necessities of life, to the human dignity we all share - that is the most pressing of human rights problems in theological perspective today."⁴⁴

With the battle lines drawn along this ideological divide, should the conservatives take a short-term view of their interests, the case for political struggles, matching in terms of strategy and mobilisation the challenge posed by the adversary, can no longer be in doubt. Explaining the third world interpretation by Ali Mazrui of the fundamental principles of the UN Charter "as a proclamation of global liberation in which human rights rather than state sovereignty held the first place," R J Vincent observed: "This is to place 1945 in the tradition of 1776 or 1789. The significance of such a location is that it legitimises revolution. If human rights do stand in this tradition, then they are not to be interpreted as the anodyne compromises of committee rooms at the UN, but as a call to arms."⁴⁵

When it comes to political struggles *vis-a-vis* economic and social rights, right up to a call to arms, why pray, exclude inquisitive glances towards democratic socialism, Marxism and the Russian Revolution? Are the latter's contributions to legitimisation of revolution, in pursuit of chosen emancipatory goals, too unimportant to be wiped out of historical memory? Apart from the Soviet Union and China, socialism as a fighting creed has had immense influence on the course of socio-economic development in the second and third worlds. A better way of understanding and benefiting by its now abundantly known failures, is to recall E Halczy's perceptive observation in a book published in 1938: "Modern socialism is a doctrine with a double aspect...it is a doctrine of emancipation...and it is a doctrine of organisation..."⁴⁶ Its failures, in the Soviet Union and elsewhere, relate mostly to the doctrine of organisation: the 'vanguard' thesis, centralised planning, 'democratic' centralism, and the dominance of (party) bureaucracy. As a doctrine of emancipation, its failure lies in its relative neglect of civil and political rights and its unannounced approach to the ease of integration of the two sets of rights. After making due allowance for such failures, we can still say that its massive contribution to the task of putting economic freedom on the agenda of history, and to that of actualising it substantially in countries where its writ prevailed, underline its continuing relevance as a doctrine of emancipation. This aspect is sustained by a formidable edifice of social

science – from the theory of ideology to that of the power structure mediated by the dynamics of class relations profoundly conditioned by technological factors. In the third world, where emancipation in this sense is still a major unfinished task, the failure of free enterprise to deliver the goods would inevitably bring the emancipatory thrust of socialism into sharper relief. If capitalism relapses into the pre-social liberal ways of baring its predatory claws, and, consequently, the battle lines are more sharply drawn, the socialist ammunition can make a crucial difference to the outcome. As a fighting creed, socialism will not disappear from the stage of history as long as the case for propelling the cause of economic and social rights remains strong.

As a peace-time companion of economic and social rights, too, socialism retains its relevance and utility – for humanising free enterprise. While paying handsome tributes to the market – “an excellent way of processing information”, conducive to ‘innovation’ and ‘decentralisation’ and dispersal of economic power – the exponents of market socialism seek to correct its adverse spin-offs for the disadvantaged as “a chosen and arranged device”.³¹ Liberals with a positive agenda must have derived considerable assistance from socialist inspiration in asserting, “a necessary background condition of a stable market order is a wide diffusion of wealth and a reasonable measure of equality of opportunity”.³² This should be the decisive test of the soundness and serviceability of the market, and not an inequitable abundance. Above all, the universal appeal of socialism – cutting across ‘races, nations, religions and civilisations’ – unrivalled by any ideology known to mankind, is a factor to be reckoned with in mobilising international support for human rights. In describing the broad socialist tradition as the “most powerful reform movement that history has ever known,” Ludwig Von Mises, a scholar from the other side of the barricade, has summed up the inner dynamism of this appeal with admirable brevity.

In the interest of human rights, a reformed capitalism and a reformed socialism should hold fast to each other. Their traditional foe is economism, which might deflect them from their joint mission through a resurrected version of the conventional wisdom of the old American doctrine of free enterprise. A partial view of human rights may be paraded and enforced (where possible), to divert attention from the advice of Alfred Marshall that the economist, like everyone else, must concern himself with the ultimate aims of man. Nothing expresses these aims for our civilisation better than an integrated view of human rights. Rights, it must be emphasised, belong to a different realm of discourse than the ‘charity principle’ or ‘stewardship principle’ figuring in the management literature of the social responsibility of business. They mean a profound political

response, not only from the national community but also from the world, to the deep pathos of the following fact: “To the landless worker in an Indian village, one of the world’s most unfortunate individuals, unemployment is not even a misfortune. It is his normal fortune”.³³ Galbraith, the author, would have been more deeply disturbed had he been conversant with another dimension of ‘his normal fortune’ – a centuries – old tradition of outrages on human dignity characteristic of the Hindu caste system. (In terms of social hierarchy, most of the landless workers belong to the bottom quartile.) The pathos of his ‘normal fortune’ is more than a parable of the poor state of integration between the two sets of human rights in the third world. It symbolises the predicament of our civilisation, committed to human rights but hesitating to take the next obvious step because of the problems of an ideologically split personality.

Notes

- 1 Harold J Laski, *A Grammar of Politics*, S Chand, New Delhi, 1967, p 89
- 2 Thomas Paine, *The Rights of Man*, E P Dutton, New York, 1951, p 40. Burke quoted by Paine.
- 3 *Ibid.*, p 46
- 4 Vide excerpts in William Ebenstein (ed), *Modern Political Thought: The Great Issues*, Oxford and IBH, New Delhi, pp 362, 365 and 366
- 5 Ian Brownlie (ed), *Basic Documents on Human Rights*, Clarendon Press, Oxford, 1922, p 1
- 6 *Ibid.*, p 300.
- 7 *Ibid.*, pp 363-64
- 8 *Ibid.*, p 544
- 9 *Ibid.*, p 555
- 10 *Ibid.*, pp 523, 525 and 526
- 11 *Ibid.*, pp 476 and 478.
- 12 Paul Sieghart, ‘International Human Rights Law: Some Current Problems’ in Robert Blackburn and John Taylor (eds), *Human Rights for the 1990s: Legal, Political and Ethical Issues*, Mansell, London, 1991, pp 25-26
- 13 Paul O Higgins, ‘The European Social Charter’ in Robert Blackburn and John Taylor (eds), *op cit.*, p 119, emphasis added
- 14 Massimo Salvadori, *The Liberal Heresy*, St Martin’s Press, New York, 1977, pp 58-59
- 15 *Ibid.*, pp 42, 44, 54 and 91.
- 16 *Ibid.*, p 59
- 17 Nancy Rosenbaum’s view paraphrased in Don Herzog, ‘Up Toward Liberalism’, *Political Theory*, Summer, 1989, p 358.
- 18 Hans J Morgenthau, *Politics among Nations: The Struggle for Power and Peace*, Scientific Book Agency, Calcutta, 1969, pp 83, 89.
- 19 *Ibid.*, p 5
- 20 Winston S Churchill, *The People’s Rights*, Jonathan Cape, London, 1970, pp 10, 13, 154-56
- 21 Bergard Shaw, *The Intelligent Woman’s Guide to Socialism, Capitalism, Socialism and Fascism*, Penguin, London, 1937, Vol 2, p 465
- 22 L T Hobhouse, *Liberalism*, Williams and Norgate, London, 1909, p 251.
- 23 For a detailed discussion of this theme vide M Shiviah, ‘New Realities, New Utopia: A

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- 24 Sheila Rowbotham, ‘Woman’s Consciousness and Man’s World’ in Maggie Humm (ed), *Feminism: A Reader*, Harvester Wheatsheaf, London, 1992, pp 95-96.
- 25 Peter Drucker, *The New Realities*, Asian Books, New Delhi, 1991, p 176. For an extended back-ground discussion vide M Shiviah, *op cit.*, p 309.
- 26 Dennis Kavanagh, *Thatcherism and British Politics: The End of Consensus*, Oxford University Press, Oxford, 1990, pp 305, 310.
- 27 R H Tawney, *Equality*, George Allen and Unwin, London, 1964, pp 30, 54.
- 28 *Ibid.*, pp 26, 102, 227.
- 29 William Ebenstein (ed), *op cit.*, pp 676, 707, 708.
- 30 R H Tawney, *op cit.*, p 92.
- 31 Bernard Crick, *Socialism*, Milton Keynes, Open University Press, 1987, p 3.
- 32 Peter Davies (ed), *Human Rights*, Routledge, London, 1988, pp 137, 159.
- 33 *Ibid.*, p 136. Emphasis added.
- 34 *Ibid.*, p 129.
- 35 Ian Brownlie (ed), *op cit.*, pp 602-03.
- 36 R J Vincent, *Human Rights and International Relations*, Cambridge University Press, Cambridge, 1988, p 130
- 37 *Ibid.*, p 90.
- 38 Mike Faber, ‘Beware of Doublespeak’ in Graham Bird (ed), *Third World Debt: The Search for a Solution*, Edward Elgar, Hants, 1989, pp 222, 226.
- 39 Miguel A Olea, ‘The Latin American Debt Crisis: The Debtor’s View’ in *ibid.*, p 71.
- 40 *The Hindu*, Tuesday, April 26, 1994, p 13, col 1.
- 41 Quotations from *The Hindu*, Tuesday, March 29, 1994, p 14, columns 1-6.
- 42 James Roberson, *Future Wealth: A New Economics for the 21st Century*, Cassell, London, 1989, p 10.
- 43 Jack Donnelly, *The Concept of Human Rights*, Croon Helm, London, 1985, p 96.
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- 45 *Ibid.*, p 313.
- 46 *Deccan Chronicle*, Thursday, April 28, 1994, p 14, columns 4-8.
- 47 Maurice Cranston, *What are Human Rights?*, Bodley Head, London, 1973, p 68.
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- 49 R J Vincent, *op cit.*, p 130. Emphasis added.
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- 51 Bryan Gould, *A Future of Socialism*, Jonathan Cape, London, 1989, pp 96-97.
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Socio-Economic and Demographic Differentials between Hindus and Muslims in India

Abusaleh Shariff

This paper reviews the socio-economic and demographic data according to religion available from various censuses, National Sample Survey and academic publications since the independence of India. Indicators such as, the structure and levels of employment, of living and of education according to religion are discussed. The fertility and mortality indicators, distribution and growth of population are also presented. The paper emphasises the need to strengthen the data based which would allow a study of ethnic and religious differentials in socio-economic and educational achievements.

I Introduction

INDIA is a multi-cultural, multi-ethnic and multi-lingual country. People belonging to many religions, such as Hinduism, Buddhism, Jainism, Sikhism, Islam and Christianity live in this country since time immemorial. However, there appears to be substantial differentials in the socio-economic and demographic profiles of major religious communities in India, mainly emerging from socio-cultural and historical reasons. This paper presents various types of social, economic and demographic data gathered from various censuses and National Sample Survey publications and discusses differentials according to religion. It is hoped that this analysis would provide a lead in understanding the contemporary Indian society in a better perspective. The main purpose here, however, is to generate interest among the readers to pursue further research on this issue, both at the micro-disaggregated and macro levels.

At the outset, it must be emphasised that various religious groups in India, especially Hindus, Muslims and Christians are not homogeneous populations. Each one is divided and subdivided into innumerable castes, sects and cultural groups. For example, the scheduled castes and the scheduled tribes, besides a large number of socially backward castes are a part of the Hindu community. Similarly, the Sunnis, Shias, Bohras and many other sects or cultural groups constitute the Muslims. It is my view that studying socio-economic differentials in India at the level of religious aggregation is simplistic and not advisable. However academic research has to reflect the socio-economic and cultural realities of its age. The contemporary politicisation of religion is such that a new focus which can be called as 'political economy and political demography of religions' is the need of the hour. It is in this context, even at the cost of being simplistic and seemingly un-academic perspective, that this paper is conceived and written. It is necessary that relevant facts and figures found in the official and academic records and publications are put together for an objective assessment of reality.

Section II of this paper presents the growth and distribution of population according to religion in India and in its major states. Section III discusses data on employment, occupation, levels of living and education according to various religions. The following section presents some fertility and mortality indicators according to religious affiliation and fifth section presents a discussion and some conclusions.

II Population Profile According to Religious Affiliation

Now let us take a look at the growth of population since independence. The Indian government as a routine exercise conducts complete enumeration of population every 10 years, which is known as decennial census. The last census was conducted in 1991 whose

TABLE 1. GROWTH AND DISTRIBUTION OF POPULATION BY MAJOR RELIGION IN INDIA, 1961-81
(Population in millions)

Census Years**	Total Population	Hindus (Includes SCs and STs)	Muslims	Christians	Others
1951	361.1	303.6	55.4	8.3	9.7
1961	428.4 (21.5)	358.8 (20.3)	44.2 (25.6)	10.5 (27.4)	14.6
1971	533.5 (24.8)	442.8 (23.7)	57.8 (30.8)	13.8 (32.6)	19.0
1981	665.3 (24.7)	549.8 (24.2)	75.5 (30.6)	16.2 (17.4)	25.8

Notes: * Excludes the population of Jammu and Kashmir

** Excludes the population of Assam

Figures in parenthesis are percentage change over previous counts

2 The percentage change is computed after necessary adjustments by the Registrar General for 1951-61 and 1961-71

3 The percentage change for the unidentified category namely Others has not been calculated

Sources: 1 Census of India, 1981, Series - 1 paper 4 of 1984

2 Census of India, 1971, Series - 1 part II (c) (i)

3 Census of India, 1961, Volume I, part II (c) (i)

TABLE 2. DISTRIBUTION OF POPULATION ACCORDING TO RELIGIOUS AFFILIATION FOR MAJOR STATES, 1981
(Population in lakhs)

State	All	Hindu		Muslim		Christian	
		Population	Percentage	Population	Percentage	Population	Percentage
Andhra Pradesh	535.5	475.3	88.8	45.3	8.5	14.4	2.7
Karnataka	371.3	329.1	85.9	41.0	11.1	7.6	2.1
Kerala	254.5	148.0	58.2	54.9	21.3	52.3	20.6
Maharashtra	627.8	511.1	81.4	58.1	9.2	8.6	1.4
Tamil Nadu	484.1	430.2	88.9	25.2	5.2	28.0	5.8
Gujarat	340.9	305.2	89.5	29.1	8.5	1.3	*
Rajasthan	342.6	306.0	89.3	24.9	7.3	0.5	*
Punjab	167.9	620.0	36.9	1.7	1.0	1.9	1.1
Haryana	129.2	115.5	89.4	5.2	4.1	0.1	*
Uttar Pradesh	1108.6	923.7	83.3	176.5	15.9	1.6	*
Bihar	699.1	580.1	83.0	98.7	14.1	7.4	*
Madhya Pradesh	521.7	485.1	93.0	25.0	4.8	3.5	*
Orissa	263.7	251.6	95.4	4.2	1.6	4.8	1.8
West Bengal	545.8	420.1	77.0	117.4	21.5	3.2	*
Jammu and Kashmir	59.9	19.3	32.2	38.4	64.2	0.08	*
All India	6642.9	5497.8	82.6	755.1	11.4	161.7	2.4

Note: * Denotes less than one per cent of the state population

Source: Census of India 1981, Government of India

preliminary results are now becoming available. However, for many types of information the latest sources still are the 1981 Census publications. Census gives population figures by major religions for all India and states and union territories. The religious affiliation as reported by the head of the household during the census operations is presented in broad categories. For example, all Hindu castes including the scheduled castes and the scheduled tribes are identified as Hindus. Similarly, many Muslim sects and sub-sects have been clubbed as Muslims. The figures are presented in Table 1.

India got independence in 1947 which also led to partition of the country. A large number of Muslims moved over to the then Pakistan. In 1951 (the first census after independence) there were 35 million Muslims living in India, forming the largest minority. According to this census there were 304 million Hindus and about 8.3 million Christians in India. The Hindu population (including the scheduled castes and scheduled tribes) grew at the rate of 20.3, 24.7 and 24.2 per cent respectively, during the past three decades and in 1981 they were 550 millions or about 82.6 per cent of India's population. The Muslims population grew at the rate of about 25.6, 30.8 and 30.6 per cent during the same period and by 1981 there were 76 million Muslim living in India. The growth of Christians was 27.4, 32.6 and 17.4 during the corresponding periods. The decadal growth rate during 1971-81 was substantially lower than that of the previous decades, for the total population as a whole. This means the growth rates of its components, such as by various religions would also be lower compared with respective rates during 1961-71. A fact to note, however, is that while Hindus were the significant majority, Muslims constituted 11.4 per cent and Christians constituted about 2.4 per cent of the total population in India. Table 2 provides the distribution of population according to religious affiliation for 15 major states in India.

Excepting in Jammu and Kashmir and Punjab, the Hindu population is in majority in all the remaining 13 states considered. However, the Hindu population in Kerala and West Bengal was 58 and 77 per cent respectively which is less than the all-India average of 82.6 per cent. It can be seen that 64 per cent of population in Jammu and Kashmir are Muslims. This is the only state where Muslims are in the majority. The next largest proportion, about 21 per cent each, is found in West Bengal and Kerala. Muslims constitute about 16 per cent in Uttar Pradesh, 14 per cent in Bihar, 11 per cent in Karnataka and 9 per cent in Maharashtra. The states where Muslim population is about 5 per cent or less are Tamil Nadu, Orissa, Madhya Pradesh, Haryana and Punjab. Christians are mostly concentrated in Kerala, about 21 per cent, and in Tamil Nadu, about 6 per cent of the state population. The other areas where Christians are found in significant

percentages are some states in the north-eastern parts of India.

Overall, about 52 per cent of Muslims in India reside in three states, namely, Uttar Pradesh, Bihar and West Bengal. Another interesting feature of Muslims is that, with a few noteworthy exceptions, on the whole a larger proportion of Muslims live in urban areas, when compared with members of other religions (Table 3). For example, in all the south Indian states the percentage of Muslims living in urban areas is more than double that of the Hindu population, excepting in Kerala. It is likely that the proportion of Muslims in urban areas may have increased over the past four decades. The other states where the proportion of urban Muslims is substantially higher than the state average are Rajasthan, Gujarat and Uttar Pradesh. Conversely, in West Bengal, Bihar, Kerala and Jammu and Kashmir where a sizeable number of Muslims live, the proportion in urban areas is either lower than or about the same as the state average. At the all-India level, however, while only 22 per cent of the Hindus live in urban areas, about 29 per cent of Christians and 34 per cent of Muslims do so. Yet a point to be noted is that 66 per cent of Muslims and 71 per cent of Christians still live in Indian villages.

III

Socio-Economic Differentials Among Populations of Various Religions

Socio-economic conditions of a population can be assessed by studying indicators, such as, land ownership, occupation, worker population ratio, literacy and school continuation rates. Such data, for the first time, have been made available by the National Sample Survey Organisation (NSSO) through its 43rd round survey conducted during 1987-88. NSSO is probably the most scientific and dependable source of data on various types of social and economic information for both the states and national levels. These surveys are conducted on a sample of households round the year

and every year, often with a special focus. The 43rd round surveyed about 1.3 lakh households spread over about 8,400 sample villages and 4,600 urban sample blocks in the whole country. Publications emerging out of 43rd round survey contains some cross-tabulations by major religions, which are discussed in this paper. Although information can be made available separately for various states the published statistics are now available only at the level of all-India.

TABLE 4. DISTRIBUTION OF PERSONS BY HOUSEHOLD TYPE (OCCUPATION) AND RELIGION. RURAL INDIA, 1987-88

Occupation	(Per Cent)			
	Hindus	Muslims	Christians	Others
Agriculture	43.9	36.3	37.9	38.6
Non-agricultural	11.7	21.2	10.9	22.9
Agricultural labour	28.3	24.4	28.1	21.7
Other labour	8.3	9.9	10.9	4.6
Other occupation	7.9	8.1	11.9	12.3

Note: Distribution of population who are included under a certain category based on the household type of work/source of income of the household to which they belong. These percentages do not represent employment levels.

Source: NSS 43rd Round, 1987-88, Table 27R (Page S-56)

TABLE 5. DISTRIBUTION OF PERSONS BY HOUSEHOLD TYPE (OCCUPATION) AND RELIGION. URBAN INDIA 1987-88

Occupation	(Per Cent)			
	Hindus	Muslims	Christians	Others
Self employed	35.9	53.4	21.4	44.6
Regular wage/salaried	46.7	28.9	56.1	38.3
Casual labour	12.1	13.4	12.3	10.5
Others	5.4	4.3	10.2	6.6

Note: As in Table 4.

Source: NSS 43rd Round, 1987-88, Table 27U (Page S-57)

TABLE 3. LEVEL OF URBANISATION AND SEX RATIO ACCORDING TO RELIGIOUS AFFILIATION FOR MAJOR INDIAN STATES, 1981

	All Pop	Per Cent Urban			Sex Ratio		
		Hindu	Muslim	Christian	Hindu	Muslim	Christian
Andhra Pradesh	23.3	20.4	52.8	30.1	1072	1068	1008
Karnataka	28.9	24.9	53.6	58.0	1024	1041	1013
Kerala	18.7	18.8	19.4	18.0	1038	1049	1003
Maharashtra	35.0	30.1	61.2	77.8	965	966	986
Tamil Nadu	32.9	30.8	62.7	38.5	1065	1100	1065
Gujarat	31.1	27.9	56.6	54.3	1027	995	1080
Rajasthan	21.0	18.4	46.9	61.5	1064	1045	1105
Punjab	27.7	48.1	35.9	18.1	1091	1070	1010
Haryana	21.9	22.4	7.7	62.1	1145	1172	1131
Uttar Pradesh	17.9	12.0	32.0	56.6	1151	1149	1117
Bihar	12.5	12.0	15.2	16.0	1135	1108	1101
Madhya Pradesh	20.4	17.6	59.8	35.6	1066	1021	984
Orissa	11.8	11.3	37.8	16.5	1061	1077	1021
West Bengal	26.5	29.7	15.0	30.4	1019	1054	992
Jammu and Kashmir	21.0	21.8	20.4	66.8	1102	1081	1100
All India	23.7	21.9	34.0	29.2	1098	1134	1178

OCCUPATION AND WORK PARTICIPATION

Some rare data on occupation and work participation rates both for rural and urban is presented in Table 4. Accordingly, in rural India, about 44 per cent of Hindus (includes scheduled castes and scheduled tribes) undertake agricultural occupations as opposed to only 36 per cent of Muslims. However, 22 per cent of rural Muslims are engaged in non-agricultural and non-labour occupations as opposed to only 12 per cent Hindus. Nevertheless, over one-third of both religious populations work as agricultural/manual labourers in rural areas.

In urban areas, whereas 47 per cent of Hindus (includes the scheduled castes and scheduled tribes) are employed in regular wage/salaried occupations in organised sector (Table 5) only 29 per cent of Muslims are thus employed. Majority of Muslims are self-employed, for example, 53 per cent of them as opposed to 36 per cent of Hindus are self-employed in urban areas. However, 12-13 per cent of all the religious categories work as casual labourers in urban areas. Information on type of employment and sex specific work participation rates are difficult to find. This information in three broad categories of employment, namely, self-employed, regular workers and casual workers was made available in the NSS 43rd round publications. 'Self-employed', are those who earn their livelihood by working on their own traditional occupations and enterprises including own agriculture.

'Regular workers' are identified as those who work on long-term salaried jobs. All the modern public and private service sector jobs are included in this category 'casual workers' are those who work for wages on a day-to-day basis.

Table 6 presents structure of employment and 'work participation rates' (WPR) for various religious groups, by sex and residence (i.e., whether living in rural and urban areas). Note that the WPRs for males in both rural and urban areas for all religions are fairly high. The male WPR is marginally higher for all religious groups in rural areas. The differentials between religious groups for males is also marginal. The female WPRs are substantially lower in both rural and urban areas. Besides, the disparities in WPRs between religious groups are substantial. For example, the WPR among urban Muslim females is as low as 11 per cent while this rate is 16 per cent for Hindus and 24 per cent for Christians. Similarly the rural WPR for females is only 20 per cent for Muslims, while it is 34 per cent and 37 per cent for Hindus and Christians respectively. Apart from the lack of work opportunities for females, the cultural factors such as practice of purdha and female seclusion might have affected the female WPRs in India.

When we take a look at the distribution of employed persons by category of work it is interesting to note that over 53 and 60 per cent of male and female Muslims,

respectively, in urban areas and 59 and 68 per cent of males and females, respectively, in rural areas are 'self-employed'. This percentage is substantially lower for both Hindu and Christian males and females in urban areas. On the contrary Hindus' and Christians' share in 'regular-workers' category is substantially higher for both males and females in urban areas. Muslims' employment in regular wage/salaried jobs is marginal. This presents a very dismal picture especially for Muslim females since then WPRs are very low to start with and of them only an insignificant proportion is in regularly paid jobs. One possible reason for this may be the lack of secular education among the Indian Muslim females (see Tables 10-13 and a discussion below). In the 'casual workers' category Muslims' share of employment is comparable to other religious categories.

OWNERSHIP OF LAND

Distribution of land ownership describes the intensity of resource base especially of a rural population dependent upon agriculture. Table 7 presents land ownership data for the all-India rural population. Excepting the 'other religions' category (which is a relatively smaller proportion of the total population) relative landlessness is more among Muslims. As opposed to only 28 per cent of Hindus 35 per cent Muslims are landless. Hindus also have a relative advantage in owning land in large size class. For example, while one-fifth of Hindus own five acres or more of land, only one-tenth of Muslims belong to this category.

RELATIVE LEVELS OF LIVING

The NSSO is known to provide data relating to the monthly per capita expenditures (MPCE) for both rural and urban populations of India. The MPCE is considered a better index of levels of living than the monthly per capita income GDP figures. Distribution of population according to MPCE presents a reasonable picture of the relative levels of living. Such information is given in Tables 8 and 9 for rural and urban

areas, respectively. There are substantial differences in levels of living between rural and urban areas and among the different

TABLE 7. DISTRIBUTION OF PERSONS BY SIZE CLASS OF CULTIVATED LAND AND RELIGION, Rural India, 1987-88

Area in Acres	Hindu	Muslim	Christian	Others
0.0	78.0	34.3	1.4	40.7
0.1	17.3	24.3	27.8	12.1
1.2-5	18.3	17.5	28.0	8.5
2.8-5	16.3	12.6	34.8	12.0
5+	20.1	11.3	5.0	26.7

Source: NSS 43rd Round, 1987-88, Table 237 (Page S 53)

TABLE 8. DISTRIBUTION OF PERSONS BY HOUSEHOLD MONTHLY PER CAPITA EXPENDITURE AND RELIGION, Rural India, 1987-88 (Per Cent)

H/E MPCE (Rs)	Hindus	Muslims	Christians	Others
< 80	13.7	13.0	12.8	9.6
80-110	22.8	23.1	15.7	12.7
110-160	31.7	33.6	27.5	26.4
160+	31.6	30.3	43.9	46.7

Note: The percentage may not add up to 100 because the non-reported part of the percentage is not presented.

Source: NSS 43rd Round, 1987-88, Table 25R (Page S 54)

TABLE 9. DISTRIBUTION OF PERSONS BY HOUSEHOLD MONTHLY PER CAPITA EXPENDITURE AND RELIGION, Urban India, 1987-88 (Per Cent)

H/E MPCE (Rs)	Hindus	Muslims	Christians	Others
< 110	13.4	22.0	11.6	11.7
110-160	22.5	31.3	12.2	15.2
160-310	11.2	35.6	33.4	38.1
310+	22.5	10.7	35.5	34.0

Note: The percentage may not add up to 100 because the non-reported part of the percentage is not presented.

Source: NSS 43rd Round, 1987-88, Table 25U (Page S 55)

TABLE 6. PATTERN OF EMPLOYMENT BY RELIGION IN INDIA, 1987-88

Residence/Sex and Religion	Self Employed	Regular Workers	Casual Workers	All	Work Participation Rate
Urban males					
Hindus	39.1	46.4	14.5	100.0	52.0
Muslims	53.3	29.9	16.7	100.0	49.1
Christians	29.7	53.4	17.0	100.0	48.9
Urban females					
Hindus	45.0	27.7	26.4	100.0	18.9
Muslims	60.0	15.7	24.3	100.0	11.4
Christians	34.3	51.5	14.2	100.0	23.6
Rural males					
Hindus	58.5	10.1	31.4	100.0	51.2
Muslims	59.0	7.5	33.5	100.0	29.5
Christians	52.1	12.0	35.9	100.0	
Rural females					
Hindus	59.9	3.6	36.5	100.0	33.7
Muslims	67.9	3.0	29.1	100.0	19.6
Christians	57.6	9.9	32.4	100.0	37.3

Source: NSS 43 Round, 1987-88 (Scheduled-10)

religions in urban India. The relative difference between the Hindus and Muslims is marginal in rural areas, but the difference is considerable in urban areas. For example, while 53 per cent of Muslims fall into the category of less than Rs 160 MPCE, this percentage is only 36 among Hindus. At the higher per capita expenditure classes the proportion of Hindus is considerably larger. It may be recalled that most of the Muslims in urban areas are self-employed as opposed to a majority of Hindus who are employed in the organised/salaried sector. It is likely that the levels of income generated by self-employment is substantially lower than the average income originating from the organised sector. The Christian population both in rural and urban areas has a relatively better distribution of the MPCE.

RELATIVE LEVELS OF EDUCATION

Levels of literacy and percentage of younger population continuing in educational institutions are considered good indicators of social development. Tables 10 and 11 present information on levels of education achieved by males and females according to religious categories. It is revealing that in rural areas Christians are by far the most educated. While illiteracy among Muslim men is 58 per cent, it is 51 per cent among Hindus and only 34 per cent among Christians. For females, respective percentages of illiteracy are 76, 75 and 43. Christians remain their lead even in higher education categories, for example, 9 per cent of Christian males and 8 per cent of females are secondary educated, whereas these figures for the Hindus (includes the SCs and STs) and the Muslims respectively are 5.7 and 1.7 per cent, and 3.4 and 0.8 per cent. Further, while non-negligible proportion of Muslim females and only 0.6 per cent of Muslim males are found in graduate and above category, these proportions are 0.2 and 1.2 per cent for Hindus, and 1.5 and 1.8 per cent for Christians.

Relative to rural areas, in urban areas the literate constitute a fair proportion among all the religious categories. The male illiterates in urban areas are only 19 per cent, 25 per cent and 42 per cent for Christians, Hindus and Muslims, respectively, and female illiterates are 23 per cent, 42 per cent and 59 per cent, respectively. Literacy rates at the level of secondary education in the same order are as follows: 20 per cent, 17 per cent and 8 per cent for males, and for females, 21 per cent, 11 per cent and only 4 per cent. Higher educated proportions are relatively better among Christian and Hindu males, 8 per cent each, but only 2.3 per cent of Muslim males are reported to be graduates and above. This achievement among females is 5.5 per cent among Christians, 4.2 per cent for Hindus and only 0.8 per cent for Muslims.

Tables 12 and 13 present data on continuing education by religious categories for rural and urban areas. Education continuation rates both in rural and urban areas are better

among Christian males as well as females. The enrolment and continuation rates are also better in urban than in rural areas for

all religious categories. However, at each level and in both rural and urban areas Muslim rates are substantially lower than Hindus.

TABLE 10: DISTRIBUTION OF PERSON BY GENERAL EDUCATION, SEX AND RELIGION: RURAL INDIA, 1987-88
(Percentage)

Educational Level	Hindus		Muslims		Christians		Others	
	Male	Female	Male	Female	Male	Female	Male	Female
Not Literate	51.3	75.0	58.2	76.1	33.7	43.1	45.3	61.4
< Primary	19.0	11.8	18.6	13.1	20.5	17.8	17.9	15.7
Pri-Middle	22.7	11.2	19.1	9.9	35.4	29.2	25.5	19.4
Secondary	5.7	1.7	3.4	0.8	9.3	8.1	9.0	3.1
Graduate +	1.2	0.2	0.6	-	1.8	1.5	2.3	0.3

Source: NSS 43rd Round, 1987-88, Table 31.4 (Page S82, 83).

TABLE 11: DISTRIBUTION OF PERSON BY GENERAL EDUCATION, SEX AND RELIGION: URBAN INDIA, 1987-88
(Percentage)

Educational Level	Hindus		Muslims		Christians		Others	
	Male	Female	Male	Female	Male	Female	Male	Female
Not Literate	25.3	42.2	42.4	59.5	18.8	22.7	18.0	31.2
< Primary	18.8	17.2	20.9	18.5	16.0	17.5	15.6	14.7
Pri-Middle	30.5	25.3	26.3	16.8	36.7	33.4	30.0	8.5
Secondary	17.2	10.7	8.0	4.3	20.1	20.8	23.6	17.5
Graduate +	7.9	4.2	2.3	0.8	8.1	5.5	11.7	7.9

Source: NSS 43rd Round, 1987-88, Table 31.4 (Page S85, 86).

TABLE 12: DISTRIBUTION OF PERSONS CURRENTLY ATTENDING EDUCATIONAL INSTITUTIONS ACCORDING TO AGE GROUP, SEX AND RELIGION: RURAL INDIA, 1987-88
(Per Cent)

Attending School/Age group	Hindus		Muslims		Christians		Others	
	Male	Female	Male	Female	Male	Female	Male	Female
5-9	53.5	40.6	42.1	32.8	67.4	66.9	60.1	50.5
10-14	66.9	41.3	56.6	37.0	75.6	70.1	62.6	65.4
15-19	37.7	12.6	26.9	8.8	47.7	43.3	31.3	13.7
20+	8.8	1.8	7.4	1.4	14.0	10.4	9.3	1.7
N.R.	3.2	1.2	15.0	15.9	50.9	-	8.7	16.7

Source: NSS 43rd Round, 1987-88, Table 37 (Page S106, 107).

TABLE 13: DISTRIBUTION OF PERSONS CURRENTLY ATTENDING EDUCATIONAL INSTITUTIONS ACCORDING TO AGE GROUP, SEX AND RELIGION: URBAN INDIA, 1987-88
(Per Cent)

Attending School/Age group	Hindus		Muslims		Christians		Others	
	Male	Female	Male	Female	Male	Female	Male	Female
5-9	76.3	70.7	56.0	52.1	89.2	86.1	88.0	85.6
10-14	83.2	74.6	63.6	53.6	93.3	90.0	89.8	82.7
15-19	56.1	42.4	34.8	19.3	60.6	57.1	63.7	60.2
20+	21.8	10.2	12.1	4.7	18.2	17.0	35.8	17.2
N.R.	31.3	29.4	6.4	-	67.4	13.6	3.0	40.7

Source: NSS 43rd Round, 1987-88, Table 37 (Page S109, 110).

TABLE 14: HOUSEHOLD SIZE ACCORDING TO RELIGIOUS AFFILIATION FOR MAJOR INDIAN STATES, 1981

States	All India		Hindus		Muslims		Christians	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	4.87	5.08	4.87	4.90	5.19	5.99	4.51	4.87
Karnataka	5.80	5.81	5.78	5.61	6.05	6.69	5.29	5.54
Kerala	5.70	6.02	5.48	5.69	6.48	7.38	5.62	5.85
Maharashtra	5.41	5.29	5.43	5.08	5.77	6.29	5.23	4.82
Tamil Nadu	4.61	4.92	4.59	4.83	5.10	5.70	4.77	5.08
Gujarat	5.81	5.29	5.82	5.48	5.93	6.12	4.97	4.64
Rajasthan	5.92	5.74	5.91	5.56	6.21	6.81	4.67	4.01
Punjab	6.27	5.72	5.99	5.62	6.46	6.09	6.19	5.57
Haryana	6.79	5.55	6.79	5.54	6.79	5.28	5.45	4.32
Uttar Pradesh	5.71	5.89	5.68	5.61	6.17	6.71	5.59	5.59
Bihar	6.03	6.08	6.04	5.89	6.14	7.26	5.62	5.50
Madhya Pradesh	5.62	5.50	5.61	5.31	6.06	6.80	5.57	4.74
Orissa	5.30	5.01	5.30	4.97	6.07	5.92	5.22	4.87
West Bengal	5.71	5.32	5.65	5.25	5.90	5.84	5.63	5.71
Jammu and Kashmir	6.37	6.37	5.94	5.55	6.66	7.00	5.52	5.83
All India	5.59	5.45	5.54	5.27	6.06	6.45	5.30	5.23

Source: Various Census Documents.

For example, in age group 15-19 in urban areas, 56 per cent Hindu boys are continuing education as opposed to only 35 per cent among Muslims. These percentages are 42 and 19 for females. For age groups 20 years and over, the respective percentages are 323 and 12 for Hindus and 10 and 15 for Muslims. In rural areas the scenario is similar but at much lower levels for all religious categories.

Thus far we know that in terms of all the socio-economic parameters discussed above the Muslims are relatively worse-off than the majority Hindus which includes the SCs and STs and the Christian population in both rural and urban areas in India. In the following some evidences on the demographic aspects according to major religions in India are presented. Demographic transition theories have informed that the socio-economic factors influence the demographic parameters to a large extent. Accordingly socio-economic improvement of a group or a region would depress fertility, reduce mortality leading to an overall improvement in the quality of life.

IV

Demographic Differentials and Future Growth of Population

FERTILITY AND MORTALITY DIFFERENTIALS

A comparative picture of the household size for three religious populations according to place of residence is presented in Table 14. Overall the household size for Muslims both in rural and urban areas is higher than that of the Christians and Hindus for all states and for all India. A larger household size among the Muslims suggests, (a) a relatively higher practice of living in joint family situations, and (b) that actual family size per couple is also relatively high among Muslims. Various census publications contain data which present differentials in fertility and mortality of religion. Tables 15 and 16 contain this data for 14 major states in India.

General marital fertility rate (GMFR) presents the number of children born in a year per thousand married women in the age group 15-49. The total marital fertility rate (TMFR) presents the total number of children expected to be born to a married woman during her whole reproductive period starting at age 15 and ending at around 50 years. The child mortality rate (q2) presents number of children who are born alive but dying before their second birthday per thousand live born children. Since the child mortality depend upon the socio-economic development of a group, it is considered a composite and summary index of development and standard of living.

The data presented on the above indices suggest that both in the urban and rural areas in almost all states, the GMFR and TMFR are consistently higher among the Muslims when compared with the Hindus and the Christians. Fertility among the Christians of

Kerala is the lowest. On the other hand the q2 for rural Muslims in almost all states has been fairly lower than for Hindus and in many states lower than for Christians. In urban areas as well, with the noteworthy exceptions of Uttar Pradesh, Bihar and West Bengal, the q2 for Muslims is lower than the Hindus. A combination of a positive growth of population and a low infant mortality rate (also low death rate) might have enabled a growth rate of population as a whole. Nevertheless, one wonders as to what could be the possible reasons for low child mortality among Muslims while the fertility rates are supposedly higher, and that they are also socio-economically worse-off. It may be possible to provide valid reasons for such a paradox through a three way classification and also through multivariate analytical methods. Such data are not yet made available by the censuses. However, some relevant data of this sort is published by the Operations Research Group, Baroda who have been undertaking National Family

TABLE 17. MEAN NUMBER OF LIVE BIRTHS AND PROPORTION SURVIVING ACCORDING TO RELIGION, EDUCATION AND INCOME. ALL INDIA, 1988-89

	Hindu	Muslim	Others	All
All	3.09	3.51	2.83	3.13
(i) Mean Live Births by Levels of Education				
Illiterates	3.37	3.72	3.50	3.41
Up to Primary	3.16	3.57	3.19	3.22
Secondary and +2	3.33	2.71	2.83	3.35
(ii) Mean Live Births by Levels of Income				
<Rs 500	3.20	3.47	3.64	3.21
Rs 501-750	3.28	3.74	3.46	3.34
Rs 751-1,000	3.07	3.56	3.11	3.13
Rs 1,001-1,500	3.03	3.53	3.05	3.08
Rs 1,501+	2.65	3.21	2.49	2.68
(iii) Proportion Surviving by Levels of Income				
<Rs 500	805.7	815.2	880.7	811.8
Rs 501-750	822.1	875.3	856.2	829.6
Rs 751-1,000	870.6	888.2	885.8	873.7
Rs 1,001-1,500	877.6	911.2	911.2	886.6
Rs 1,501+	908.7	906.8	935.7	916.7
All	840.4	873.3	893.3	846.0

Source: Operations Research Group 1990, pp. 10, 11 and 17

TABLE 15. FERTILITY AND MORTALITY INDICES BY RELIGIOUS AFFILIATION FOR MAJOR STATE, RURAL INDIA, 1981

States	GMFR			TMFR			q		
	Hindu	Mus	Chris	Hindu	Mus	Chris	Hindu	Mus	Chris
Andhra Pradesh	121	142	136	3.8	4.5	4.3	117	106	116
Karnataka	119	150	130	3.5	4.6	4.2	114	95	94
Kerala	120	162	118	3.9	4.8	4.0	57	59	45
Maharashtra	143	116	114	4.5	5.2	3.9	132	110	76
Tamil Nadu	127	148	159	4.2	4.7	5.2	117	91	107
Gujarat	138	166	104	4.1	5.0	3.3	123	113	104
Rajasthan	197	206	225	6.3	6.5	6.5	166	156	108
Punjab	155	173	191	4.8	5.7	5.9	111	108	119
Haryana	179	184	203	5.4	5.3	7.2	132	174	96
Uttar Pradesh	144	169	154	4.7	5.5	4.8	167	152	118
Bihar	126	139	130	4.0	4.4	4.5	117	116	114
Madhya Pradesh	165	204	150	5.2	6.3	4.8	117	149	98
Orissa	131	169	141	4.2	5.4	4.6	155	134	171
West Bengal	144	168	143	4.4	5.1	4.2	110	119	105
All India	-	-	-	-	-	-	-	-	-

Notes: Where applicable graduated figures are incorporated

GMFR: General Marital Fertility Rate

TMFR: Total Marital Fertility Rate.

q²: Mortality of Children by the age of 2 years.

Source: Occasional Papers on 'Fertility and Child Mortality Estimates' for various States, Census of India 1981, Government of India

TABLE 16: FERTILITY AND MORTALITY INDICES BY RELIGIOUS AFFILIATION FOR MAJOR STATE, URBAN INDIA, 1981

States	GMFR			TMFR			q ²		
	Hindu	Mus	Chris	Hindu	Mus	Chris	Hindu	Mus	Chris
Andhra Pradesh	114	133	125	3.4	4.1	3.9	74	58	77
Karnataka	95	130	89	2.9	3.9	2.9	79	72	59
Kerala	104	146	108	3.6	4.2	3.7	40	57	42
Maharashtra	112	138	79	3.4	4.2	2.9	78	72	48
Tamil Nadu	123	152	138	3.9	4.6	4.6	83	78	72
Gujarat	116	139	87	3.3	4.2	2.6	77	73	45
Rajasthan	152	172	122	4.5	5.2	3.4	101	69	69
Punjab	118	186	137	3.5	5.8	4.0	62	80	65
Haryana	146	182	143	4.2	5.5	4.0	76	83	47
Uttar Pradesh	130	168	104	4.0	5.3	3.3	91	94	61
Bihar	118	128	113	3.6	4.0	3.8	70	78	54
Madhya Pradesh	146	168	113	4.3	5.1	3.9	106	92	58
Orissa	128	161	134	4.0	4.9	4.3	104	99	81
West Bengal	85	121	81	2.9	3.8	3.0	59	70	54
All India	-	-	-	-	-	-	-	-	-

Note: as in Table 15.

Source: as in Table 15.

Planning Surveys at intervals of about a decade since 1970

Distribution of the mean number of live births (MNLBs) and proportion surviving according to religion, education and income are presented in Table 17. These figures are the national average from a survey of about 45,000 households spread over all the states and union territories found in the mainland India. Mean number of live births for the country as a whole is 3.13. Overall the Hindus have about 1.3 per cent lower MNLBs than the Muslims. Women's education has a negative effect on fertility among all the religious categories. However, the fertility differential between the Hindus and Muslims still remain. A fact to be noted, however, is that while the fertility among the well educated (secondary level and over) Hindus was 31 per cent lesser than the illiterates, among the Muslims also this differential was as much over 27 per cent. Besides, with an increase in education of women, fertility differences between the Hindus and the Muslims decreases considerably. This suggests that educating women will depress fertility irrespective of religious affiliation.

TABLE 18. CURRENT CONTRACEPTIVE USERS
ACCORDING TO RELIGIOUS CATEGORIES
ALL INDIA, 1988-89

	Hindu	Muslim	Others	No of Couples
Sterilisation	88.7	6.5	4.7	4.2
IUD	78.7	10.1	11.2	2.6
Conventional contraceptives	79.6	11.2	9.3	7.1
Oral pills	80.1	16.8	3.64	1.9
Traditional	82.4	10.2	7.3	6.7
All methods	86.1	8.11	6.7	60.3
Percentage in total population	85.2	11.6	4.2	134.1

Source: Operations Research Group, 1990, p.94

TABLE 19. CHANGE IN USERSHIP AND
INTER-SPOUSE COMMUNICATION ON FAMILY
PLANNING DURING 1970-88 ACCORDING TO
RELIGIOUS CATEGORIES, ALL INDIA

	Hindu	Muslim	Others
(i) Family Planning Usership			
1970	14	9	25
1980	36	23	48
1988	46	34	62
Percentage point change during 1970 to 1980	+22	+14	+23
Percentage point change during 1980 to 1988	+10	+11	+14
(ii) Inter-spouse communication on family planning			
1980	36	25	45
1988	52	45	58
Percentage point change from 1980-88	+16	+20	+13

Source: Operations Research Group, 1990, p.106

Similarly an increase in levels of family income depress fertility albeit of lower magnitude among all the religious categories (Panel n, Table 17). Nevertheless, the effect of education decreasing fertility levels both among Muslims and Hindus is substantially larger than the depressing effect on fertility of increase in levels of income.

The survival status of children is relatively better among the Muslims (Panel m, Table 17), and this relative advantage is higher in lower income levels. An increase in the level of incomes will lead to improved survival among the Hindus. However, an apparent 4 per cent advantage in survival among the Muslims seems to be marginal.

USE OF MODERN CONTRACEPTIVES

The use of modern contraceptives is marginally lower among the Muslims when compared with the Hindus. However, the usership rates are substantial than what one is given to understand or generally talked about. For example, while the proportion of the Hindus is 85.2 per cent of sample population (Table 18), their percentage in contraceptive users is 86.1. Whereas, the Muslims constitute 10.6 per cent of the sample population, their share in the contraceptors is only 8 per cent. Further, the regular users of contraceptives are 50.3 of all eligible women among the Hindus and this percentage is 40.7 per cent for Muslims. Although the usership rates are relatively low, Muslims are not averse to acceptance of family planning as it is normally portrayed in the print media.

Panel (i) of Table 19 presents change in the family planning usership during 1970-88 according to religious categories. From a developmental point of view it is interesting to note that the family planning use which was only 14 per cent and 9 per cent for the Hindus and Muslims, respectively, during 1970 has increased to 46 per cent and 34 per cent, respectively, in 1988. The

percentage change during 1970-80 was 22 and 14 percentage points for the Hindus and the Muslims, respectively, but during 1980-88 this percentage change was 10 and 11 respectively, relatively more among the Muslims. Panel (ii) of Table 19 presents change in the inter-spousal communication of family planning among the religious groups. It is noteworthy that this change has been highest among the Muslims, recording a 20 percentage point higher than in 1980 which is more than an increase among the Hindus which is only 16 percentage points.

However, as far as Muslims are concerned, the trend in acceptance of family planning is encouraging, indeed the percentage change is relatively larger than the Hindus between 1980-88. This evidence allays a common allegation that Muslims are against the use of family planning. Indeed the evidence is to the contrary.

FUTURE GROWTH OF MUSLIM POPULATION

The available evidence suggests that in spite of declining fertility and mortality for the population as a whole and also for all its religious components, the relative fertility is higher and relative child mortality is lower among the Muslims compared to other religious populations in India. Does this mean that over a period of time the Muslim population would exceed the Hindu population in India? An answer to this can be found in simulation exercises undertaken in a research conducted at the Gokhale Institute of Politics and Economics, Pune [Mistry 1990]. Table 20 reproduces the results of this simulation exercise. It can be seen that if the base population of minority community is 10 per cent, and if the differential in the exponential growth rate is -0.004 (rate of growth of total population - r_1 minus rate of growth of minority population - r_2) then the percentage of minority population will be 12 per cent in 50 years duration, 14.2 per cent in 100 years, 16.8 per cent in 150 years, 19.8 per cent in 200 years.

TABLE 20. PERCENTAGE OF MINORITY GROUP (P_2) IN A TOTAL POPULATION (P_1) BY MEAN ANNUAL DIFFERENTIAL GROWTH RATE AND BY DURATION: A SIMULATION EXERCISE
Formula: $(1/q_1) = 1 + (P_1/P_2) \exp[(r_1 - r_2)t]$

Initial Percentage of Population of Minority Group (p_2)	Duration in Years (t)	Mean Annual Exponential Growth Rate Differential ($r_1 - r_2$)		
		- .002	- .004	- .006
$P_1 = 10.0$	0	10.0	10.0	10.0
	50	10.9	12.0	13.0
	100	12.0	14.2	16.8
	150	13.0	16.8	21.5
	200	14.2	19.8	27.0
$P_1 = 25.0$	0	25.0	25.0	25.0
	50	26.9	28.9	31.0
	100	28.9	33.2	37.8
	150	31.0	37.8	45.1
	200	33.2	42.6	52.5
$P_1 = 50.0$	0	50.0	50.0	50.0
	50	52.5	55.0	57.4
	100	55.0	59.9	64.6
	150	57.4	64.6	71.1
	200	59.9	69.0	76.8

Source: Mistry (1990).

19.8 in 200 years and so on. Note that these percentages are achieved only if the growth rate differential remains unchanged over a 200-year period. But normally the growth rate differentials do not remain static and the tendencies are towards a secular equalisation of growth rates among all the groups of human populations.

However, the present Hindu-Muslim fertility and population growth rate differentials are not large and are likely to narrow down in future [Mistry 1990]. Besides, any minority can become a majority only when three conditions are jointly met, that the minority constitutes a significant proportion of the total population, the population growth rate differential is large and the duration is substantially long. Since Muslims constitute only about 12 per cent of the total population and that the growth rate differential is about 0.005, at the national level it is not possible that the Muslims can outnumber the Hindus in India for a considerable period of time to come.

V

Conclusions

This paper reviews some socio-economic and demographic characteristics of population according to religious affiliation in India. The Hindus are the significant majority in all states excepting in Jammu and Kashmir and Punjab, where Muslims and Sikhs respectively outnumber them. Among the 14 major states, the Christians are found in substantial percentage only in Kerala. It is found that the growth of Muslims is higher than that of the other religious populations. Muslims are found to be dwelling relatively more in urban areas than the other sets of people. Muslims are mostly self-employed and their share in regular paid jobs is low. Hindu population is relatively better employed in regular employment in urban areas. The work participation of Muslim females is extremely low. The land holding is relatively better among the Hindus than the Muslims, and Muslims work on non-agricultural occupations in substantial proportions in rural parts of India. Muslims by far are least educated when compared with Hindu and Christian populations in India. The scenario is same if one studies the student population both in rural and urban areas as well. Muslim women are the least educated of all the possible categories discussed in this paper. Although the MPCE compares well between the Hindus and Muslims in rural areas, it is highly lopsided favouring Hindus in the urban areas. On the whole the Muslims are socio-economically worse off in all parts of the country.

The levels of fertility as measured by GMFR and TMFR are higher for Muslims in both rural and urban areas. But the child mortality among both the urban and rural Muslims is comparatively low. A combination of a positive growth of population

and a low child mortality seems to have enabled a marginally higher growth of Muslim population in India. More recently, however, there has been a noteworthy increase in the acceptance of family planning methods among the Muslims. In fact the percentage change in the family planning use is marginally higher than for the Hindus. The inter-personal communication regarding the family planning use has also increased substantially among the Muslims in India.

There, however, seems to be a paradox. Muslims in India are relatively poorer than the other populations, they have recorded relatively low levels of MPCEs, do not work as regular wage earners, are mostly illiterates, have relatively high fertility but contrary to the expectation they maintain a low child mortality. A question arises as to what could be the possible reasons for low child mortality among Muslims while the fertility rates are supposedly higher. Social scientists and demographers need to present a reasonable answer to this contradictory demographic phenomenon.

A simulation exercise reproduced in this paper suggests that the Muslim population will not overtake the Hindu population in India during a foreseeable future. The recent type of the communal and anti-secular minded opinion being expressed that Muslims soon will outnumber Hindus in

India does not stand the test of the scientific and academic enquiry. This paper, however, concludes by emphasising the need to strengthen the data base which would allow a study of ethnic and religious differentials in socio-economic and educational achievements. The Census of India can take a lead in this direction by publishing the cross tabulations of literacy by religion and distribution of workers by religion and industry at the level of India, states and various districts. Further, there is a need to undertake focused micro-studies to clearly understand the nature, type and magnitude of socio-economic problems faced by various communities in rural and urban India.

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DISCUSSION

Candour about the Twice-Born

Sudhanshu Ranade

CANDOUR has a way of cropping up in the most unexpected places. In a Hindustan Lever ad, for instance, that I saw in the *EPW* a few years ago, the message was something like this, 'we do not sell products, we sell feelings (cosmetic feelings, the ad might have said, but didn't) like beauty, self-confidence, freshness, vigour, etc.' More recently there was, once again in the *EPW*, an article by Paul Brass (September 9) in which, while making a case for increased access to sensitive areas for American academics, Brass referred to the "nearly two centuries long political drive by upper class elites to establish a 'national culture' for India based on their own values and interpretation of Indian history". The sub-title of the article, 'Virtue Unrewarded', nicely sums up one of its themes, and nothing further needs to be said in this matter, except that it would be interesting to know whether the sub-title was inserted by the editorial staff of the weekly, or Brass had himself put it there, 'up front'.

But the case for liberalised access was not based solely on virtue. Other things figured as well, like commerce, and the need to free academics from the 'Four Faces of Indian Bureaucracy'. Such a proliferation of

arguments is, of course, only to be expected. As John Lewis put it once, once you have decided, for some reason, to support a cause like, say, human rights in China, it makes sense to broad-base yourself by adducing all sorts of other reasons as well. The example is mine. Lewis's reference at that time was to poverty alleviation in the days when the World Bank, under the stewardship of former secretary of state McNamara, was espousing this cause of poverty alleviation 'directly' rather than 'indirectly' as at present.

But let us return to the point about 'upper class elites' attempting to establish 'a national culture in their own image'. The quote on this was, in the article, immediately preceded by a statement that those studying the glory of India's past were being allowed free access because their output 'feeds into' the hegemonic enterprise. A sound move, from the point of obtaining additional support from liberal circles in India for lifting restrictions on access. And, in an apparent attempt at leaving no stone unturned while reaching out to the already anguished hearts in this lobby, Brass immediately followed up the 'national culture' formulation with the warning that "time may yet be coming...

and perhaps has already arrived, when [even] scholars of Hindu religious and cultural texts" may be denied access because the results of their research might conflict with the "ideals and goals" (as defined by the said elites, of course) of Hindu nationalism. The possibility that those grim days may already have arrived suggested itself to Brass by way of encounters with the obstacles already being "encountered by our best scholars of Sikhism"

At first sight, it is a bit puzzling to have Sikhism brought in at this stage. Which Sikhism is Brass talking of here - Sikhism as interpreted by the brahmins in the US, or Sikhism as perceived by our own backyard brahmins? The question is important, for the latter version locates the Sikhs in the general tradition of mainstream Hinduism, while the former sees them as appearing to be so only on account of the forcible physical and ideological restraints to which they are subject. The article itself does not on the face of it provide an answer to this question. On the one hand, while lobbying for increased access, it cites the restraints on scholars studying the Sikhs as an example of the restrictions which are now coming into being "for even those studying Hinduism". But on the other hand, there can be no ambiguity about the fact that the basic paradigm is about the illicit nature of the nationalism defined by upper class elites. Sikhs are definitely not a part of the brahmanically defined nation, according to the paradigm; neither are a great many Hindus.

But this by itself need not leave us guessing. For, the impediments to the study of Sikhism are in fact impediments to the study of Sikh nationalism, the study of the centrifugal tendencies that have been driving the Sikhs. Nor is there any need to be puzzled about which people Brass had in mind when he spoke of "the best scholars of Sikhism": at the most laymen like myself might have a question about who Brass could have meant, apart from himself. But, bar that, there is no other ambiguity: this matter too is definitely settled.

But let us turn away from Brass and towards the question of the hegemony of upper caste Indian elites. This is a subject that has been long and much discussed, and it is therefore hard to say what exactly Brass means when he refers to it. But, taking a pot-shot, I would guess that Brass's position in this matter, like the position of many other liberal academics in the US, corresponds closely to the views spelt out by Paul Embree in a paper that he wrote 10 years ago, as the BJP juggernaut began moving menacingly towards both Ram and Rajya. The paper was reproduced as the first chapter of a collection of Embree's articles that was published in 1989, by when it seemed that the Lotus had definitely begun to blossom. The book, it is worth noting, was titled *Imagining India*.

A word about Embree's credentials. He taught at the Indore Christian College from 1948 to 1958. Judging from his frequent references to the pivotal role of Maharashtrian

brahmins in imaging India, Embree must have been in fairly close contact with the right reactionaries of Indore. Later, from 1978 to 1988, he was the cultural counsellor to the American embassy at Delhi. He has been president of the American Institute of Indian Studies, the nodal academic body for the funding of India related research in the US, and for many years has held various appointments in Columbia University's department of history. According to the editor of the 1989 book, "Embree's encounter with India has involved a sustained exposure to the real India, not just the India of books". The editor tells us also that Paul Embree has "trained scores of teachers, diplomats, and other specialists in Indian studies"; but we are left to imagine the ratio of doers and readers in this group of trainees. Embree's prose is powerful, and its elegance, I would guess, more than suffices to conceal its many inimitabilities from most passers-by. All in all, the man seems quite a bit like he and other Americans imagine brahmins to be.

Embree's argument starts from the objective reality that India was never even a geographical or cultural entity and, though some sort of political entity did at times exist, this was only for very brief periods and covered only a small portion of the subcontinent. The latter statement is, of course, fair enough, as a statement of fact, but one cannot help feeling that geography having been encompassed by the reference to the polity, it could only have been brought in a second time, on its own, for purposes of dramatic effect. Embree's treatment of culture was somewhat more sophisticated. It had to be, for though he conceded the unificatory role of culture, he went on to stress the diversities within that culture. India was for him a nation only because its constituent nationalities had failed to evolve into nation states. The rise of European nationalism was greatly facilitated by the fact that the "kings were able to get their territorial claims legitimised by the sacred authority". But this factor did not operate in India. "Above all, while the brahmanical ideology certainly had rituals for legitimising kings, it does not appear to have stressed the importance of a defined territory in which the ruler had sovereignty." Despite this, the country was not really a nation: it was in fact many nations, never mind that nation states had failed to emerge, on account of the thoughtlessness or thoughtfulness of the brahmins, as the case may be.

In this connection Embree pointed out that the decision of the constitution makers of present-day India "annoyed the Pakistanis, who saw it as a pre-emptive claim by the Indians to the whole historic part of the subcontinent, both (to) the movements and events associated with the Islamic peoples in the area now controlled by India as well as the pre-historic Indian civilisation which had been situated in what is now Pakistan. Bharat, the ancient name from the Sanskrit texts, the Pakistanis argued, would have

been more suitable, and more honest, for a Hindu nation". The interesting thing, particularly, is Embree's use of the word 'pre-emptive'. For he could hardly have been suggesting that the Pakistanis wanted to call *their* country India.

It must, however, be conceded that whether or not India was right to call itself India, and whether or not it was entitled, merely on the basis of ancient traditions and folklore, to claim for itself the political boundaries established for the first time in history only in the latter half of the 19th century, and that too by the British, whatever the view that one may take on these matters, Embree is on solid ground when he points out that there are many regional cultures or nations within India. This, however, does not get him very far, for the people of the major regions have always seen themselves as Indians. After all, that was where Embree started, and no amount of arguments can shake off something that he began by categorically admitting as a matter of fact.

Others too have bumped into this problem, which is rather more tangled than its apparent simplicity may suggest - the problem about identity. Gail Omvedt, for instance, in *Dalit Visions*, found herself torn between the prescription for action (the dalits are not Hindus - more precisely they are not brahmins. I would have said, had that not sounded so absurd - and ought therefore to tear off their fetters), and the problem that had the dalits not perceived themselves as *being* Hindus (or brahmins, as the case may be), there would have *been* no fetters to tear off. The problem, then, is one of how the downtrodden castes or classes or regions or women are to free themselves from the spell.

I do not know to what extent this is doable. After all, it is not as if an assault on brahmanism is now being proposed for the first time. Anti-brahmanism has been a potent force in many parts of the country and indeed seems to have done rather well. A large number of brahmins have successfully shrugged off the spell of conventional brahmanism, and are now to be found in the US where, going by what one hears, they have managed to do quite a good job of bringing the citizens of *that* country under their spell. Unfortunately, brahmanism (or Hinduism, if you prefer the old label) remains hale and hearty; it is only the brahmins that we have been able to shrug it off so far.

We must therefore redouble our efforts in this direction. Not a moment is to be lost. Let us enote harder, shout louder, and as Americans, and under their influence, Indians, would put it, try various 'mantras'. Then, no doubt, the thing will be doable. Unfortunately, there is, once again, one small problem. All through the centuries we have had a nation without a state. Must we now, at this age, live up to Embree's cheerful characterisation of us (with the specter of European unification in his mind) as now being a state without a nation?

National Accounts Statistics of India - 1

Macro-Aggregates

EPW Research Foundation

I

Introduction

AN attempt is made in these series of notes and statistics being published in instalments in this and the following weeks to present a fairly comprehensive set of statistical statements containing the Central Statistical Organisation's estimates of various national accounts aggregates for India for the entire 44-year period from 1950-51 to 1993-94 (with some available estimations even for 1994-95). These statements broadly cover the following data sets: the relationship between national income and other key macro aggregates; consolidated accounts of the nation encompassing expenditure on gross domestic product (GDP) as per the Keynesian macro-economic identities; appropriation of national disposable income; financing of gross accumulation; and some aspects of external transactions; sectoral distribution of GDP; private final consumption expenditure by objects; domestic saving by type of institutions and household financial saving by assets; capital formation by type of assets and by institutions and sectors; net capital stock as well as capital-output ratios by type of institutions and by industry of use; key input-output relationships in various economic activities; distribution of factor incomes, property incomes and imputed bank charges by kind of economic activity; the evolving role of the public sector as seen through the national accounts statistics (NAS); and time-series on state domestic products and their sectoral distribution.

The objective of these exercises is essentially to present basic time-series on national accounts aggregates, which depict the growth of the Indian economy, as also its structural changes, over the years. It accepts the official series and the underlying conceptual framework as given. The basis of this framework as adopted in India lies almost squarely within the UN System of National Accounts (SNA) [United Nations 1968] except for marginal deviations due to paucity of data and not due to any conceptual differences. Incidentally, the application of the UN-SNA has now become universal as most of the countries under the erstwhile centrally-planned economies that previously used the System of Balances of the National Economy (widely called as the Material

Product System or MPS) have moved over to the UN-SNA framework [SNA 1993, UN 1995, Ruggles 1990].

No doubt, serious conceptual differences and differences in perceptions cropped up as between the developed and developing countries in the context of the recent revision of SNA. Developing country representatives aired the view that although the 1968 version of the SNA had served well as a general purpose system, it failed to address sufficiently the special concerns and circumstances of developing countries in Africa, Latin America, Asia and South Pacific regions. In a series of regional seminars and meetings held to discuss the proposed revision to the 1968 SNA, it was emphasised that contemporary social and economic issues relevant to national accounting, and the analytical and policy concerns of countries at different stages of development, should be duly considered and catered to in the revision exercise, though all had agreed that there should be only one single system covering the needs of all the countries (*The Journal of Income and Wealth*, July 1989). The Indian national income experts' played an active role in the final version of the revision of the SNA which has now been put into effect as a joint product of the member organisations of the Inter-Secretariat Working Group on National Accounts, namely, the UN Statistical Office, Regional Commissions of the United Nations, the IMF, the World Bank, the OECD, and the Statistical Office of the European Communities (EUROSTAT). A major objective of the revision has also been to bring about harmonisation of the SNA with six other major specialised statistical systems, namely, balance of payments accounts, government finance statistics, money and banking statistics (all three constructed and released by the IMF), labour and employment statistics of the International Labour Organisation (ILO), international standard industrial classification (ISIC) of all economic activities by the United Nations Statistical Office, and agricultural statistics by the Food and Agricultural Organisation (FAO). The international agencies have already revised their guidelines and handbooks regarding the compilation of these sectoral statistics by the reporting country agencies. In July 1993 the Economic and Social Council of the United Nations in New York adopted a unanimous resolution

recommending the member countries to consider using the 1993 SNA and to promote the integration of various economic and related statistics.

The national income and product accounts, which are inspired by the innovations in macro-economic theory dating back to the 1930s, have been amongst the major contributions to economic knowledge over the past six decades [Eisner 1988]. The theoretical literature has thrown up fascinating debates on such macro concepts as income, output, saving, investment, consumption, inventory, capital, capital consumption and 'keeping capital intact', and capital stock, but these issues are beyond the scope of this study. Nor do we propose to dilate on the question of the extended national income and product accounts with the suggestions for imputations for government and household capital services (consumer durables, for example) non-market work, and leisure [Eisner 1988], or on the purchasing power parity question [EPWRF 1995].

Suffice it to say, despite manifold problems of definitions and measurements raised in economic theory, the success achieved by statistical practitioners, at times with some compromises on the purity of concepts and theories, in producing the actual measurements of various macro-aggregate variables have facilitated translation of the relevant theoretical constructs into various empirical solutions and interrelationships. While the genesis of these actual accounts dates back to their early formulation by William Petty and Gregory King in 17th century England, credit for significant refinement in them are due to the contributions, only four decades ago, by Simon Kuznets, considered the father of the modern national income accounting [Eisner 1988:1612].

II

Evolution of National Accounts in India

In India, prior to the development of a regular national accounting system which was initiated in the mid-1960s, the main focus was on computing the country's national income [CSO 1989]. In the latter respect, there was a long tradition of individual economists and scholars as also men of public affairs making earnest attempts to estimate India's national income, per capita

income and levels of living of the population engaged in different activities [Heston 1982; Mukherjee 1969]. The first systematic and scholarly work in this respect was that of V K R V Rao [Rao 1940; see also Clark 1951], which in fact constituted the basis for post-independence work on national income estimation in India. International experts of fame in the field, namely, Simon Kuznets, J R N Stone, and J B D Derksen, also reviewed India's national income estimates and offered suggestions in their initial evolution. The first official estimates of national income were produced by the National Income Committee which was appointed in 1949 under the chairmanship of P C Mahalanobis with D R Gadgil and V K R V Rao as members. The work was continued in the full-fledged National Income Division (now designated as National Accounts Division) of the Central Statistical Organisation (CSO).

The 1960s and early 1970s also saw the gradual emergence of a full-fledged national accounts framework which incorporated step-by-step the estimates of private consumption expenditure, saving, capital formation, factor incomes, detailed accounts of the public sector, and consolidated accounts of the nation, which is what finally transformed the CSO's relevant publication from being *Estimates of National Income* until 1967 and *Estimates of National Product* between 1967 and 1974, to one as *National Accounts Statistics* (NAS) in January 1975. The subsequent series with 1970-71 base published in 1978 and that with 1980-81 as base published in February 1988 have continued the tradition, with considerable conceptual and methodological improvements, the use of improved data base and expansion of the scope and coverage of statistical statements. [For a critical review, see Roy Choudhury 1988 and Gothoskar 1988.] Under both the series the estimates for the back years up to 1950-51 have been provided. Thus, we now have almost all constant price series in national accounts with the base 1980-81=100 from 1950-51 onwards.

III

Key Concepts of National Accounts

National accounts statistics (NAS) is an integrated system of statistical statements depicting values of final products originating in different industries and those of incomes generated and outlays expended in the personal and private as also public sectors, which are consolidated with sources and uses of finance or accumulation accounts and closed with accounts of external transactions and which can be expanded to cover a system of social accounting matrices (SAM) that help to elaborate on linkages between supplies and uses such as input-

output matrices and the distribution of income and expenditure amongst household groups. For the present, the Indian NAS does not present any SAM for want of regular income distribution data, except that benchmark input-output matrices are worked out for live-year plan purposes [CSO 1990].

The evolution of, and symbiotic relationship between, various national accounts aggregates are depicted in the accompanying Tables 1 to 3. The foundation for the creation of the national accounts edifice is in the estimation of **gross domestic product** (GDP). Domestic product is an unduplicated total of monetary values of products generated in various kinds of economic activities during a given period, that is, gross value of output minus intermediate inputs. It is a comprehensive concept in that it covers all goods and services produced by the residents, irrespective of whether they are marketed or not, that is, exchanged for money or bartered or produced for own use. Imputed values of own-use products and services such as rentals of owner-occupied buildings are included. In the recommended production boundary, certain other activities like services of housewives are excluded on the consideration, as SNA 1993 explains, of (a) such self-contained activity having limited repercussions on the rest of the economy, (b) there being no suitable market prices, and (c) imputing values for such own-account production being both difficult and not useful for analytic or policy purposes. Also excluded in the Indian NAS are illegal activities, black marketing and production of forbidden goods like opium except to the extent some of the illegal activities get covered at the production stage.

GDP is thus essentially a product concept but in common parlance it is also accepted as an income concept because it is equivalent to value added which is the summation of incomes of factors of production. Hence it is **GDP at factor cost**. In this regard, a more appropriate income concept is **gross national product** (GNP) which is GDP plus net factor income from abroad. The new 1993 SNA has in fact preferred to redefine it as gross national income (GNI) but recognising at the same time that GNP is embedded deeply in economic usage [SNA 1993:163].

Almost all definitions of income provided in economic theory have emphasised the importance of "the maintenance of capital intact" so that the productive capacity is not depleted [see the debate between Pigou, Hicks and Hayek in Parker and Harcourt 1969]. In order to cover the possible progressive wear and tear of fixed assets, provision for **consumption of fixed capital** (CFC) is a necessary condition of keeping the production process intact. For the first time, a systematic estimation of CFC based on the estimates of fixed capital stock in all

economic activities using perpetual inventory method (PIM) was undertaken in the Indian NAS along with the revised series with 1980-81=100. (PIM means the building up of annual series of net fixed capital stock based on a benchmark estimate of the stock, annual additions to the stock, and assumed life profile of assets.) Conceptually CFC is the same as the depreciation provision, but operationally the value of CFC is higher than depreciation because the former takes into account the current values of fixed assets whereas depreciation in business accounts is generally at historic costs; business accounts also by and large downplay the service lives of the assets, show a quicker pace of depletion, overestimate the rates of wear and tear and obsolescence, and provide for larger amounts of depreciation. GDP or GNP less CFC is **net domestic product** (NDP) or **net national product** (NNP), as the case may be. The concept of **national income** is truly denoted by NNP. As an income concept it includes net factor incomes received from rest of the world; more significantly, as the concept of value added, it excludes the reduction in the value of previously created fixed assets to the extent they are used up in the production process.

The underlying rationale behind the national product and income concepts enumerated above is to measure the values equal to factor incomes; hence they are all valued **at factor cost**. But, the basic identity of national accounting is that gross values added must be equal to the sum of final expenditures on consumption, gross capital formation and exports minus imports. But these expenditures are incurred at prices prevailing in the market, i.e. they include factor cost plus net indirect levies (indirect taxes minus subsidies). Hence GDP (GNP, NDP and NNP) **at market prices** is to be distinguished from the same macro aggregates valued **at factor cost**.

REAL INCOME AND OTHER MAGNITUDES

With inflation as a common feature in the modern economy, the increases in values of any product or income measure can be to that extent a money illusion. In order to determine the real worth of the purchasing power of income, any income (or product) measure has to be based on unchanged prices of commodities and services from a base period and thus arrive at the measure in *real* terms. There are norms for the choice of the base period such as that it be a normal year and that it should not be a remote year which fails to capture the structural changes occurring in the economy. In India's NAS, there have been, four base periods so far and the current 1980-81 series is long over due for revision.

It should be noted that unlike in a directly constructed price index number series like

the wholesale price index or the consumer price index, the various price indices in national accounts are *implicit* indices in that they are indirectly derived by using, for instance, values of GDP worked out at current prices and those worked out at base-level prices. GDP is measured sectorally at current and constant prices, with the estimates of value added arrived at separately for major commodities, sub-sectors and sectors at the prices prevailing in the year of estimation as well as those prevailing at the base year. The sum total of GDP so arrived at current prices divided by the sum total at base-level prices gives the composite price index called the GDP deflator. The national accounts data facilitate the derivation of price deflators for various components of GDP such as agriculture or manufacturing and for various macro aggregates such as private final consumption expenditure (PFCE) and gross domestic capital formation (GDCF).

With respect to deriving GDP generated in different sectors at constant prices, the only sector for which the appropriate double-deflation method is used is the agricultural sector wherein various items of output as well as inputs are estimated at the base-year prices; in all other cases including registered manufacturing, single-deflation method is adopted wherein only value added is deflated by a single price index [see the debate on this subject in *EPW*, Balakrishnan and Pushpangadan 1994].

IV

Institutional Categorisation

As per the SNA, the resident institutional units that make up the total economy are grouped into the following five mutually exclusive institutional sectors: (i) non-financial corporate sector; (ii) financial corporate sector; (iii) the general government; (iv) the non-profit institutions serving households; (v) the household sector [SNA 1993:87-88]. In the Indian NAS, a variant of this system has been adopted. With the dominance of public sector in economic activities, a broad institutional category called as such has been introduced which combines the general government (consisting of central, state and local government units) and non-financial and financial public corporations that are defined in the NAS as non-departmental enterprises. Non-financial and financial corporations privately owned constitute the private corporate sector, while the household sector is a residual category comprising, apart from individuals, all non-government, non-corporate enterprises like sole proprietorships and partnerships owned and/or controlled by individuals and non-profit institutions which render educational, health, cultural, recreational and other social and community services to households [CSO 1989:219].

The categorisation of public-private corporate and household sectors is designed essentially for capturing the nature of legal entities owning physical and financial assets and incurring liabilities. The economic activities of savings and capital formation are undertaken by these institutional units, with the household sector being the net saver and the public and private corporate sectors being net borrowers. In the income and outlay accounts, public as well as private corporations as legal entities do not appropriate disposable incomes for final consumption themselves. Their expenses are intermediate inputs in the production process and not final expenditures, and likewise, their own parts of incomes or GDP are only in the form of direct taxes paid to the government and retained earnings which are their savings (see columns 15, 22 and 23 in Table 2). By definition, therefore, business corporations do not possess incomes (other than the above two) or final expenditures. Even the general government earns income out of domestic product only in the form of "income from entrepreneurship and property". Therefore, after providing for CFC, the bulk of the net domestic product accrues to the private sector except for (i) government's entrepreneurial and property incomes and (ii) savings of non-departmental enterprises. At the same time, the private sector income gets augmented by (a) interest on public debt, (b) pension and current transfers from government administration, (c) net factor income from abroad, and (d) remittances and other current transfers from the rest of the world. The difference between the **private income** so arrived and **personal income** is only the sum of corporation taxes and savings of the private corporate sector. The **personal income** so arrived at is the income of the household sector including the income of the non-profit making bodies serving households, on which the sector pays direct taxes and other miscellaneous receipts of government; the balance constitutes **personal disposable income** which is distributed between private final consumption expenditure (PFCE) and household saving.

V

Classification by Key Economic Activities

A major sectoral classification contained in NAS is based on the SNA-recommended international standard industrial classification (ISIC) but the selection of industries and industrial categories (such as registered and unregistered manufacturing) is designed to take into account the structure of India's economy. Gross and net domestic product generated in key economic activities, gross capital formation and net capital stock by industry of use, and factor incomes by

industry of origin are presented with the help of the above classification in the Indian NAS. A similar classification is done in respect of the public sector.

The economic activities comprise both commodity-producing and service activities. Incidentally, in the literature on the system of material product (SMP) which used to be employed by the erstwhile centrally-planned economies, the services were divided into two parts - material (or productive) services and non-material (or non-productive) services. Essentially all personal and most public services were excluded from the concept of material production in the SMP, whereas in the SNA system no such distinction is made and all services are said to render production activities.

The SNA visualises the possibility of presenting an integrated analysis of economic activities within each institutional category indicated above, but this requires very sophisticated data flow and few countries even amongst the developed ones truly attempt them.

VI

Estimation Procedure for Product Accounts

The edifice of national accounts is, as said earlier, built around the measurement of GDP by economic activity, or by sectors as per the international standard industrial classification (ISIC). A complex set of methods is employed by the CSO to measure GDP generated in each of the sectors. Broadly, it could be said that production and income approaches are adopted, depending upon the nature of data available; in certain cases like labour-intensive *kutchha* construction, expenditure method is adopted. Sectors which have been amenable to the production approach are: agriculture and allied activities, forestry and logging, fishing, mining and quarrying, and registered manufacturing. In respect of the following sectors, income method or some variant of it is adopted: unregistered manufacturing, electricity, gas and water supply, transport, storage and communications, trade, hotels and restaurants, real estate, dwelling and other business services, public administration and defence and other services. In the case of *pucca* construction, value added is derived based on a proportion of the value of material inputs measured by the commodity-flow approach with adjustment made for relative movements in the index of wages of construction workers and the composite index of prices of construction materials.

In a number of cases of unorganised sectors of non-agricultural economy like unregistered manufacturing, water supply, wholesale and retail trade, hotels and restaurants, transport by other means (other

than the railways), shipping and air, storage nos, business services, legal and other services, gross value added is estimated on the basis of the estimated workforce employed and value added per person derived from field surveys undertaken from time to time.

A major novelty in the estimation of value added in the services sector relates to the concept of imputed service charges in respect of the financial sector output. Banks and financial institutions receive interest on loans and advances which is much larger than the payments they make to their depositors. If they are treated as any other productive enterprise, they would thus have a negative value added (even after taking into account the actual service charges made to customers in the form of commission, brokerage, etc). To circumvent this difficulty, an imputed income equivalent to interest and dividend receipts of banking and financial enterprises net of interest paid to depositors is defined as income earned. In the user industries, these imputed service charges are treated as intermediate inputs. Thus, in the case of agriculture, manufacturing and other industries using banking services, the imputed service charges are treated as intermediate consumption and hence netted out from their output while deriving value added. In the case of households and government, such charges are treated as part of private and government final consumption expenditure.

As is obvious, the estimates of domestic product are partly based on direct current data and partly on bench-mark estimates projected on the basis of specific indicators for subsequent years. In many cases, the bench-mark estimates pertain to remote periods, and sometimes for only parts of the sub-sectors under estimation. Working out a weighted proportion of the estimates of domestic product, the CSO has claimed that in 1985-86, about 62.2 per cent of GDP was based on direct current data (wherein the data from the basic sources become available for the year for which the estimation pertains). With data provided by the crop cutting experiments on the output of agriculture, as much as 85.1 per cent of value added was based on such direct current data; in agricultural inputs, however, it was 50.6 per cent [CSO 1989:20]. In some of the unorganised sectors like trade, hotels, and real estate and business services, very low proportions of GDP such as zero to 24 per cent are based on direct data.

Incidentally, because of the independent nature of estimates for different macro-aggregates based on separate methods and separate sources of data, the consolidated accounts of the nation presented in the NAS do not balance. A description of the resultant discrepancies or errors and omissions is presented in a subsequent part of this series.

VII What the Data Tell?

Any detailed review of the data presented in these statistical series is not attempted here. A few observations, however, are in order. Vast annual fluctuations in GDP growth in real terms with an acceleration in the 1980s, an increase in the share of GDP produced in the public sector over the years, a steady decline in the share of agriculture and a rise in that of services, which have been widely known, are depicted in these tables. A few more observations which deserve to be highlighted are as follows. First, government final consumption expenditure as proportion of GDP steadily rose until the second half of the 1980s and has fallen since then, while the share of private final consumption expenditure has been steadily falling corresponding to a rise in gross capital formation (or saving) (until 1990-91 at any rate). Second, underlying the evolving openness of the economy as measured by the ratio of exports and imports of goods and services together, this share has touched 20 per cent in 1992-93 – a precursor to further rise in the post-liberalisation period [RBI 1995b]. Third, the incidence of indirect taxes (i.e., as ratio of GDP) touched the peak in 1989-90 but has been rapidly falling since then; so have subsidies. Fourth, interest on public debt as ratio of GDP has been rapidly increasing since the mid-1980s and has touched the peak of 4.8 per cent in 1993-94 as compared with 1.1 per cent in 1980-81. Fifth, with the standardisation of the methodology for estimating capital consumption based on an estimate of the stock of fixed capital in all sectors has stabilised the CFC to GDP ratio at a little over 10 per cent. Sixth, major structural changes have occurred in the industrywise composition of GDP: decline in the share of agriculture to as low as 28 per cent by 1993-94, the relative stagnation in the share of industry (mining, manufacturing and electricity) at around 22 per cent and a steady rise in the share of services from 29 per cent in 1950-51 to 41.5 per cent in 1993-94, stand out as significant phenomena. Finally, the differences in the sectoral GDP shares as between the 1980-81 price and the current price series bring out the fluctuating nature of inter-sectoral terms of trade. Agricultural sector, for instance, enjoyed relatively better terms of trade between the mid-1960s and mid-1970s but suffered adverse terms during the 1980s, which has been only partially corrected since the beginning of the 1990s. The manufacturing sector has generally experienced relatively adverse terms of trade as reflected in the fact that the proportion of GDP originating in the sector at current prices has always been lower than that of GDP at 1980-81 prices – a feature which has significant implication for the process of industrialisation.

Note

[Compilation of statistical tables for this has been undertaken by V P Prashant, Paramita Debnath and Bhagyashree Mandke.]

1 Uma Datta Roy Choudhury, Jagdish Kumar, R P Karyal and S G Tiwari, all of the CSO at one time or the other, were involved in the deliberations.

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Table 1A: Key National Accounts Aggregates at 1980-81 Prices

Year	(Rupees in Crore)															
	GDP at Factor Cost	Factor Income from Abroad	GNP at Factor Cost (2+3)	Consumption of Fixed Capital (CFC)	NNP at Factor Cost (4-5)	NDP at Factor Cost (2-5)	Indirect Taxes Less Subsidies	GDP at Market Prices (2+8)	Public Sector	GDP at Factor Cost from Private Sector	Per Cent of GDP	Private Final Consumption Expenditure in Domestic Market (PFCE)	Government Final Expenditure (GFCE)	Per Capita NNP at Factor Cost		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1950-51	42871	-227	42644	2190	40454	40681	2868	45739	-	-	-	36937	2522	1188	1127	
1951-52	43872 (2.3)	-142	43730 (2.5)	2287	41443	41585 (2.2)	3295 (14.9)	47167 (3.1)	-	-	-	38610 (4.5)	2548 (1.0)	1198 (0.8)	1135 (0.8)	
1952-53	45117 (2.8)	-115	45002 (2.9)	2388	42614	42729 (2.8)	3260 (1.1)	48377 (2.6)	-	-	-	39940 (3.4)	2551 (0.1)	1210 (1.0)	1146 (0.9)	
1953-54	47863 (6.1)	-95	47768 (6.1)	2475	45293	45388 (6.2)	3498 (7.3)	51361 (6.2)	-	-	-	42403 (6.2)	2583 (1.3)	1260 (4.2)	1195 (4.3)	
1954-55	49895 (4.2)	-145	49750 (4.1)	2639	47111	47256 (4.1)	4020 (14.9)	53915 (5.0)	-	-	-	43789 (3.3)	2598 (0.6)	1289 (2.3)	1220 (2.1)	
1955-56	51173 (2.6)	-54	51119 (2.8)	2831	48288	48342 (2.3)	4590 (14.2)	55763 (3.4)	-	-	-	44241 (1.0)	2670 (2.8)	1301 (0.9)	1229 (0.7)	
1956-57	54086 (5.7)	-84	54002 (5.6)	3047	50955	51039 (5.6)	4770 (3.9)	58856 (5.5)	-	-	-	46230 (4.5)	2856 (7.0)	1347 (3.5)	1271 (3.4)	
1957-58	53432 (-1.2)	-128	53304 (-1.3)	3253	50051	50179 (-1.7)	5314 (11.4)	58746 (-0.2)	-	-	-	45298 (-2.0)	3216 (12.6)	1303 (-3.2)	1224 (-3.7)	
1958-59	57487 (7.6)	-176	57311 (7.5)	3442	53869	54045 (7.7)	5568 (4.8)	63055 (7.3)	-	-	-	49403 (9.1)	3330 (3.5)	1371 (5.2)	1289 (5.3)	
1959-60	58745 (2.2)	-311	58434 (2.0)	3659	54775	55086 (1.9)	6042 (8.5)	64787 (2.7)	-	-	-	49882 (1.0)	3390 (1.8)	1372 (0.1)	1286 (-0.2)	
1960-61	62904 (7.1)	-372	62532 (7.0)	3930	58602	58974 (7.1)	5159 (-14.6)	68063 (5.1)	5051	8.0	57853	92.0	52714 (5.7)	3573 (5.4)	1441 (5.0)	1350 (5.0)
1961-62	64856 (1.1)	-497	64359 (2.9)	4191	60168	60665 (2.9)	5860 (13.6)	70716 (3.9)	5652	8.7	52904	81.6	53631 (1.7)	3836 (7.4)	1450 (0.6)	1355 (0.4)
1962-63	66228 (2.1)	-571	65657 (2.0)	4492	61165	61736 (1.8)	6723 (14.7)	72951 (3.2)	6597	10.0	59631	90.0	54374 (1.4)	4629 (20.7)	1446 (-0.3)	1347 (-0.6)
1963-64	69581 (5.1)	-575	69006 (5.1)	4790	64216	64791 (4.9)	7932 (18.0)	77513 (6.3)	7243	10.4	62338	89.6	56695 (4.3)	5733 (23.8)	1487 (2.8)	1384 (2.7)
1964-65	74858 (7.6)	-737	74121 (7.4)	5179	68942	69679 (7.5)	8404 (6.0)	83262 (7.4)	7886	10.5	66972	89.5	60313 (6.4)	5939 (3.6)	1564 (5.1)	1454 (5.1)
1965-66	72122 (-3.7)	-784	71338 (-3.8)	5604	65734	66518 (-4.5)	9179 (9.2)	81301 (-2.4)	8634	12.0	63488	88.0	60206 (-0.2)	6516 (9.7)	1471 (-5.9)	1355 (-6.8)
1966-67	72856 (1.0)	-764	72092 (1.1)	6003	66089	66853 (0.5)	8163 (-11.1)	81019 (-0.3)	9173	12.6	63683	87.4	61333 (1.9)	6572 (0.9)	1456 (-1.0)	1335 (-1.5)
1967-68	78785 (8.1)	-940	77845 (8.0)	6326	71519	72459 (8.4)	8505 (4.2)	87290 (7.7)	9777	12.4	69008	87.6	64780 (5.6)	6705 (2.0)	1538 (5.6)	1413 (5.9)
1968-69	80841 (2.6)	-896	79945 (2.7)	6660	73285	74181 (2.4)	9594 (12.8)	90435 (3.6)	10597	13.1	70244	86.9	66999 (3.4)	7073 (5.5)	1543 (0.3)	1415 (0.1)
1969-70	86109 (6.5)	-960	85149 (6.5)	6972	78177	79137 (6.7)	10246 (6.8)	96355 (6.5)	11442	13.3	74667	86.7	69028 (3.0)	7764 (9.8)	1610 (4.3)	1478 (4.5)
1970-71	96426 (5.0)	-961	89465 (5.1)	7254	82211	83172 (5.1)	10936 (6.7)	101362 (5.2)	12469	13.8	77957	86.2	71522 (3.6)	8492 (9.4)	1654 (2.7)	1520 (2.8)
1971-72	91339 (1.0)	-1058	90281 (0.9)	7606	82675	83733 (0.7)	11864 (8.5)	103203 (1.8)	13207	14.5	78132	85.5	73206 (2.4)	9369 (10.3)	1639 (-1.5)	1492 (-1.8)
1972-73	91048 (-0.3)	-1051	89997 (-0.3)	8006	81991	83042 (-0.8)	11518 (-2.9)	102566 (-0.6)	14055	15.4	76993	84.6	73647 (0.6)	9402 (0.4)	1587 (-2.6)	1446 (-3.1)
1973-74	95192 (4.6)	-797	94395 (4.9)	8385	86010	86807 (4.5)	10404 (-9.7)	105596 (3.0)	15487	16.3	79705	83.7	75654 (2.7)	9305 (-1.0)	1628 (2.6)	1483 (2.6)
1974-75	96297 (1.2)	-412	95885 (1.6)	8769	87116	87528 (0.8)	10558 (1.5)	106855 (1.2)	15839	16.4	80458	83.6	75747 (0.1)	8875 (-1.6)	1617 (-0.7)	1469 (-0.9)
1975-76	104968 (9.0)	-308	104660 (9.2)	9227	95433	96537 (0.8)	12468 (6.5)	116675 (9.2)	17235	17.9	87236	82.1	80063 (5.7)	9799 (10.4)	1725 (6.6)	1572 (7.0)
1976-77	106283 (1.2)	-285	105996 (1.3)	9743	96253	103986 (7.7)	13074 (4.9)	127293 (7.2)	20015	17.5	94264	82.5	88706 (8.0)	10898 (3.0)	1710 (-0.8)	1552 (-1.3)
1977-78	114219 (7.5)	-316	114003 (7.5)	10233	103670	109668 (5.5)	14134 (8.1)	134638 (5.8)	21475	17.5	99029	82.2	94011 (6.0)	11706 (7.4)	1857 (3.3)	1689 (3.3)
1978-79	120504 (5.5)	-202	120302 (5.6)	10836	109466	109668 (5.5)	14134 (8.1)	134638 (5.8)	21475	17.5	99029	82.2	94011 (6.0)	11706 (7.4)	1857 (3.3)	1689 (3.3)
1979-80	124236 (-5.2)	-143	114379 (-4.9)	11442	102937	102794 (-6.3)	13366 (-5.6)	127572 (-5.2)	22399	19.6	91839	80.1	91379 (-2.8)	12424 (6.1)	1723 (-7.2)	1550 (-8.2)
1980-81	122427 (7.2)	345	122772 (7.3)	12087	110685	110340 (7.3)	13586 (1.9)	136013 (6.6)	24171	19.7	98256	80.3	99292 (8.7)	13084 (5.3)	1808 (4.9)	1630 (5.2)
1981-82	129889 (6.1)	-40	129928 (5.8)	12788	117149	117101 (6.1)	15011 (1.5)	144407 (6.5)	25051	19.7	104386	80.9	103848 (4.6)	13663 (4.3)	1883 (3.9)	1691 (3.8)
1982-83	133915 (3.1)	-616	133299 (2.6)	13595	119704	120320 (2.7)	16464 (9.7)	150379 (6.8)	27631	20.6	106234	79.4	107071 (3.1)	15075 (10.3)	1883 (3.9)	1691 (3.8)
1983-84	141865 (8.2)	1004	141386 (7.9)	14469	129392	130336 (8.4)	16682 (1.3)	161547 (7.4)	29422	20.3	115433	79.7	115057 (7.8)	15558 (4.8)	1950 (5.7)	1790 (5.9)
1984-85	150433 (3.8)	-1201	149256 (3.8)	15448	138808	142945 (3.5)	17956 (2.2)	167449 (3.7)	31837	21.2	118506	78.8	119464 (3.8)	16983 (7.8)	2023 (2.3)	1811 (1.2)
1985-86	156566 (4.4)	-1736	155365 (4.1)	17293	142442	143988 (4.1)	20982 (1.7)	176645 (5.5)	34842	22.3	121724	77.7	123053 (4.6)	18242 (11.4)	2065 (1.8)	1841 (1.6)
1986-87	163271 (4.3)	-2201	161535 (4.0)	19476	149787	151988 (4.1)	21979 (9.4)	185260 (4.9)	38188	23.4	125083	76.6	130262 (8.0)	20344 (10.2)	2065 (1.8)	1841 (1.6)
1987-88	170322 (4.3)	2201	168121 (4.1)	20767	165750	168055 (11.2)	23763 (8.1)	194085 (3.5)	40888	24.3	129472	76.0	135129 (3.5)	22000 (18.7)	2134 (1.9)	1901 (1.6)
1988-89	188461 (10.6)	3235	185226 (10.2)	19476	177315	179456 (6.9)	25914 (4.1)	223367 (6.6)	44542	23.6	133919	76.4	143465 (7.7)	25215 (5.6)	2410 (4.5)	2157 (4.8)
1989-90	201453 (6.9)	-3371	198082 (6.9)	20767	186469	190241 (5.3)	27985 (8.0)	240261 (5.7)	50344	23.7	146972	76.3	155454 (3.8)	26059 (3.3)	2485 (3.1)	2232 (3.0)
1990-91	212276 (5.4)	-3772	208504 (5.3)	22035	186418	190780 (0.3)	27272 (2.5)	241428 (6.5)	53845	25.1	160321	74.9	158272 (3.8)	26769 (3.3)	2508 (2.3)	2226 (2.2)
1991-92	214156 (0.9)	4362	209794 (0.6)	23176	186418	190780 (0.3)	27272 (2.5)	241428 (6.5)	53845	25.1	160321	74.9	158272 (3.8)	26769 (3.3)	2508 (2.3)	2226 (2.2)
1992-93	223438 (4.3)	-4740	218698 (4.2)	24605	194093	198833 (4.2)	29111 (6.7)	252549 (4.6)	55698	24.9	167740	75.1	160192 (1.4)	26769 (3.3)	2508 (2.3)	2226 (2.2)
1993-94	233042 (4.3)	-4371	228671 (4.6)	26001	202670	207041 (4.1)	28278 (2.9)	261320 (3.5)	58991	25.3	174051	74.7	166833 (4.9)	28832 (7.7)	2575 (2.7)	2282 (2.5)

Figures in brackets denote percentage changes over previous year

- Denotes information not available

Figures in brackets denote percentage changes over previous year

Table 1B: Key National Accounts Aggregates at Current Prices

Year	(Rupees in Crores)															
	GDP at Factor Cost	Factor Income from Abroad	GNP at Factor Cost (2+3)	Consumption of Fixed Capital (CFC)	NNP at Factor Cost (4-5)	Indirect Taxes Less Subsidies	GDP at Market Prices (2+7)	GDP at Public Sector of GDP	Private Final Consumption Expenditure in Domestic Market (PFCE)	Government Final Consumption Expenditure (GFCE)	Mid-Financial Year Population (Million)	Per Capita GNP at Factor Cost	Per Capita NNP at Factor Cost	Per Capita NNP at Factor Cost		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1950-51	8979	-41	8938	364	8574	387	9366	1524	10.0	13730	90.0	13442	526	359	249	239
1951-52	9480 (5.6)	-35	9445 (5.7)	411	9034	486 (25.6)	9966 (6.4)	1717	10.7	14380	89.3	14056 (4.6)	552 (4.9)	365	259 (4.0)	248 (3.8)
1952-53	9349 (-1.4)	-25	9324 (-1.3)	442	8882	425 (-12.6)	9774 (-1.9)	1979	11.5	15233	88.5	14804 (5.3)	572 (3.6)	372	251 (-3.1)	239 (-3.7)
1953-54	10180 (8.9)	-19	10161 (9.0)	465	9696	458 (7.8)	10638 (8.8)	2286	11.6	17385	88.4	16435 (11.0)	604 (5.6)	379	268 (6.8)	256 (7.1)
1954-55	9563 (-6.1)	-29	9534 (-6.2)	511	9023	510 (11.4)	10073 (-5.3)	2954	12.3	21109	87.7	20423 (5.6)	630 (4.3)	386	247 (-7.8)	234 (-8.6)
1955-56	9717 (1.6)	-10	9707 (1.8)	546	9161	541 (6.1)	10258 (1.8)	3784	11.8	28403	88.2	28344 (19.2)	675 (7.1)	393	247 (-)	233 (-0.3)
1956-57	11500 (19.4)	-17	11583 (19.3)	611	10972	617 (14.0)	12217 (19.1)	4885	13.1	32443	86.9	30776 (8.4)	744 (10.2)	401	289 (17.0)	274 (17.4)
1957-58	11859 (2.2)	-20	11839 (2.2)	662	11177	739 (19.8)	12598 (3.1)	6790	14.6	39693	85.4	38688 (10.2)	870 (16.9)	409	289 (-)	273 (-0.1)
1958-59	13266 (11.9)	-35	13231 (11.8)	772	12459	768 (3.9)	14034 (11.4)	8011	14.1	48943	85.9	46638 (20.5)	933 (7.2)	418	317 (9.7)	298 (9.1)
1959-60	13934 (5.0)	-57	13877 (4.9)	842	13035	859 (11.8)	14793 (5.4)	10329	15.4	56710	84.6	56505 (21.2)	983 (5.4)	426	326 (2.8)	306 (2.7)
1960-61	15254 (9.5)	-72	15182 (9.4)	940	14242	947 (10.2)	16201 (9.5)	14402	18.8	62134	81.2	60079 (3.9)	1072 (9.1)	434	350 (7.4)	328 (7.2)
1961-62	16097 (5.5)	-98	15999 (5.4)	1053	14946	1080 (14.0)	17177 (6.0)	17179	11.5	15233	88.5	14804 (5.3)	1190 (11.0)	444	360 (2.9)	337 (2.6)
1962-63	17212 (6.9)	-108	17104 (6.9)	1157	15947	1264 (17.0)	18476 (7.6)	2286	11.6	17385	88.4	16435 (11.0)	1443 (21.3)	454	377 (4.7)	351 (4.3)
1963-64	19671 (14.3)	-112	19559 (14.4)	1301	18258	1566 (23.9)	21237 (14.9)	2575	11.2	20406	88.8	19348 (17.7)	1859 (28.8)	464	422 (11.9)	393 (12.0)
1964-65	22981 (16.8)	-145	22836 (16.8)	1463	21373	1784 (13.9)	24765 (16.6)	2954	12.3	21109	87.7	20423 (5.6)	1993 (7.2)	474	482 (14.2)	451 (14.6)
1965-66	24063 (4.7)	-164	23899 (4.7)	1652	22247	2082 (16.7)	26145 (5.6)	3332	12.2	24057	87.8	23785 (16.5)	2290 (14.9)	485	493 (2.3)	459 (1.7)
1966-67	27389 (13.8)	-230	27159 (13.6)	1944	25215	2182 (4.8)	29571 (13.1)	3784	11.8	28403	88.2	28344 (19.2)	2504 (9.3)	495	549 (11.4)	509 (11.1)
1967-68	32187 (17.5)	-258	31929 (17.6)	2184	29745	2424 (11.1)	34611 (17.0)	4288	12.6	29655	87.4	28385 (0.1)	2792 (11.5)	506	631 (14.9)	588 (15.4)
1968-69	33943 (5.5)	-255	33688 (5.5)	2377	31311	2731 (12.7)	36674 (6.0)	4885	13.1	32443	86.9	30776 (8.4)	3063 (9.7)	518	650 (3.0)	604 (2.8)
1969-70	37328 (10.0)	-271	37057 (10.0)	2636	34421	3059 (12.0)	40387 (10.1)	5494	13.8	34214	86.2	32545 (5.7)	3442 (12.4)	529	701 (7.8)	651 (7.6)
1970-71	39708 (6.4)	-284	39424 (6.4)	2921	36503	3455 (12.9)	43163 (6.9)	6138	14.5	36110	85.5	35101 (7.9)	3838 (11.5)	541	729 (4.0)	675 (3.7)
1971-72	42248 (6.4)	-291	41957 (6.4)	3240	38717	4009 (16.0)	46257 (7.2)	6790	14.6	39693	85.4	38688 (10.2)	4458 (16.2)	554	757 (3.8)	699 (3.6)
1972-73	46473 (10.0)	-302	46171 (10.0)	3661	42510	4532 (13.0)	51005 (10.3)	8011	14.1	48943	85.9	46638 (20.5)	4728 (6.1)	567	814 (7.5)	750 (7.3)
1973-74	56954 (22.6)	-325	56629 (22.7)	4267	52362	5053 (11.5)	62007 (21.6)	10329	15.4	56710	84.6	56505 (21.2)	5156 (9.1)	580	976 (19.9)	903 (20.4)
1974-75	67039 (17.7)	-291	66748 (17.9)	5458	61290	6196 (22.6)	73235 (18.1)	14402	18.8	62134	81.2	60079 (3.9)	6241 (21.0)	593	1126 (15.4)	1034 (14.5)
1975-76	71201 (6.2)	-255	70946 (6.3)	6323	64623	7560 (22.0)	78761 (7.5)	12250	17.2	58951	82.8	57822 (2.3)	7381 (18.3)	607	1169 (3.8)	1065 (3.0)
1976-77	76536 (7.5)	-233	76303 (7.6)	6780	69523	3358 (10.6)	84894 (7.8)	14402	18.8	62134	81.2	60079 (3.9)	8229 (11.5)	620	1231 (5.3)	1121 (5.3)
1977-78	87351 (14.1)	-233	87118 (14.2)	7369	79749	8716 (4.3)	96067 (13.2)	15789	18.1	71562	81.9	69183 (15.2)	8759 (6.4)	634	1374 (11.6)	1258 (12.2)
1978-79	93880 (7.5)	-156	93724 (7.6)	8426	85298	13110 (18.3)	104190 (8.5)	17551	18.7	76329	81.3	75242 (8.8)	9722 (11.0)	648	1446 (5.2)	1316 (4.6)
1979-80	102442 (9.1)	-153	102595 (9.5)	10271	92324	11914 (15.6)	114356 (9.8)	20212	19.7	82230	80.3	81704 (8.6)	11165 (14.8)	664	1545 (6.8)	1390 (5.6)
1980-81	122427 (19.5)	-345	122772 (19.7)	12087	110685	13586 (14.0)	136013 (18.9)	24171	19.7	98256	80.3	99292 (21.5)	11165 (14.8)	679	1808 (17.0)	1630 (17.2)
1981-82	143216 (17.0)	-50	143266 (16.7)	14459	128807	16544 (21.8)	159760 (17.5)	29857	20.8	113359	79.2	113755 (14.6)	13084 (17.2)	692	2070 (14.5)	1861 (14.2)
1982-83	159395 (11.3)	-634	158761 (10.8)	16886	141875	17377 (13.3)	178132 (11.5)	36240	22.7	123155	77.3	125174 (10.0)	15355 (17.4)	708	2242 (8.3)	2004 (7.7)
1983-84	186723 (17.1)	-944	185779 (17.0)	19229	166550	20866 (11.4)	207589 (16.5)	42241	22.6	144842	77.4	146948 (17.4)	18272 (19.0)	723	2570 (14.6)	2304 (15.0)
1984-85	208533 (11.7)	-1424	207109 (11.5)	22091	185018	22810 (9.3)	231343 (11.4)	49147	23.6	159386	76.4	162090 (10.3)	21141 (15.7)	739	2803 (9.1)	2504 (8.7)
1985-86	233799 (12.1)	-1429	232370 (12.2)	26237	206133	28444 (24.7)	262243 (13.4)	58326	24.9	175473	75.1	177758 (9.7)	24352 (15.2)	755	3078 (9.8)	2730 (9.1)
1986-87	260030 (11.2)	-1805	258225 (11.1)	29823	228402	32919 (15.7)	292949 (11.7)	69036	26.5	190994	73.5	199998 (12.5)	29174 (19.8)	771	3349 (8.8)	2962 (8.5)
1987-88	294851 (13.4)	-2619	292232 (13.2)	33341	258891	38350 (16.5)	333201 (13.7)	79479	27.0	215372	73.0	224061 (12.0)	34625 (18.7)	788	3709 (10.7)	3285 (10.9)
1988-89	352706 (19.6)	-4496	348210 (19.2)	38921	309289	43076 (12.3)	395782 (18.8)	94111	26.7	258595	73.3	258993 (15.6)	40843 (18.0)	805	4326 (15.6)	3842 (16.9)
1989-90	408662 (15.9)	-5731	402931 (15.7)	45646	357285	48159 (11.8)	456821 (15.4)	109269	26.7	299392	73.3	290072 (12.0)	47331 (15.9)	822	4902 (13.3)	4347 (13.1)
1990-91	477797 (16.9)	-7545	470252 (16.7)	52195	418057	57285 (12.9)	535517 (17.2)	125690	26.3	352106	73.7	332364 (14.6)	61779 (14.0)	839	5605 (14.3)	4983 (14.6)
1991-92	552030 (15.5)	-10077	541953 (15.2)	62952	479001	64031 (10.9)	616061 (15.0)	149514	27.1	402515	72.9	384799 (15.8)	73323 (14.0)	856	6331 (13.0)	5596 (12.3)
1992-93	627634 (13.7)	-11803	615831 (13.6)	72265	543566	75195 (17.4)	702829 (14.1)	171429	27.3	456205	72.7	424555 (10.3)	69459 (12.4)	872	7062 (11.5)	6234 (11.4)
1993-94	707145 (12.7)	-11803	695342 (12.9)	80069	615273	79210 (5.3)	786355 (11.9)	202333	28.6	504812	71.4	479586 (13.0)	91052 (15.9)	888	7830 (10.9)	6929 (11.2)

Denotes information not available. - denotes nil or negligible. Figures in brackets denote percentage changes over previous years

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Table 2: Relationship of Gross Domestic Product and Other National Accounts Aggregates at Current Prices

Year	(Rupees in Crores)												
	Govt Final Consumption Expenditure	Private Final Consumption Expenditure	Gross Domestic Capital Formation	Exports of Goods and Services	Imports of Goods and Services	Dis- pen- ties	Expenditure on GDP at Market Prices (+3+4+5+6+7)	Indirect Taxes	Subsidies	GDP at Factor Cost (8+9+10)	Consump- tion of Fixed Capital	NDP at Factor Cost (11-12)	Income Entrepren- urship and Property Accruing to Govt (14)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1950-51	526(5.6)	1344(283.0)	954(10.2)	737(7.9)	710(7.6)	405(-2.5)	936(61.00.0)	428(4.6)	41(0.4)	8979(95.9)	364(3.9)	8615(92.0)	68(0.7)
1951-52	552(5.5)	1405(618.1)	1188(11.9)	846(8.5)	1037(10.4)	200(0.3)	996(61.00.0)	531(5.3)	45(0.5)	9480(95.1)	411(4.1)	9059(91.0)	78(0.8)
1952-53	572(5.9)	1480(480.1)	772(7.9)	714(7.3)	702(7.2)	200(0.3)	977(4.100.0)	461(4.7)	36(0.4)	9349(95.7)	442(4.4)	8907(91.1)	59(0.6)
1953-54	604(5.7)	1534(518.0)	909(8.5)	643(6.1)	652(6.1)	426(1.6)	1063(61.00.0)	473(4.5)	15(0.1)	10180(95.7)	465(4.6)	9715(91.3)	50(0.5)
1954-55	630(6.3)	1607(10.6)	1070(10.6)	704(7.0)	749(7.4)	1166(3.4)	1097(5.100.0)	523(5.2)	13(0.1)	9563(94.9)	411(5.1)	9052(89.9)	63(0.6)
1955-56	656(6.6)	1698(14.3)	1469(14.3)	757(7.4)	833(8.2)	413(1.1)	1025(61.00.0)	558(5.4)	17(0.2)	9717(94.7)	546(5.3)	9171(89.4)	66(0.6)
1956-57	744(6.1)	1959(16.0)	1843(14.6)	767(6.3)	1174(9.6)	61(0.0)	12217(100.0)	646(6.3)	29(0.2)	11600(95.0)	611(5.0)	10989(90.0)	86(0.7)
1957-58	870(6.9)	1843(14.6)	1843(14.6)	796(6.3)	1304(10.4)	1236(7.6)	12548(100.0)	789(6.3)	50(0.4)	11859(94.1)	662(5.3)	11197(88.9)	86(0.7)
1958-59	933(6.6)	1785(12.7)	1785(12.7)	720(5.1)	1104(7.9)	1106(6.8)	1403(4.100.0)	817(5.8)	49(0.3)	13266(94.5)	772(5.5)	12494(89.0)	88(0.6)
1959-60	983(6.7)	1996(13.5)	1996(13.5)	791(5.3)	1106(6.8)	1236(7.6)	15201(100.0)	914(6.2)	55(0.4)	13934(94.2)	842(5.7)	13092(88.5)	98(0.7)
1960-61	1072(6.6)	2544(15.7)	2544(15.7)	784(4.8)	1236(7.6)	405(-2.5)	16201(100.0)	1040(6.4)	93(0.6)	15254(94.2)	940(5.8)	14314(88.4)	187(1.2)
1961-62	1190(6.9)	2438(14.2)	2438(14.2)	832(4.7)	1130(6.4)	209(1.2)	17111(100.0)	1190(6.9)	110(0.6)	16097(93.1)	1053(6.1)	15044(87.6)	222(1.3)
1962-63	1443(7.8)	1480(480.1)	2916(15.8)	835(4.5)	1106(6.8)	1106(6.8)	18476(100.0)	1408(6.1)	144(0.8)	17212(93.2)	1157(6.3)	16055(86.9)	247(1.3)
1963-64	1594(8.8)	1643(577.4)	3266(15.4)	983(5.7)	1363(6.4)	33(0.3)	2125(100.0)	1714(6.1)	148(0.7)	19671(92.5)	1301(6.1)	18370(86.5)	345(1.6)
1964-65	1933(8.1)	1933(8.1)	3735(15.1)	1015(4.1)	126(6.2)	200(0.3)	24761(100.0)	1931(7.8)	147(0.7)	22981(92.8)	1463(5.9)	21518(86.9)	306(1.2)
1965-66	2500(8.8)	2042(378.1)	4300(16.8)	932(3.3)	1464(5.6)	426(1.6)	26145(100.0)	2734(8.0)	191(0.7)	24063(97.0)	1652(6.3)	22411(85.7)	345(1.3)
1966-67	2504(8.5)	2385(80.4)	5337(18.4)	1325(4.5)	2157(7.2)	1365(4.6)	29711(100.0)	2594(8.8)	412(1.4)	27389(92.6)	1944(6.6)	25445(86.1)	367(1.2)
1967-68	2921(8.1)	2834(81.9)	5334(15.4)	1508(4.4)	2201(6.4)	1166(3.4)	34611(100.0)	2778(8.0)	355(1.0)	32187(92.3)	2184(6.3)	30003(86.7)	391(1.1)
1968-69	3063(8.4)	2835(77.4)	5113(13.9)	1597(4.4)	1897(5.2)	413(1.1)	36673(100.0)	3013(8.2)	282(0.8)	33933(92.6)	2377(6.5)	31566(86.1)	504(1.4)
1969-70	3442(8.5)	3077(67.2)	6285(15.6)	1625(4.0)	1747(4.3)	61(0.0)	40387(100.0)	3553(8.3)	294(0.7)	37328(92.4)	2636(6.5)	34692(85.9)	584(1.5)
1970-71	3838(8.9)	3254(75.4)	7177(16.6)	1771(4.1)	1816(4.2)	-352(-0.8)	43163(100.0)	3864(9.0)	409(1.0)	39708(92.0)	2921(6.8)	36787(85.2)	574(1.3)
1971-72	4458(9.6)	3510(175.9)	7986(17.3)	1785(3.9)	2175(4.7)	808(1.9)	46257(100.0)	4515(9.8)	506(1.3)	42248(91.3)	3240(7.0)	39008(84.3)	648(1.4)
1972-73	4728(9.3)	3868(59.9)	8130(15.9)	2225(4.4)	2049(4.0)	171(1.4)	51005(100.0)	5151(10.1)	643(1.3)	46473(91.1)	3661(7.2)	42512(83.9)	618(1.3)
1973-74	5156(8.3)	4663(75.2)	11824(19.1)	2830(4.6)	3176(5.1)	125(2.0)	62907(100.0)	5876(10.5)	823(1.3)	56954(91.9)	4267(6.9)	52687(85.0)	545(0.9)
1974-75	6241(8.5)	5650(77.2)	13379(18.3)	3835(5.2)	4773(6.3)	1946(7.7)	73235(100.0)	6924(11.2)	1319(1.5)	67039(91.5)	5458(7.5)	61581(84.1)	805(1.1)
1975-76	7381(9.4)	5782(73.4)	14811(18.8)	4812(6.1)	5664(7.2)	401(0.5)	78761(100.0)	8334(11.2)	1274(1.6)	71201(90.4)	6323(8.0)	64878(82.4)	997(1.3)
1976-77	8229(9.7)	60079(70.8)	16721(19.7)	6136(7.2)	6614(6.6)	660(6.5)	84843(100.0)	9254(11.7)	1568(1.9)	76546(90.2)	6789(8.0)	69756(82.2)	1599(1.9)
1977-78	8759(9.1)	69183(72.0)	18765(19.5)	6643(6.9)	6517(6.5)	763(0.8)	96467(100.0)	9634(11.1)	1974(2.1)	87351(90.9)	7369(7.7)	79982(83.3)	1790(1.9)
1978-79	9722(9.3)	75242(72.2)	24246(23.3)	1114(6.8)	7423(7.1)	1732(4.5)	104140(100.0)	12745(12.2)	2452(2.3)	93589(90.1)	8426(8.1)	85454(82.6)	1856(1.8)
1979-80	11165(9.8)	91704(71.4)	25278(22.1)	8340(7.3)	10093(5.4)	903(1.8)	114336(100.0)	13709(12.5)	2752(2.4)	102442(94.6)	10271(9.0)	92171(80.6)	1981(1.7)
1980-81	13084(9.6)	99292(73.0)	30880(22.7)	9029(6.6)	13596(10.0)	915(0.0)	160013(100.0)	16746(12.3)	3160(2.3)	122427(90.0)	12087(8.9)	110340(81.1)	554(0.4)
1981-82	15555(9.6)	113765(71.2)	34208(21.4)	10208(6.4)	14819(5.2)	733(1.3)	181421(100.0)	21456(12.4)	3534(2.2)	143216(89.6)	14459(9.1)	13755(80.6)	687(0.4)
1982-83	18221(10.3)	125174(70.5)	36340(20.4)	1156(3.5)	1576(4.8)	182(1.1)	218142(100.0)	22384(12.9)	4248(2.4)	150405(89.5)	16866(9.5)	142336(83.0)	1425(0.8)
1983-84	21141(10.3)	146494(70.5)	41811(20.1)	13134(5.4)	17673(5.8)	122(0.4)	255511(100.0)	26371(12.8)	5645(2.4)	160773(89.9)	19220(9.3)	167344(80.6)	1154(0.5)
1984-85	24352(10.5)	165064(70.1)	4470(22.2)	15446(6.8)	19483(8.4)	62(1.1)	33344(100.0)	36430(13.2)	5530(3.4)	208533(90.1)	22491(9.5)	186441(80.6)	1937(0.8)
1985-86	2814(11.1)	177586(81.8)	58155(23.9)	1495(5.5)	21754(5.4)	43(0.5)	38224(100.0)	4531(14.4)	6433(3.4)	233993(89.2)	26217(1.1)	20766(9.2)	2347(0.9)
1986-87	34621(11.8)	199948(68.3)	61155(20.9)	2516(5.6)	27254(5.4)	2(0.0)	45441(100.0)	47714(14.6)	7976(3.3)	263401(88.5)	27311(1.3)	21272(8.6)	2777(1.3)
1987-88	40843(12.3)	22406(16.2)	7456(22.4)	2516(5.6)	27254(5.4)	2(0.0)	54441(100.0)	4944(14.6)	1146(3.3)	30381(88.5)	3421(1.4)	26151(80.5)	4071(1.2)
1988-89	47331(17.0)	25494(65.4)	9759(24.7)	3503(5.5)	2018(8.1)	3(0.0)	65441(100.0)	5733(14.4)	1834(3.6)	35276(88.5)	3842(1.4)	31335(79.3)	4364(1.0)
1989-90	61779(11.5)	332364(62.1)	144989(27.1)	4063(7.6)	48695(9.1)	14039(2.6)	85551(100.0)	6329(14.3)	18609(3.5)	47779(79.2)	5219(9.7)	42560(27.5)	4584(0.9)
1991-92	60459(11.3)	38476(62.2)	14496(23.6)	5625(7.1)	36234(9.4)	2496(5.4)	96411(100.0)	8065(14.4)	2640(3.7)	52038(88.6)	6252(10.2)	48978(79.4)	9452(1.5)
1992-93	78566(11.2)	42455(60.4)	15437(22.0)	6712(9.6)	3700(10.4)	45(0.0)	105441(100.0)	95616(13.6)	242(1.2)	52732(7.7)	7266(10.3)	55369(79.0)	8511(1.2)
1993-94	91052(11.6)	47986(61.7)	16464(21.4)	6712(9.6)	3700(10.4)	45(0.0)	105441(100.0)	100441(13.6)	2132(1.2)	52732(7.7)	8096(10.2)	62707(79.7)	11288(1.4)

(Continued)

Table 2: Relationship of Gross Domestic Product and Other National Accounts Aggregates at Current Prices (Concluded)

Year	Savings of Non-departmental Enterprises	Income Accounting Sector from Domestic Product (13-14-15)	Interest on Public Debt	Net Income from Abroad	Current Transfers from Govt. Adm	Other Current Transfers from Rest of the World	Private Income (16+17+18+19+20)	Savings of Private Corporate Sector	Corporate Taxes	Personal Income (21-22-23)	Direct Taxes as Paid by Households	Miscellaneous Receipts of Govt. Admin	Personal Disposable Income
(1)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
1950-51	4(-)	8543(91.2)	37(0.4)	-41(-0.4)	59(0.6)	37(0.4)	8635(92.2)	44(0.5)	39(0.4)	8552(91.3)	192(1.1)	48(0.5)	8312(88.8)
1951-52	4(-)	8987(90.2)	37(0.4)	-35(-0.4)	59(0.6)	47(0.5)	9095(91.3)	80(0.8)	41(0.4)	8974(91.1)	202(1.2)	43(0.4)	9729(87.6)
1952-53	10(0.1)	8838(90.4)	37(0.4)	-25(-0.3)	71(0.7)	57(0.6)	8978(91.9)	5(0.1)	44(0.5)	8929(91.4)	204(1.2)	38(0.4)	8687(88.9)
1953-54	13(0.1)	9652(90.7)	40(0.4)	-19(-0.2)	76(0.7)	60(0.6)	9809(92.2)	30(0.3)	41(0.4)	9738(91.5)	199(1.9)	42(0.4)	9497(89.3)
1954-55	16(0.2)	8973(89.1)	39(0.4)	-29(-0.3)	91(0.9)	57(0.6)	9131(90.7)	50(0.5)	37(0.4)	9044(89.8)	200(1.2)	43(0.4)	8801(87.4)
1955-56	17(0.2)	9088(88.6)	46(0.5)	-10(-0.1)	126(1.2)	90(0.9)	9340(91.1)	58(0.6)	37(0.4)	9245(90.1)	218(1.2)	64(0.6)	8963(87.4)
1956-57	25(0.2)	10878(89.0)	46(0.4)	-17(-0.1)	142(1.2)	85(0.7)	11134(91.1)	71(0.6)	51(0.4)	11012(90.1)	242(1.2)	65(0.5)	10705(87.6)
1957-58	32(0.3)	11079(87.9)	58(0.5)	-20(-0.2)	150(1.2)	78(0.6)	11345(90.1)	28(0.2)	56(0.4)	11261(89.4)	267(1.2)	49(0.4)	10945(86.9)
1958-59	32(0.2)	12744(88.2)	69(0.5)	-35(-0.2)	160(1.1)	77(0.5)	12645(90.1)	36(0.3)	54(0.4)	12555(89.5)	282(1.2)	59(0.4)	12214(87.0)
1959-60	22(0.2)	12972(87.7)	100(0.7)	-57(-0.4)	189(1.3)	78(0.5)	13282(89.8)	66(0.5)	107(0.7)	13109(89.6)	264(1.8)	61(0.4)	12784(86.4)
1960-61	6(-)	14121(87.2)	59(0.4)	-72(-0.4)	166(1.0)	28(0.2)	14302(88.3)	140(0.9)	111(0.7)	14051(86.7)	309(1.9)	61(0.4)	13681(84.5)
1961-62	-8(-)	14830(86.3)	72(0.4)	-98(-0.6)	191(1.1)	35(0.2)	15030(87.5)	143(0.8)	157(0.9)	14710(85.8)	310(1.8)	71(0.4)	14349(83.5)
1962-63	-9(-)	15817(85.6)	106(0.6)	-108(-0.6)	192(1.0)	34(0.2)	16041(86.8)	140(0.8)	221(1.2)	15680(84.9)	353(1.9)	84(0.5)	15243(82.5)
1963-64	-4(-)	18021(84.9)	116(0.5)	-112(-0.5)	201(0.9)	42(0.2)	18268(86.0)	143(0.7)	274(1.3)	17851(84.1)	433(2.0)	94(0.4)	17334(81.6)
1964-65	-13(-0.1)	21225(85.7)	125(0.5)	-145(-0.6)	226(0.9)	39(0.2)	21470(89.7)	96(0.4)	313(1.3)	21061(85.0)	450(1.8)	109(0.4)	20502(82.8)
1965-66	-7(-)	22073(84.4)	175(0.7)	-164(-0.6)	266(1.0)	79(0.4)	22429(85.8)	94(0.4)	305(1.4)	22030(84.3)	470(1.8)	83(0.3)	21477(82.2)
1966-67	-65(-0.2)	25143(85.0)	233(0.8)	-230(-0.8)	311(1.1)	90(0.3)	25547(86.4)	69(0.2)	331(1.1)	25147(85.0)	501(1.7)	83(0.3)	24563(83.1)
1967-68	-71(-0.2)	29583(85.5)	243(0.7)	-258(-0.8)	357(1.1)	102(0.3)	30127(87.0)	34(0.1)	304(0.8)	29782(86.1)	548(1.6)	91(0.3)	29143(84.2)
1968-69	-95(-0.3)	31157(85.0)	210(0.6)	-255(-0.7)	431(1.2)	128(0.3)	31671(86.4)	37(0.1)	304(0.8)	31334(85.4)	610(1.7)	110(0.3)	30613(83.5)
1969-70	-54(-0.1)	34162(84.6)	252(0.6)	-271(-0.7)	492(1.2)	125(0.3)	34760(86.1)	127(0.3)	353(0.9)	34280(84.9)	690(1.7)	129(0.3)	33461(82.9)
1970-71	-41(-0.1)	36254(84.0)	216(0.5)	-284(-0.7)	578(1.3)	123(0.3)	36887(85.5)	200(0.5)	370(0.9)	36317(84.1)	721(1.7)	162(0.4)	35434(82.1)
1971-72	-85(-0.2)	38445(83.1)	269(0.6)	-291(-0.6)	728(1.6)	163(0.4)	39314(85.0)	258(0.6)	472(1.0)	38586(83.4)	803(1.7)	271(0.6)	37512(81.1)
1972-73	-84(-0.2)	42258(82.9)	347(0.7)	-302(-0.6)	945(1.9)	154(0.3)	43402(85.1)	229(0.5)	555(1.2)	42615(83.6)	912(1.8)	146(0.3)	41557(81.5)
1973-74	-40(-0.1)	52182(84.2)	477(0.8)	-325(-0.5)	909(1.5)	192(0.3)	53435(86.2)	414(0.7)	583(0.9)	52438(84.6)	1070(1.7)	150(0.2)	51218(82.6)
1974-75	1(-)	60775(83.0)	340(0.5)	-291(-0.4)	1150(1.6)	274(0.4)	62248(85.0)	574(0.8)	709(1.0)	60965(83.2)	1259(1.7)	196(0.3)	59510(81.3)
1975-76	-298(-0.4)	64179(81.5)	491(0.6)	-255(-0.3)	1350(1.7)	528(0.7)	66293(84.2)	16(-)	862(1.1)	65415(83.1)	1781(2.3)	197(0.3)	63437(80.5)
1976-77	71(0.1)	68087(80.2)	601(0.7)	-233(-0.3)	1547(1.8)	739(0.9)	70741(83.3)	92(0.1)	984(1.2)	69665(82.1)	1792(2.1)	246(0.3)	67627(79.7)
1977-78	-233(-0.2)	78425(81.6)	697(0.7)	-233(-0.2)	1762(1.8)	1022(1.1)	81673(85.0)	304(0.3)	1221(1.3)	80148(83.4)	1657(1.7)	239(0.3)	78252(81.5)
1978-79	-242(-0.2)	83840(80.5)	934(0.9)	-156(-0.2)	2005(1.9)	1042(1.0)	87665(84.1)	421(0.4)	1251(1.2)	85993(82.5)	1806(1.7)	282(0.2)	83905(80.5)
1979-80	-560(-0.5)	90750(79.4)	1008(0.8)	-153(-0.1)	2392(2.1)	1624(1.4)	95927(83.9)	910(0.9)	1392(1.2)	93625(81.9)	1995(1.7)	282(0.3)	91348(79.9)
1980-81	-820(-0.6)	110406(81.3)	1524(1.1)	345(0.3)	2835(2.1)	2257(1.7)	117567(86.4)	584(0.4)	1378(1.0)	115605(85.0)	2197(1.6)	303(0.2)	113105(83.2)
1981-82	-46(-)	128116(80.2)	1911(1.2)	40(-)	3370(2.1)	2221(1.4)	135558(84.9)	495(0.3)	1970(1.2)	133193(83.4)	2491(1.6)	389(0.2)	130313(81.6)
1982-83	504(0.3)	140580(78.9)	2713(1.5)	-634(-0.4)	4008(2.3)	2527(1.4)	149194(83.8)	568(0.3)	2185(1.2)	146441(82.2)	2650(1.5)	479(0.3)	143312(80.5)
1983-84	471(0.2)	165869(79.9)	3739(1.8)	-944(-0.5)	4640(2.3)	2774(1.3)	176078(84.8)	390(0.2)	2493(1.2)	173195(83.4)	2862(1.4)	506(0.2)	169827(81.8)
1984-85	943(0.4)	183562(79.3)	5008(2.2)	-1424(-0.6)	5733(2.5)	3101(1.3)	195980(84.7)	751(0.3)	2556(1.1)	192673(83.3)	3250(1.4)	900(0.4)	188523(81.8)
1985-86	1254(0.5)	203867(77.7)	6115(2.3)	-1429(-0.6)	6994(2.7)	2821(1.1)	218368(83.3)	1387(0.5)	2865(1.1)	214116(81.6)	3709(1.4)	1267(0.5)	209140(79.8)
1986-87	1548(0.5)	224952(76.8)	7592(2.6)	-1805(-0.6)	8697(3.0)	2976(1.0)	242412(82.7)	593(0.2)	3160(1.1)	238659(81.5)	4168(1.4)	1183(0.4)	233308(79.6)
1987-88	2076(0.6)	255363(76.6)	9678(2.9)	-2619(-0.8)	9973(3.0)	3499(1.1)	275894(82.8)	798(0.2)	3433(1.0)	271663(81.5)	4568(1.4)	1202(0.4)	265893(79.6)
1988-89	3289(0.8)	306432(77.4)	11817(3.0)	-4496(-1.1)	12077(3.1)	3841(1.0)	329761(83.3)	2687(0.7)	4407(1.1)	322577(81.5)	5989(1.5)	1642(0.4)	314946(79.6)
1989-90	3962(0.9)	354296(77.6)	15667(3.4)	-5731(-1.3)	14048(3.1)	3798(0.8)	382078(83.6)	4513(1.0)	4729(1.0)	372836(81.6)	7159(1.6)	1971(0.4)	363706(79.6)
1990-91	2555(0.5)	418463(78.1)	20233(3.8)	-7545(-1.4)	15641(2.9)	3711(0.7)	450503(84.1)	5757(1.1)	5335(1.0)	439411(82.1)	7593(1.4)	2097(0.4)	429721(80.2)
1991-92	3557(0.6)	476069(77.3)	26258(4.3)	-10077(-1.6)	17317(2.8)	9382(1.2)	518949(84.2)	8175(1.3)	7853(1.3)	502921(81.6)	9618(1.6)	2131(0.3)	491172(79.7)
1992-93	-678(-0.1)	547516(77.9)	302804(4.3)	-11803(-1.7)	19943(2.8)	8089(1.2)	594025(84.5)	6675(0.9)	8898(1.3)	578452(82.3)	11697(1.7)	3309(0.5)	563446(80.2)
1993-94	1049(0.1)	614739(78.2)	37706(4.8)	-11803(-1.5)	24210(3.1)	8089(1.0)	672941(85.6)	14230(1.8)	10500(1.3)	648211(82.4)	12955(1.6)	3864(0.5)	631392(80.3)

.. means not available. (-) means nil or negligible. Figures in brackets are as percentages to GDP at current market prices.

Notes: The exports and imports of goods and services data for the period 1950-51 to 1959-60 are from RBI (1993), India's Balance of Payments 1948-49 to 1988-89.

Table 3A: Gross Domestic Product by Economic Activity, at 1980-81 Prices

Year	Agriculture, Forestry and Fishing										Mining and Quarrying		Manufacturing		Electricity, Gas and Water Supply		Construction		Total of (11) + (12) + (13) + (14) + (15)		Trade, Hotels, Restaurants		Transport, Storage and Communication		Finance, Insurance, Real Estate and Business Activities		Community, Social and Personal Services			Public Admin and Defence		GDP at Factor Cost	(Rupees in Crores)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
	Total										Total		Registered		Unregistered		Total		Total		Total		Total		Total		Total		Total		Total																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
	Total										Total		Registered		Unregistered		Total		Total		Total		Total		Total		Total		Total		Total																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)			(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)	(81)	(82)	(83)	(84)	(85)	(86)	(87)	(88)	(89)	(90)	(91)	(92)	(93)	(94)	(95)	(96)	(97)	(98)	(99)	(100)	(101)	(102)	(103)	(104)	(105)	(106)	(107)	(108)	(109)	(110)	(111)	(112)	(113)	(114)	(115)	(116)	(117)	(118)	(119)	(120)	(121)	(122)	(123)	(124)	(125)	(126)	(127)	(128)	(129)	(130)	(131)	(132)	(133)	(134)	(135)	(136)	(137)	(138)	(139)	(140)	(141)	(142)	(143)	(144)	(145)	(146)	(147)	(148)	(149)	(150)	(151)	(152)	(153)	(154)	(155)	(156)	(157)	(158)	(159)	(160)	(161)	(162)	(163)	(164)	(165)	(166)	(167)	(168)	(169)	(170)	(171)	(172)	(173)	(174)	(175)	(176)	(177)	(178)	(179)	(180)	(181)	(182)	(183)	(184)	(185)	(186)	(187)	(188)	(189)	(190)	(191)	(192)	(193)	(194)	(195)	(196)	(197)	(198)	(199)	(200)	(201)	(202)	(203)	(204)	(205)	(206)	(207)	(208)	(209)	(210)	(211)	(212)	(213)	(214)	(215)	(216)	(217)	(218)	(219)	(220)	(221)	(222)	(223)	(224)	(225)	(226)	(227)	(228)	(229)	(230)	(231)	(232)	(233)	(234)	(235)	(236)	(237)	(238)	(239)	(240)	(241)	(242)	(243)	(244)	(245)	(246)	(247)	(248)	(249)	(250)	(251)	(252)	(253)	(254)	(255)	(256)	(257)	(258)	(259)	(260)	(261)	(262)	(263)	(264)	(265)	(266)	(267)	(268)	(269)	(270)	(271)	(272)	(273)	(274)	(275)	(276)	(277)	(278)	(279)	(280)	(281)	(282)	(283)	(284)	(285)	(286)	(287)	(288)	(289)	(290)	(291)	(292)	(293)	(294)	(295)	(296)	(297)	(298)	(299)	(300)	(301)	(302)	(303)	(304)	(305)	(306)	(307)	(308)	(309)	(310)	(311)	(312)	(313)	(314)	(315)	(316)	(317)	(318)	(319)	(320)	(321)	(322)	(323)	(324)	(325)	(326)	(327)	(328)	(329)	(330)	(331)	(332)	(333)	(334)	(335)	(336)	(337)	(338)	(339)	(340)	(341)	(342)	(343)	(344)	(345)	(346)	(347)	(348)	(349)	(350)	(351)	(352)	(353)	(354)	(355)	(356)	(357)	(358)	(359)	(360)	(361)	(362)	(363)	(364)	(365)	(366)	(367)	(368)	(369)	(370)	(371)	(372)	(373)	(374)	(375)	(376)	(377)	(378)	(379)	(380)	(381)	(382)	(383)	(384)	(385)	(386)	(387)	(388)	(389)	(390)	(391)	(392)	(393)	(394)	(395)	(396)	(397)	(398)	(399)	(400)	(401)	(402)	(403)	(404)	(405)	(406)	(407)	(408)	(409)	(410)	(411)	(412)	(413)	(414)	(415)	(416)	(417)	(418)	(419)	(420)	(421)	(422)	(423)	(424)	(425)	(426)	(427)	(428)	(429)	(430)	(431)	(432)	(433)	(434)	(435)	(436)	(437)	(438)	(439)	(440)	(441)	(442)	(443)	(444)	(445)	(446)	(447)	(448)	(449)	(450)	(451)	(452)	(453)	(454)	(455)	(456)	(457)	(458)	(459)	(460)	(461)	(462)	(463)	(464)	(465)	(466)	(467)	(468)	(469)	(470)	(471)	(472)	(473)	(474)	(475)	(476)	(477)	(478)	(479)	(480)	(481)	(482)	(483)	(484)	(485)	(486)	(487)	(488)	(489)	(490)	(491)	(492)	(493)	(494)	(495)	(496)	(497)	(498)	(499)	(500)	(501)	(502)	(503)	(504)	(505)	(506)	(507)	(508)	(509)	(510)	(511)	(512)	(513)	(514)	(515)	(516)	(517)	(518)	(519)	(520)	(521)	(522)	(523)	(524)	(525)	(526)	(527)	(528)	(529)	(530)	(531)	(532)	(533)	(534)	(535)	(536)	(537)	(538)	(539)	(540)	(541)	(542)	(543)	(544)	(545)	(546)	(547)	(548)	(549)	(550)	(551)	(552)	(553)	(554)	(555)	(556)	(557)	(558)	(559)	(560)	(561)	(562)	(563)	(564)	(565)	(566)	(567)	(568)	(569)	(570)	(571)	(572)	(573)	(574)	(575)	(576)	(577)	(578)	(579)	(580)	(581)	(582)	(583)	(584)	(585)	(586)	(587)	(588)	(589)	(590)	(591)	(592)	(593)	(594)	(595)	(596)	(597)	(598)	(599)	(600)	(601)	(602)	(603)	(604)	(605)	(606)	(607)	(608)	(609)	(610)	(611)	(612)	(613)	(614)	(615)	(616)	(617)	(618)	(619)	(620)	(621)	(622)	(623)	(624)	(625)	(626)	(627)	(628)	(629)	(630)	(631)	(632)	(633)	(634)	(635)	(636)	(637)	(638)	(639)	(640)	(641)	(642)	(643)	(644)	(645)	(646)	(647)	(648)	(649)	(650)	(651)	(652)	(653)	(654)	(655)	(656)	(657)	(658)	(659)	(660)	(661)	(662)	(663)	(664)	(665)	(666)	(667)	(668)	(669)	(670)	(671)	(672)	(673)	(674)	(675)	(676)	(677)	(678)	(679)	(680)	(681)	(682)	(683)	(684)	(685)	(686)	(687)	(688)	(689)	(690)	(691)	(692)	(693)	(694)	(695)	(696)	(697)	(698)	(699)	(700)	(701)	(702)	(703)	(704)	(705)	(706)	(707)	(708)	(709)	(710)	(711)	(712)	(713)	(714)	(715)	(716)	(717)	(718)	(719)	(720)	(721)	(722)	(723)	(724)	(725)	(726)	(727)	(728)	(729)	(730)	(731)	(732)	(733)	(734)	(735)	(736)	(737)	(738)	(739)	(740)	(741)	(742)	(743)	(744)	(745)	(746)	(747)	(748)	(749)	(750)	(751)	(752)	(753)	(754)	(755)	(756)	(757)	(758)	(759)	(760)	(761)	(762)	(763)	(764)	(765)	(766)	(767)	(768)	(769)	(770)	(771)	(772)	(773)	(774)	(775)	(776)	(777)	(778)	(779)	(780)	(781)	(782)	(783)	(784)	(785)	(786)	(787)	(788)	(789)	(790)	(791)	(792)	(793)	(794)	(795)	(796)	(797)	(798)	(799)	(800)	(801)	(802)	(803)	(804)	(805)	(806)	(807)	(808)	(809)	(810)	(811)	(812)	(813)	(814)	(815)	(816)	(817)	(818)	(819)	(820)	(821)	(822)	(823)	(824)	(825)	(826)	(827)	(828)	(829)	(830)	(831)	(832)	(833)	(834)	(835)	(836)	(837)	(838)	(839)	(840)	(841)	(842)	(843)	(844)	(845)	(846)	(847)	(848)	(849)	(850)	(851)	(852)	(853)	(854)	(855)	(856)	(857)	(858)	(859)	(860)	(861)	(862)	(863)	(864)	(865)	(866)	(867)	(868)	(869)	(870)	(871)	(872)	(873)	(874)	(875)	(876)	(877)	(878)	(879)	(880)	(881)	(882)	(883)	(884)	(885)	(886)	(887)	(888)	(889)	(890)	(891)	(892)	(893)	(894)	(895)	(896)	(897)	(898)	(899)	(900)	(901)	(902)	(903)	(904)	(905)	(906)	(907)	(908)	(909)	(910)	(911)	(912)	(913)	(914)	(915)	(916)	(917)	(918)	(919)	(920)	(921)	(922)	(923)	(924)	(925)	(926)	(927)	(928)	(929)	(930)	(931)	(932)	(933)	(934)	(935)	(936)	(937)	(938)	(939)	(940)	(941)	(942)	(943)	(944)	(945)	(946)	(947)	(948)	(949)	(950)	(951)	(952)	(953)	(954)	(955)	(956)	(957)	(958)	(959)	(960)	(961)	(962)	(963)	(964)	(965)	(966)	(967)	(968)	(969)	(970)	(971)	(972)	(973)	(974)	(975)	(976)	(977)	(978)	(979)	(980)	(981)	(982)	(983)	(984)	(985)	(986)	(987)	(988)	(989)	(990)	(991)	(992)	(993)	(994)	(995)	(996)	(997)	(998)	(999)	(1000)	(1001)	(1002)	(1003)	(1004)	(1005)	(1006)	(1007)	(1008)	(1009)	(1010)	(1011)	(1012)	(1013)	(1014)	(1015)	(1016)	(1017)	(1018)	(1019)	(1020)	(1021)	(1022)	(1023)	(1024)	(1025)	(1026)	(1027)	(1028)	(1029)	(1030)	(1031)	(1032)	(1033)	(1034)	(1035)	(1036)	(1037)	(1038)	(1039)	(1040)	(1041)	(1042)	(1043)	(1044)	(1045)	(1046)	(1047)	(1048)	(1049)	(1050)	(1051)	(1052)	(1053)	(1054)	(1055)	(1056)	(1057)	(1058)	(1059)	(1060)	(1061)	(1062)	(1063)	(1064)	(1065)	(1066)	(1067)	(1068)	(1069)	(1070)	(1071)	(1072)	(1073)	(1074)	(1075)	(1076)	(1077)	(1078)	(1079)	(1080)	(1081)	(1082)	(1083)	(1084)	(1085)	(1086)	(1087)	(1088)	(1089)	(1090)	(1091)	(1092)	(1093)	(1094)	(1095)	(1096)	(1097)	(1098)	(1099)	(1100)	(1101)	(1102)	(1103)	(1104)	(1105)	(1106)	(1107)	(1108)	(1109)	(1110)	(1111)	(1112)	(1113)	(1114)	(1115)	(1116)	(1117)	(1118)	(1119)	(1120)	(1121)	(1122)	(1123)	(1124)	(1125)	(1126)	(1127)	(1128)	(1129)	(1130)	(1131)	(1132)	(1133)	(1134)	(1135)	(1136)	(1137)	(1138)	(1139)	(1140)	(1141)	(1142)	(1143)	(1144)	(1145)	(1146)	(1147)	(1148)	(1149)	(1150)	(1151)	(1152)	(1153)	(1154)	(1155)	(1156)	(1157)	(1158)	(1159)	(1160)	(1161)	(1162)	(1163)	(1164)	(1165)	(1166)	(1167)	(1168)	(1169)	(1170)	(1171)	(1172)	(1173)	(1174)	(1175)	(1176)	(1177)	(1178)	(1179)	(1180)	(1181)	(1182)	(1183)	(1184)	(1185)	(1186)	(1187)	(1188)	(1189)	(1190)	(1191)	(1192)	(1193)	(1194)	(1195)	(1196)	(1197)	(1198)	(1199)	(1200)	(1201)	(1202)	(1203)	(1204)	(1205)	(1206)	(1207)	(1208)	(1209)	(1210)	(1211)	(1212)	(1213)	(1214)	(1215)	(1216)	(1217)	(1218)	(1219)	(1220)	(1221)	(1222)	(1223)	(1224)	(1225)	(1226)	(1227)	(1228)	(1229)	(1230)	(1231)	(1232)	(1233)	(1234)	(1235)	(1236)	(1237)	(1238)	(1239)	(1240)	(1241)	(1242)	(1243)	(1244)	(1245)	(1246)	(1247)	(1248)	(1249)	(1250)	(1251)	(1252)	(1253)	(1254)	(1255)	(1256)	(1257)	(1258)	(1259)	(1260)	(1261)	(1262)	(1263)	(1264)	(1265)	(1266)	(1267)	(1268)	(1269)	(1270)	(1271)	(1272)	(1273)	(1274)	(1275)	(1276)	(1277)	(1278)	(1279)	(1280)	(1281)	(1282)	(1283)	(1284)	(1285)	(1286)	(1287)	(1288)	(1289)	(1290)	(1291)	(1292)	(1293)	(1294)	(1295)	(1296)	(1297)	(1298)	(1299)	(1300)	(1301)	(1302)	(1303)	(1304)	(1305)	(1306)	(1307)	(1308)	(1309)	(1310)	(1311)	(1312)	(1313)	(1314)	(1315)	(1316)	(1317)	(1318)	(1319)	(1320)	(1321)	(1322)	(1323)	(1324)	(1325)	(1326)	(1327)	(1328)	(1329)	(1330)	(1331)	(1332)	(1333)	(1334)	(1335)	(1336)	(1337)	(1338)	(1339)	(1340)	(1341)	(1342)	(1343)	(1344)	(1345)	(1346)	(1347)	(1348)	(1349)	(1350)	(1351)	(1352)	(1353)	(1354)	(1355)	(1356)	(1357)	(1358)	(1359)	(1360)	(1361)	(1362)	(1363)	(1364)	(1365)	(1366)	(1367)	(1368)	(1369)	(1370)	(1371)	(1372)	(1373)	(1374)	(1375)	(1376)	(1377)	(1378)	(1379)	(1380)	(1381)	(1382)	(1383)	(1384)	(1385)	(1386)	(1387)	(1388)	(1389)	(1390)	(1391)	(1392)	(1393)	(1394)	(1395)	(1396)	(1397)	(1398)	(1399)	(1400)	(1401)	(1402)	(1403)	(1404)	(1405)	(1406)	(1407)	(1408)	(1409)	(1410)	(1411)	(1412)	(1413)	(1414)	(1415)	(1416)	(1417)	(1418)	(1419)	(1420)	(1421)	(1422)	(1423)	(1424)	(1425)	(1426)	(1427)	(1428)	(1429)	(1430)	(1431)	(1432)	(1433)	(1434)	(1435)	(1436)	(1437)	(1438)	(1439)	(1440)	(1441)	(1442)	(1443)	(1444)	(1445)	(1446)	(1447)	(1448)

Table 3B: Gross Domestic Product by Economic Activity, at Current Prices

Year	Agriculture, Forestry and Fishing		Mining and Quarrying	Manufacturing		Electricity, Gas and Water Supply	Construction	Transport and Storage	Finance, Insurance and Real Estate Activities		Community Social and Personal Services	Public Administration and Defence			GDP at Factor Cost
	Total	Registered		Unregistered	Trade				Housing and	Revenue		Transit	Banking	Insurance	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1950-51	5009(55.8)	4690(52.2)	610(7.7)	1031(11.5)	487(5.4)	544(6.1)	252(2.8)	314(3.5)	588(6.5)	2604(29.0)	895(10.0)	71(0.8)	807(9.0)	266(3.0)	8979(100)
1951-52	5172(54.6)	4825(51.2)	580(6.1)	1144(12.1)	538(5.8)	606(6.4)	270(3.0)	352(3.7)	625(6.6)	2751(29.3)	943(10.2)	81(0.9)	841(9.9)	270(3.0)	9439(100)
1952-53	5038(53.9)	4771(51.0)	700(7.4)	1077(11.5)	494(5.2)	587(6.3)	267(2.9)	347(3.7)	634(6.8)	2469(27.0)	1017(10.9)	71(0.8)	869(9.3)	286(3.1)	9219(100)
1953-54	5551(54.5)	5200(52.0)	710(7.1)	1214(11.9)	576(5.3)	674(6.7)	268(2.6)	361(3.6)	670(6.7)	3046(29.0)	1097(10.8)	81(0.8)	905(8.9)	309(3.0)	9349(100)
1954-55	4722(49.4)	4434(46.4)	730(7.6)	1259(13.2)	578(6.0)	681(7.1)	298(3.1)	382(4.0)	601(7.2)	3177(33.2)	1175(12.3)	84(0.8)	929(9.7)	324(3.4)	9563(100)
1955-56	4579(47.1)	4259(44.1)	760(7.8)	1204(12.3)	620(6.4)	674(6.9)	327(3.4)	407(4.2)	706(7.3)	3355(34.6)	1263(13.0)	92(0.9)	985(10.1)	357(3.7)	9717(100)
1956-57	5817(50.1)	5488(47.3)	910(7.8)	1541(13.3)	761(6.6)	806(6.7)	430(4.7)	457(4.6)	827(7.1)	4687(31.9)	1368(11.8)	112(1.0)	1035(8.9)	383(3.3)	11600(100)
1957-58	5597(48.0)	5364(45.2)	1060(9.9)	1641(13.8)	817(6.9)	824(6.9)	355(3.2)	529(4.5)	892(7.5)	4975(33.5)	1466(12.4)	122(1.0)	1088(9.2)	413(3.5)	11859(100)
1958-59	6609(49.8)	6254(47.1)	1140(9.9)	1752(13.2)	855(6.4)	897(6.8)	445(3.4)	428(3.2)	972(7.7)	5824(42.4)	1572(11.8)	132(1.0)	1156(8.7)	455(3.4)	13266(100)
1959-60	6604(47.7)	6255(44.9)	1210(9.9)	1962(14.1)	986(7.1)	976(7.0)	496(3.6)	601(4.3)	1077(7.7)	6187(43.2)	1687(12.1)	143(1.0)	1274(9.1)	494(3.5)	13944(100)
1960-61	6900(45.8)	6563(43.0)	1440(9.9)	2285(15.0)	1189(7.8)	1096(7.2)	641(4.2)	644(4.2)	1205(7.9)	6597(33.5)	1818(11.9)	163(1.1)	1440(9.4)	564(3.7)	15254(100)
1961-62	7240(45.0)	6758(42.0)	1520(9.9)	2520(15.7)	1308(7.5)	1214(7.5)	672(4.2)	541(3.6)	1283(8.0)	7164(44.1)	1857(11.5)	157(1.2)	1559(9.7)	627(4.7)	16097(100)
1962-63	7792(42.9)	6899(40.1)	182(1.1)	2795(16.3)	1494(7.9)	1344(7.6)	708(4.1)	6017(35.0)	1382(8.0)	8077(47.7)	2132(12.4)	204(1.3)	1696(9.9)	702(4.1)	17212(100)
1963-64	8704(44.2)	8155(41.5)	197(1.2)	319(16.2)	1744(8.7)	1447(7.4)	732(4.1)	6636(33.7)	1571(8.0)	8781(45.5)	2368(11.7)	254(1.3)	1891(9.6)	816(4.1)	19671(100)
1964-65	10600(44.1)	10034(43.6)	210(1.2)	4506(21.4)	2448(8.5)	1565(8.4)	902(4.2)	719(4.7)	1915(8.7)	9564(47.7)	2566(10.9)	298(1.3)	2132(9.9)	934(4.1)	22981(100)
1965-66	10600(44.1)	9940(41.5)	240(1.2)	5740(25.5)	2158(8.5)	525(8.5)	1005(4.6)	819(4.1)	207(8.6)	1038(4.7)	2794(11.3)	352(1.5)	2371(9.9)	1041(4.1)	24063(100)
1966-67	12331(45.0)	11574(42.3)	261(1.0)	4091(14.0)	2323(8.5)	1765(6.5)	130(4.5)	9174(33.5)	2464(9.8)	1157(4.2)	2900(10.6)	385(1.4)	2653(9.7)	1168(4.3)	27389(100)
1967-68	15431(47.9)	14578(45.3)	304(1.0)	4771(13.6)	2418(7.5)	1953(6.1)	1524(4.7)	1029(3.2)	2849(8.9)	12894(40.0)	3182(9.0)	443(1.4)	2971(9.2)	1322(4.1)	32187(100)
1968-69	15906(46.9)	14904(43.9)	324(1.0)	4730(13.6)	2615(7.7)	2115(6.2)	1632(4.9)	1014(3.2)	2940(8.6)	1477(4.4)	3406(10.0)	486(1.4)	3201(9.4)	1446(4.1)	33943(100)
1969-70	17197(46.6)	16358(43.8)	361(1.0)	5438(14.6)	3172(8.5)	2276(6.1)	1845(4.9)	11900(31.9)	3161(8.5)	1594(3.3)	3634(9.8)	547(1.5)	3490(9.4)	1590(4.3)	37281(100)
1970-71	17937(45.2)	16821(42.4)	378(1.0)	5946(15.0)	3406(8.6)	2540(6.4)	1952(4.9)	13068(32.9)	3507(8.8)	1733(4.4)	3981(10.0)	656(1.7)	3847(9.7)	1735(4.4)	39708(100)
1971-72	18323(43.4)	17105(40.5)	396(0.9)	6597(15.6)	3704(8.8)	2894(6.8)	2147(5.1)	14193(33.9)	3810(9.0)	1872(4.4)	4366(10.3)	770(1.8)	4271(10.1)	1948(4.6)	42248(100)
1972-73	20558(46.7)	18772(40.4)	427(0.9)	8470(18.9)	4100(8.8)	3230(7.0)	2340(5.0)	15718(33.8)	4214(9.1)	2057(4.4)	4788(10.3)	886(1.9)	4673(10.1)	2114(4.5)	46473(100)
1973-74	21548(46.7)	24836(43.7)	487(0.9)	8470(18.9)	4100(8.8)	3230(7.0)	2340(5.0)	15718(33.8)	4214(9.1)	2057(4.4)	4788(10.3)	886(1.9)	4673(10.1)	2114(4.5)	46473(100)
1974-75	23096(43.4)	27057(40.4)	695(1.0)	11399(17.0)	6360(9.5)	5039(7.5)	2642(3.9)	22507(33.6)	7027(10.5)	2874(4.3)	5988(9.9)	1792(1.2)	6617(9.9)	3074(4.6)	56854(100)
1975-76	28839(40.5)	26651(37.4)	541(1.2)	11857(16.7)	6647(9.3)	5210(7.3)	3401(4.6)	17983(31.6)	7987(11.2)	323(4.6)	6788(9.5)	1101(1.9)	5256(9.2)	2396(4.2)	67039(100)
1976-77	29463(38.5)	27105(35.4)	111(1.3)	13208(17.1)	7564(9.0)	5556(7.3)	3006(5.1)	27901(36.5)	8320(10.9)	3844(5.0)	7550(9.9)	1777(2.5)	7448(10.5)	3486(4.9)	71201(100)
1977-78	35811(38.2)	32815(35.0)	121(1.3)	16923(18.0)	9625(10.3)	7298(7.8)	4656(5.6)	33686(35.9)	10136(10.8)	4874(5.2)	8884(9.5)	2527(2.7)	9793(10.4)	4414(4.7)	93880(100)
1978-79	37088(36.2)	33586(32.8)	151(1.5)	19179(18.9)	11047(10.8)	8132(8.1)	4699(4.6)	37971(37.1)	11952(11.7)	5365(5.2)	9689(9.5)	2804(2.7)	10965(10.7)	4999(4.9)	102442(100)
1979-80	46649(38.1)	42466(34.7)	1887(1.5)	21644(17.7)	12281(10.0)	9363(7.6)	6114(5.4)	44063(36.0)	14713(12.0)	5724(4.7)	10791(8.8)	3408(2.8)	12835(10.5)	5794(4.7)	122427(100)
1980-81	52685(36.8)	47736(33.3)	3400(2.5)	25260(17.6)	14418(10.1)	10842(7.6)	2406(1.7)	52336(36.5)	18034(12.6)	7040(4.4)	12515(8.9)	4488(3.1)	14727(10.3)	666(14.7)	143216(100)
1981-82	56151(35.2)	50527(31.7)	419(2.8)	28073(17.6)	16581(10.4)	11515(7.2)	2845(1.8)	5982(3.7)	19971(12.5)	8598(5.4)	14155(8.9)	5305(3.3)	17128(10.7)	7961(5.0)	159395(100)
1982-83	67498(36.1)	6118(32.8)	4909(2.6)	33045(17.7)	20308(10.9)	12737(6.8)	3362(1.8)	64488(36.7)	22900(12.8)	10281(5.5)	15591(8.3)	5963(3.2)	19626(10.5)	9238(4.9)	186723(100)
1983-84	71254(33.0)	65181(31.3)	5458(2.6)	37234(17.9)	23521(11.2)	18916(7.0)	4052(1.9)	87361(37.8)	26690(12.8)	11873(5.7)	17595(8.4)	7081(3.4)	22573(10.8)	12511(5.4)	208333(100)
1984-85	77224(34.0)	69181(31.3)	6198(2.7)	41775(17.9)	25804(11.0)	19969(6.6)	4894(2.1)	90761(38.8)	31050(13.3)	14098(6.0)	19832(8.5)	8265(3.5)	25731(11.0)	14911(5.7)	233799(100)
1985-86	82413(31.7)	74405(28.6)	6796(2.6)	46166(17.8)	28254(10.9)	17912(6.9)	5567(2.1)	103871(39.9)	34551(13.3)	16537(6.4)	22309(8.6)	9664(3.7)	30474(11.7)	12511(5.4)	260030(100)
1986-87	92379(31.3)	83515(28.3)	7085(2.4)	52865(17.9)	32207(10.9)	20658(7.0)	6268(2.1)	118643(40.2)	38433(13.0)	19938(6.8)	24756(8.4)	11143(3.8)	35516(12.0)	17948(6.1)	294851(100)
1987-88	11407(32.3)	10410(29.5)	9208(2.6)	62863(17.8)	39050(11.0)	27813(6.8)	7325(2.1)	138560(39.6)	45222(12.8)	27872(6.8)	28256(8.0)	13413(3.8)	41210(11.7)	20858(5.9)	352706(100)
1988-89	11407(32.3)	10410(29.5)	9208(2.6)	62863(17.8)	39050(11.0)	27813(6.8)	7325(2.1)	138560(39.6)	45222(12.8)	27872(6.8)	28256(8.0)	13413(3.8)	41210(11.7)	20858(5.9)	352706(100)
1989-90	12705(31.0)	11447(25.3)	10308(2.5)	77076(18.9)	48369(11.8)	28707(7.0)	8723(2.1)	161918(39.6)	52910(12.9)	27731(6.8)	33913(7.1)	17311(4.2)	47700(11.7)	24135(5.9)	408662(100)
1990-91	14800(31.0)	135162(28.3)	11785(5.0)	89160(18.7)	55534(11.6)	33607(7.0)	10464(2.2)	189771(39.7)	61866(12.9)	33913(7.1)	38902(8.1)	21096(4.4)	59902(11.5)	27109(5.7)	477797(100)
1991-92	172899(31.3)	15947(23.9)	12875(2.3)	9688(17.5)	61104(11.1)	35777(5.5)	12704(2.3)	23274(40.6)	70533(12.8)	41064(7.4)	47534(8.6)	27993(5.1)	65143(11.8)	31441(5.7)	552030(100)
1992-93	193321(30.8)	178228(28.4)	14514(2.3)	111099(17.7)	69264(11.0)	42045(6.7)	15145(2.4)	257501(41.0)	81479(13.0)	49145(7.8)	52140(8.3)	30566(4.9)	74727(11.9)	36207(5.8)	627634(100)
1993-94	214321(30.3)	197739(28.0)	16968(2.4)	122623(17.3)	79800(10.7)	46282(6.5)	20019(2.3)	293667(41.5)	91978(13.0)	57544(8.1)	59824(8.5)	36491(5.2)	84321(11.9)	40602(5.7)	707145(100)

Figures in brackets are percentage of GDP at factor cost current prices.

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INDIAN ECONOMY
UNDER
STRUCTURAL ADJUSTMENT

**IN THE SHADOW OF 'KOTRIS':
WOOL MARKETS OF RAJASTHAN**

**MARKET AND NON-MARKET
IN WEST BENGAL SILK
WEAVING**

**VICEROY READING'S 'OFFER':
BARMECIDE'S FEAST**

**WOMEN AND EDUCATION: ON THE
BEIJING AGENDA**

**SMALL ENTERPRISES: COST
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■ **SYSTEMS OF MASS
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AFTER DECONTROL**

■ **ETHICS AND THE INDIAN MANAGER**

■ **SAVING AND CAPITAL FORMATION:
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■ **MUSLIM INTELLECTUALS,
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Under 'Structural Adjustment'

What comes through clearly from the Indian experience with structural adjustment is the dominant role of the process of globalisation of finance. The very design of the package of structural adjustment bears the imprint of this process and the sequel to the introduction of the package shows that the real mobility witnessed is that of finance rather than of capital in-production. The question is, if globalisation of finance restricts the possibility of intervention within a 'national' space by undermining the concept of a 'control area', can there be any sort of an alternative to the current set of policies?

3001

Traditional Industry and the Market

The marketing of raw wool in Rajasthan is embedded in multiple exchange relations. Conventions, contractual interlinkages and asymmetry of information are the rules which dictate the process of price formation of raw wool.

M-143

Though the market for silk has expanded both at home and abroad, the conditions of production remain unchanged. Household organisation of production is the 'core', yet its independent operation is non-viable. The cost-effective internal organisation of the households is linked with the market by the putters-out. Despite generating considerable surplus, the system has kept the artisan's income depressed.

M-135

Orthodoxy on Islam

Much of the research on Muslims still assumes that orthodoxy represents true Islam and that liberal currents are secondary. More work is needed on 'heterodox' trends to discover schools of thought which have placed Indian Islam in its specific Indian environment.

2995

From Ford to Toyota

Analogous to Gramsci's initial conceptualisation of the previous phase of world capitalism, Japanisation is now understood as a new phase in the history of capitalism — next distinct from the period when the views of Ford and Taylor held sway, but inviting a re-examination of the fundamental critique of the capitalist system.

M-151

Barmecide's Feast

The mass response to the non-cooperation movement against the British created a crisis for the 'moderate' or liberal school in Indian politics which found itself caught in a bind. Out of the dilemma of the liberals was born the so-called Reading's 'offer' of December 1921. What precisely was this offer and what were the conditions on which it was based?

2991

Women and Education

The several workshops and discussions in the NGO Forum at the Beijing conference drew attention to how structural adjustment programmes and related state actions have a direct impact on the quality and reach of initiatives

Personal Law

The objectives sought to be promoted through a uniform civil code can be equally achieved through a process of reform of personal law through internal initiatives. Muslim women's voices

2981

Small Industry and Employment

The relative labour intensity of small industry is not a sufficient condition for the generation of employment. Viability in the long run is also of critical importance.

M-130

Mixed Blessing

While the expanding brick industry in southern Tamil Nadu has provided employment opportunities for the uneducated proletariat, the workers are grossly underpaid and the newly-rich brick industrialists have distorted traditional social relations.

3014

Business and Ethics

Business organisations caught up in the tough world of competitive survival have found it difficult to make their ethical missions congruent with traditional systems of management control.

M-159

Saving and Investment

Relative stagnation of gross domestic saving, sharp decline in public sector saving, improvement in corporate sector saving and rise in household saving are some of the features of saving behaviour over the last four and a half decades. Special statistics on

LETTERS TO EDITOR

Against Imperialist Offensive

UNDER the present all-round imperialist offensive, the neo-colonial exploitation and plunder of our country by the imperialists has grown to unprecedented heights. The whole country is being thrown wide open for the domination and control of the giant MNCs and financial institutions of the imperialists. This had led to grave economic crisis and the rising burden on the people causing untold sufferings to all sections of people. Ruling Congress governments especially the Narasimha Rao government now, has been shamelessly following the dictates of imperialist powers and implementing 'new' economic policies to serve the interests of imperialism and their Indian compradors. They have ratified the GATT treaty and joined WTO ignoring countrywide protests. BJP and parties of NF-LF though pretending to oppose some aspects of these policies, are implementing the very same policies in the states where they are in power.

The interests of the people of the country demand that the present offensive of imperialist powers against the people of the country should be opposed and beaten back. The present situation requires that revolutionary patriotic and democratic forces launch continuous struggle on the following demands: (1) Quit WTO; (2) Kick out MNCs, IMF, WB; (3) Stop payment of interests and instalments of foreign debts - Write off imperialist debts, and (4) Scrap 'new' economic policies - privatisation, liberalisation, globalisation.

We congratulate the people who are at many places valiantly and successfully fighting against MNCs and in defence of their rights against the present assault. The struggle needs to be made through and countrywide. The initiative brooks no delay. We call upon all the revolutionary, patriotic and democratic forces agreeing with the above demands and committed to pursue a course of agitation to achieve them, to come together for a decisive and broad-based struggle to beat back present imperialist offensive against people of our country.

K N RAMACHANDRAN, YATEENDRA KUMAR,
KANU SANYAL

Overzealous Censors

IT is shocking to learn that the latest book by Salman Rushdie, *Moor's Last Sigh*, has been banned by the Indian customs, for unspecified reasons. We wonder what it is that prompted the ban on the book, apart from the alleged critical portrayal of Bal Thackeray in the book. And if that is the reason for banning the book, one is forced to

suggest that the forces of terror and censorship seem to have triumphed once again over the constitutional right to freedom of expression. This also has other more disturbing portents.

The silence of the liberal elite over the issue is deafening. While a few artists and intellectuals have opposed the idea of banning the book, any book, the silence of a vast majority of those who were so vociferous in condemning the ban on *The Satanic Verses* reflects how far we have travelled in our accommodation of the intolerance of the so-called Hindu zealots. The silence of the political elite and other champions of democracy over the ban is a sad reflection on their lack of real, as against acclaimed, commitment to the right to freedom of expression whenever it is politically expedient to do so.

The hypocrisy of our leading columnists, who actually tried to justify why the book should be banned, before it was banned, had already indicated how shallow their commitment to freedom of expression is and how elitist their notion of that freedom. It is alright for them to have read the book, but apparently, for others it might be a tool of incitement! It is as if in the realm of *realpolitik*, our fundamental rights have almost no defenders among the entire political establishment, in and out of corridors of the power. One can only hope that the saner voices may, yet, protest against the ban on the book or we may as well declare that our democratic structures are too fragile to be of any use whenever they threaten the perceived interests of our ruling elite

VRJENDRA, RAMPUNIYANI

Thane

Images of the Body

MEENAKSHI THAPAN's article (October 28) opens up an area of inquiry which presents immense possibilities, but also a highly contentious terrain. The fact that women's (negative) images of the bodies and sexuality is influenced, even contoured by their experience of violence is well brought out. It is intriguing to think about how these perceptions may have changed in the urbanising, modernist society. It is equally intriguing to ask what the devastating experience of political violence in strife torn regions combined with perhaps increasing domestic oppression would do to women's perception of sexuality. But it also prompts one to ask what exactly constitutes a positive healthy perception of sexuality or of the bodies would be.

Thapan argues that women "collude with their oppressors and are helped maintaining and beautifying their bodies and in so doing perpetuate their oppression. This is where the problem lies. To show non-acceptance and the rejection of 'oppressive' cultural norms, do women have to reject the experience of looking beautiful? Unless we arrive at notions of our bodies and of sexuality derived from our experience as people in our own rights, it would be hard to reckon whether the curbed perceptions which incorporate what may be called 'narcissistic tendencies' are negative or are in fact indicative of rebellion and defiance and are a means of re-emphasising one's dignity.

VICHITRA RA

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Justice Denied

"INDIAN culture has not yet touched such low depths that an innocent villager would lose all sense of age and caste and like a wolf pounce upon a woman and that too in the presence of a 70-year old." Taking this moralistic high ground the Jaipur district and sessions court has acquitted the four accused in the Bhanwari case. What is disturbing is not only the acquittal, but the manner in which the court arrived at the decision.

Bhanwari Devi, it may be recalled, was a 'sathin' under the Rajasthan Women's Development Programme (WDP). As a part of the programme, she worked to prevent child marriages, in the course of which work she was threatened and harassed. It was her effective intervention in preventing the marriage of the one-year old daughter of Ram Karan Gurjar, one of the accused, which led to her allegedly being gang-raped by five men in September 1992. Bhanwari's trials and tribulations did not stop there — she was virtually abandoned by the WDP, the state authorities refused to hand over the case to the CBI even though an independent inquiry had found that there had been numerous lapses in the investigations by the state police. When the CBI did come into the picture, the officers subjected Bhanwari to incessant harassment and made her record and re-record her statement nine times. Even after the charge-sheet had been finally filed, a year after the rape, no move was made to arrest the accused until five months later. Such is the hold of the upper castes that all through this Bhanwari has been ostracised by the village community. Constant pressure has been put on her to withdraw the case. In February this year 30-odd newly-elected panchayat members from the area sought to attack Bhanwari and her sathin supporters and called for a boycott of the WDP if the case was not withdrawn. The trial in the lower court began in October 1994 and saw frequent changes in the bench. Five different judges have heard the case. In cases of rape the victim is allowed to give her statements in court in-camera. Making a mockery of this requirement, intended to safeguard the dignity of the woman, Bhanwari had to narrate her story in front of 17 men, including the accused. Representatives of women's groups who attended the trial protested against this and have reported on the frivolous manner in which the court dealt with the case, allowing insinuations and baseless accusations to be recorded in the course of arguments.

The judgment shows scant regard for the many changes which were incorporated in the law subsequent to the agitation around the Mathura rape case 15 years ago. The systematic campaign by the women's movement has been directed at ensuring that the woman's testimony be given adequate weightage. This has been prompted by the social and political

understanding of rape as a means of aggressively asserting the superiority of sex, caste, race and class. Rape and sexual assault are actions used to punish, harass and quell rebellion of all sorts. Given this, the processes required to establish the crime in a court of law are often beyond the reach of the victim. Thus circumstantial evidence may often turn out to be too weak through no fault of the victim.

Ignoring the well known fact that the police had initially refused to record Bhanwari's statement, the court has made disparaging remarks about the delay in her recording the complaint. Bhanwari has stated that she was refused medical examination at the PHC on the ground that a female doctor was not present. Subsequently any number of obstacles were put in her way before she was examined at the government hospital after a delay of 52 hours. The court, taking a completely insensitive attitude to the problems which Bhanwari encountered, as in fact most women victims of sexual assaults do, has decided that the delay in recording the complaint and the medical examination showed that Bhanwari had concocted her complaint of rape. Even worse is the unembarrassed casteist and sexist tone of the judgment. It has, for instance, expressed doubt about Bhanwari's complaint on the premise that upper caste men, including a brahmin, would not rape a woman of the lower caste. Clearly, not justice, but the bench has been blind — all through history rape of lower caste women has been a widely practised, brutal way of silencing and subjugating the deprived classes. That the gang rape of Bhanwari was meant as a warning to those who chose to interfere with the customs and practices of the upper castes, no matter how depraved, hardly needs to be stated. The court has by implication underlined and re-emphasised that warning.

Bhanwari's case is unique in some ways and opens up many issues for debate. She had been raped in front of her husband, though the court has sought to doubt that fact arguing, "in our society how can a husband, whose role is to protect, stand by and watch his wife being raped?" Bhanwari has also persisted in her protests and demands for redressal. Even with the changes in the law on rape, time and time again women victims are short-changed by the legal system — often because traditional, feudal forces in society militate against women's access to justice; sometimes simply because the system does not deem it necessary to make special provision for the depressed and the powerless to seek justice. At another level, it was Bhanwari's actions as a state functionary empowered with the task of preventing an obnoxious social custom which provoked the reprisal. To what extent then can social change be brought about from the top, in the absence of a movement supporting these changes? As Bhanwari's case has shown, a

state agency, however sensitive and women-friendly cannot take on the tasks of a people's movement; nor can it on its own facilitate social change. And when it does attempt to do so, the contradictions between the priorities of the patriarchal bourgeois state and the accommodation it has had to make to the demands of social movements will trap its hapless functionaries in impossible situations. Social changes which empower the powerless, whether they be lower castes, the economically and culturally poor or women, intrinsically endanger the very foundations of the state structure. There is an urgent need, in other words, to take back the women's agenda from the state and its agencies.

EXTERNAL CAPITAL

Looking for Palliatives

AS an answer to the acute shortage of domestic liquidity and the depreciation of the rupee, the authorities have removed all restrictions on the permitted use of proceeds of external commercial borrowing (ECB) and Euro-equity issues in the form of global depository receipts (GDRs). Initially, in early 1992, when Indian companies were permitted to access international capital markets through Euro-equity issues, the objective was to encourage the corporate sector to take recourse to non-debt creating capital inflows. The Gulf crisis and the downgrading of India's credit rating below investment grade and the net outflows on ECB account, as also the volatility inherent in short-term debt all made the government turn to such non-debt creating flows, and if ECB was to be resorted to, preference had to be given to long-term borrowing. When permission was granted for Euro-issues, including foreign currency convertible bonds (FCCBs), the government did not stipulate any restriction on the end-use of funds raised through them. However, permission was granted on a case-by-case basis and companies were asked to raise resources to meet their requirements (which, in the liberalised set-up, could be both foreign currency and rupee requirements) for new projects and modernisation and expansion, as also for repayment of expensive debt, about 15 per cent in addition for corporate restructuring and working capital margins. It was also stipulated that companies raising money abroad had to repatriate the entire proceeds unless specifically permitted by the government and further that Euro-issue proceeds had to be used for the approved purposes within a period of one year, though this was observed more in the breach.

By the end of March 1995, \$ 4.7 billion worth of Euro-issues (\$ 3.7 billion GDRs and \$ 1.1 billion of FCCBs) were raised and \$ 4.4 billion (over Rs 12,000 crore) were repatriated into the economy. Whatever the benefits the concerned companies gained from this capital raised abroad, it wreaked

havoc on the country's financial system. The companies did not deploy the funds for the intended projects, instead, they were invested in shares in the secondary market and in real estate (apart from being used to repay loans from financial institutions and cash credit from banks). These investments combined with portfolio investment by foreign financial institutions (FIIs) pushed up share prices such that the BSE sensx reached a peak of 4,643 on September 12, 1994. The subsequent withdrawal of portfolio investors from the emerging markets, including India, the precipitate fall in share prices and the difficulties faced by investors in unwinding their funds are well known.

It was then realised that apart from the severe impact of capital flows on monetary expansion, what was being done by the companies did not, and could not, add up to a prudent system of managing external liabilities. Therefore, with effect from October 18, 1994, revised guidelines were issued whereby companies issuing GDRs were required mandatorily to retain the issue proceeds abroad; the proceeds could be repatriated only as and when expenditure for the approved end uses (including 15 per cent for corporate restructuring and working capital margins) are incurred. Thus was to enable companies to tap markets abroad only for approved purposes, while monetary expansion as a consequence of the Euro-issues in advance of the need for funds would be avoided. In May this year a modification was effected to permit the issuing companies to retain the Euro-issue proceeds as foreign currency deposits with banks and public financial institutions in India, which could be converted into rupees only when expenditure for the end uses was incurred. Though it was induced by the situation of excess liquidity growth, it was a prudent measure as access to foreign capital, which was necessary to supplement domestic saving, was required to be need-based and for productive purposes.

The latest liberalisation of the guidelines regarding use of Euro-issue proceeds has reversed the above policy and taken an extremely short-term view of the liquidity constraints, both in the domestic foreign exchange market and the money market. GDR and ECB proceeds can now be freely brought in and converted into rupees immediately in anticipation of the use of funds in future for the approved purposes. The ceiling on the share earmarked for working capital and corporate restructuring has been raised from 15 per cent to 25 per cent. The revised guidelines also exempt companies investing in infrastructure projects including power, petroleum exploration and refining, telecommunications, ports, roads and airports from having to provide a three-year good track record to raise funds abroad. The Euro-issue scheme has been extended to include FCCBs. Earlier companies could raise funds through the

ECB route only by the medium of floating rate notes and fixed rate bonds. Now funds can be raised also through foreign currency convertible bonds. Likewise, the companies can convert any portion of their floating rate notes (FRNs) and ECBs into FCCBs.

What is overlooked is that the present liquidity crunch is deeply rooted in the fiscal imbalance and the large government borrowing to finance current expenditure; the severe shortage of domestic saving and the high propensity to import that has been further raised after the liberalisation of imports. It is short-sighted to imagine that what is required is some palliative in the form of encouraging companies to obtain foreign equity and debt and that thereafter the basic problems will be automatically resolved.

It is unlikely that against the background of the severe macro-economic imbalance the GDR and ECB route will attract substantial foreign funds. Though Moody's has placed India on investment grade, Standard and Poor continues to rate India a non-investment grade. For the grade to be improved, it has sought a reduction in public debt and, to achieve that, reduction in gross fiscal deficit, public sector reform, reduction in inflation and prevention of any significant deterioration in the balance of payment. Also, associated with the recent lukewarm attitude of portfolio investors from developed countries towards the emerging markets, Indian GDRs have been doing rather badly. Primary issues have been difficult as very few. In the secondary market, Skindia GDR index (base April 15, 1994 = 100) which had once touched a peak of 123.82 on August 18, 1994, is now riding at 65.86. Likewise, the DSP GDR Index (April 1994 = 100) touched a low of 69.47 on November 13 and has recovered only fractionally to 71.79 since then. In the primary market, there have been some severe GDR issues, all of them privately placed. The companies involved such as Fle Industries, Himachal Futuristics and Shree Wallace have scarcely tried to conceal that these so-called private placements are a device to bring back funds stashed away abroad earlier.

More enduring and purposeful solution for the basic problems will involve restriction of imports and more rational export-import management. The question of domestic saving will also have to be addressed more thoughtfully in the form of curbing conspicuous consumption, including investment in gold and silver.

KARNATAKA

Settling Granite Dust

CURRENTLY a 20-member joint committee of the Karnataka assembly is undertaking an investigation into illegal quarrying of granite, especially in Kanakapura taluk near

Bangalore. Quite apart from the extensive racket in quarrying and exporting of granite, the probe highlights the short-sighted perspective which is currently determining policies related to natural resources and the environment.

Granite quarrying came under the purview of the state after the passing of the Mines and Minerals Regulation and Development Act 1957 which required the granting of leases or licences to mine granite. Until the 1980s granite was a building material used for local constructions. With the beginning of a boom in the building industry and the globalisation of the market, granite became a much sought-after material. With this came a flood of applications for licences and the state was forced to set limits. If ecological considerations had alone been paramount then quarrying of any kind would be tightly controlled, because it affects the physical features of a region and therefore the entire ecosystem, quite apart from the fact that the operation itself causes pollution. In fact, if an ecological perspective influenced all policy, then the state's policies on mining and quarrying would have been different. In Karnataka with granite becoming a high-priced exportable commodity, it was inevitable that there should develop a granite lobby which, through various means, has sought to influence the government's decisions. Each new ministry has sought to gain maximum political leverage by making changes in the requirements for issue of licenses, in the limits on the number of leases granted, etc. It is hardly surprising that illegal quarrying of granite and its export has been extensive, although only last year, with a conscientious director of mines and geology asking uncomfortable questions, was the chief minister forced to acknowledge it.

There is no doubt that the joint legislative committee will disturb a lot of granite dust, but the moot question is will the government take note of all this for policy formulation? This is unlikely to happen. There is, neither in the states nor at the centre, any comprehension of the urgent need for a policy on natural resources, and market considerations are being allowed to reign supreme. Ironically, it is in the long-term interest of a developing and vibrant market that government policy needs to evolve with greater pragmatism and sophistication. Without this, short-term political considerations will determine the course of policy.

EXCHANGE RESERVES

How Much Is Enough?

WHATEVER else may be said about the exchange rate policy followed by our authorities, the recent turmoil, short though it has fortunately turned out to be, for the present at least, should make them consider

some questions far more seriously than they have given evidence of doing so far.

In its 1994-95 Annual Report, released in September, the RBI does discuss at some length the question of adequacy of external reserves. "The present level of external reserves is," the report observes, "a source of comfort as it provides a measure of insulation against unforeseen external shocks or shocks created by domestic supply shortages". While, as the same report puts it, external reserves may not be "required to meet the transaction motive which is to be taken care of by changes that will naturally occur in the market determined exchange rates", they have an important "smoothing" job to perform "in a period of transition when structural shifts can release strong excess demand or throw up temporary bottlenecks". The reserves can then "smoothen the process of change and mitigate the pains of adjustment".

There can be no two opinions that even when a country's currency is not pegged to any predetermined external value, it does need to maintain some external reserves. How much should they be is the question. Is it the RBI's position when it says "the present level of external reserves is a source of comfort" (the reserves added up to \$ 24.153 billion in June this year) that exchange reserves have to be of this magnitude? On the answer to this question will revolve the ability of the authorities to face up to situations like the one we faced recently, namely, of excess demand.

As import cover, external reserves have, as the RBI's Annual Report puts it, "soared from below three months as on July 12, 1991 to around 13 months at the end of 1994-95". As debt servicing cover also, the improvement in reserves is substantial, from eight months in 1990-91 to 27.2 months in 1994-95.

But as the RBI itself points out, in an exchange rate regime where the external value of the currency is to be determined by market fundamentals, the need for external reserves is less for transaction purposes and more to meet other type of exigencies. "As the economy becomes more open", says the RBI, "external shocks need a cushion which reserves alone can provide", and "the volatility of some of the capital flows needs to be kept in mind in this context".

Is the RBI suggesting that the cushion we now require in the form of external reserves has to be as large as provides a 10-month import cover, since it is at this level that the reserves are considered to be "a source of comfort" to the authorities? Logically, then, it would seriously constrain the ability of the authorities to intervene in the event of excess demand. After all, we cannot forget that in the recent episode the authorities did take time to intervene and it was because of this hesitation that the external value of the rupee threatened to decline much more sharply

than they probably wanted it to, given their assessment of the change in the so-called market fundamentals.

And accumulation of reserves, it has to be remembered, is not a costless operation. Every dollar set aside as reserve could as well have been used to build up the country's productive capacity. So the country cannot go on accumulating reserves, particularly when the opportunity cost of such an operation is high. A calculation has to be made, and that too with transparency not shown so far, on what level of reserves it would be adequate to maintain. Then the authorities will enjoy a far greater measure of freedom to intervene without being tied down to maintaining unnecessarily high levels of reserves.

PAKISTAN

Military Politicians

THE recent arrest of 36 army officers in Pakistan on charges of plotting an Islamic revolution to overthrow Benazir Bhutto's government has important implications for the future of that government both in domestic politics and foreign relations.

Observers in India have primarily noted the timing of Benazir's decision to publicly disclose the news of the arrest and plot (after more than a month just on the eve of her US visit) and have concluded that it was a ploy to impress the US with her determination to fight Islamic fundamentalist forces in her country and thus ensure arms supply under the Brown amendment. While this may indeed be true, one cannot at the same time dismiss the real possibility of another military putsch in Pakistan.

In the past, the country's polity had been plagued by numerous abortive, as well as successful, military coups. The failure of the civilian system of governance to deliver the goods, and its gradual abdication of responsibility paved the way for the rise of the military and the establishment of its rule in successive coups, supported by the tribal elite and orthodox religious forces. Frustration in military adventures often led the army officers in the past to blame the civilian system and the political leadership. The first conspiracy, abortive though, was discovered in 1951 and was primarily caused by army dissatisfaction over the outcome of the 1948 Kashmir war. The loss of East Pakistan in 1971 and the consequent sense of humiliation brought about another phase of military rule under General Zia.

Given this past history, today's Pakistan might become again a vassal state of military politicians. In domestic politics, Benazir Bhutto's government stands a helpless spectator as the country drifts into violence, corruption and deep economic crisis. In foreign affairs, she appears to be equally confused — not knowing how to solve the

Kashmir unbroglio on the one hand and beginning to get embroiled on the other in yet another futile adventure in Afghanistan (through the Islamabad-trained Taliban forces), at the risk of antagonising Iran, Pakistan's traditional ally. The popular mood of frustration with civilian rule might swing over to a desire for an authoritarian regime, expecting that the latter would impose discipline and be decisive. Major general Zahoor ul-Islam and the 35 army officers (including a brigadier and three colonels) who were arrested on September 26 could have planned their coup on the assumption that it would have the support of the people — or at least would not be opposed by them.

It is significant that Lt General Mehmood, director general of Pakistan military intelligence, in a confidential note to all lieutenant-generals, soon after the September 26 arrests, warned that there was a wave of sectarianism and extremism in Pakistan which, if not checked in time, could tear apart the whole fabric of Pakistan society. It is becoming evident now that Zia's policy of Islamisation had led to the infiltration of the Pakistan army by a new generation of Islamic zealots, and its increasing politicisation in the direction of Islamic fundamentalism. The leaders of the abortive coup, according to Pakistan military sources, planned to storm into a meeting of army officials on September 26, kill all the nine corps commanders and the four principal staff officers, and declare the onset of a 'true Islamic revolution'.

While Benazir's success in ensuring the flow of US arms may appease for some time the hawks in her army, it is yet to be seen how far she — and the more responsible among the army top brass — can restrain the younger generation of Islamic zealots (who are said to form a substantial chunk of the army, from the lieutenant colonels to the ranks down below) and whether Washington would encourage at this stage another military coup by them.

SRI LANKA

Narrow Options

THE tragic irony of the Sri Lankan situation is that both the LTTE and the government in Colombo are moving in circles which sadly are drawing further and further away from the central issue of the conflict. If 20 years ago the concept of a Tamil Eelam — a response to the patent ethnic bias in the operations of the administration — prompted the setting up of the LTTE, today those who are to benefit from this dream are the victims of a brutal war. The LTTE's decision in April to break off negotiations with the government and return to the battleground was at best a strategic mistake and at worst a self-serving move intended to ensure that the peace alternative offered to the war-weary Tamils of the north did not materialise. Reports from

Jaffna indicate that the LTTE has let loose a reign of terror, ordering citizens to vacate the town. The University Teachers for Human Rights (UTHR) to Jaffna has pointed out that the LTTE had "compounded civilian suffering for political and military gain without any acknowledgement of responsibility for the people". That the military campaign launched by the Sri Lankan government is a no-holds-barred effort to capture Jaffna can hardly be disputed. The UTHR has in its report pointed out that the government's figures of the number of those killed and injured in the army assault on the town are gross underestimates. Artillery shelling and aerial bombardment of civilian areas has been carried out on a large scale.

It is not that the Chandrika government is entirely sympathetic to the Tamil cause. The issues of territorial and therefore political freedom which form the core of the Tamil demands can never be acceptable to any rulers. But Chandrika's was a gambit which offered to the Tamils an opening which could bring the issue into the mainstream in the broader democratic and proposed federal framework at a juncture when it was clear that a military solution, if any at all, could only be extremely costly to the people. By repeatedly rejecting all moves made by the government the LTTE has allowed the hawks in the Sri Lankan government and the army to gain the upper hand. It has also left itself with few options other than to retreat from Jaffna into the jungles as it did once before and continue the struggle for Eelam at a decided disadvantage.

There is evidence to indicate that the LTTE is in a desperate situation. Its once considerable financial support appears to be drying up, going by the nature of the appeals in its journals and broadcasts. There has been a drastic drop in recruitment. Clearly, Prabhakaran's statement that the LTTE will continue to fight even if it lost Jaffna is a piece of bravado. The Sri Lanka government is, however, taking the threat seriously. Not only has the defence budget been hiked, it has also enfolded a proposal for introducing conscription. While observers say that the proposal is unlikely to be pushed through, these moves indicate that the military presence in the northern and eastern regions will continue for some time.

This is the most tragic aspect of the situation. Parliament will soon be debating Chandrika's proposals for a new federal structure allowing greater autonomy for the regions. Even if all elements of the proposals are not accepted, Sri Lanka will see a new federal structure under which ethnic minorities will have greater autonomy and acquire greater decision-making powers. But given the present situation, with the LTTE fighting a guerrilla war, the region will be under virtual military control, with all the obstacles this presents to normalisation of life.

TWENTY YEARS AGO

(EPW, November 29, 1975)

THE decision to create a new genre of commercial banks, known as rural banks, is another example of how the problems of ameliorating poverty are seen as distinct from those of development. One set of institutions, instruments and policies are devised for development and then when it is found that the resultant economic growth benefits in the main only the rich, other programmes and schemes are thought of for improving the condition of the poor.

The setting up of rural banks to meet the credit requirements of small farmers, agricultural labourers, artisans, small entrepreneurs and other persons of small means in the rural areas follows the same pattern. The co-operative societies and commercial banks have by and large failed to help these sections of the rural population to any significant extent. Therefore a separate set of institutions has been considered necessary even as the co-operatives and the commercial banks carry on as before. But why not make the existing institutions change their attitudes and methods of operation, if they are coming in the way of the desired changes in the pattern of credit distribution? On the other hand, if the bigger farmers continue to hold sway over the development process in the rural areas, can the total resources earmarked for the poor be raised significantly merely through the creation of new institutions? In fact, once a separate institution is set up for the purpose, the existing ones would tend to wash their hands altogether of the responsibility of bothering about the poor. Why not instead, ask the existing institutions to specifically earmark a sizeable proportion of their resources for advances to the poorer sections of the rural community?

Most importantly, what is missing is an attempt to integrate the various programmes which figure so prominently on paper: land ceilings and redistribution of land, debt relief, abolition of bonded labour, minimum agricultural wages, credit for the rural poor, and so on. Taken together these amount to changing the basic power balance in the rural areas. Such a change cannot be brought about by administrative devices perched on the periphery of the rural economy and society. It has to be politically organised. And the conditions for such political organisation appear to be getting more adverse.

CURRENT STATISTICS

EPW Research Foundation

The growth in reserve money has been contained, with the rise being only Rs 8,309 crore (4.9 per cent) in 1995-96 so far against an increase of Rs 15,814 crore (11.4 per cent) in the corresponding period last year. The rise in net RBI credit to the centre remains high at Rs 16,817 crore and the resort to *ad hoc* touched Rs 13,990 crore as on November 20. The allround sluggishness in the capital market since September 1994 continues. All major share price indices touched new lows with the BSE Sensex dipping to 2944 on November 24. Net monthly investment by FIIs has been declining since July this year, touching \$ 104.1 million in October. Foreign trade data for April-September 1995-96 indicate further widening of the trade deficit, with imports galloping at 33 per cent (non-POL), exports rising by 37 per cent and exports growing by 26 per cent. Foreign exchange reserves (other than gold), presently at \$ 17.6 billion, have been depleted by \$ 3.3 billion since the beginning of the year.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Nov (4, 1995)	Variation (Per Cent)					Point to Point			
			Over Month	Over 12 Months		Fiscal Year So Far 1995-96	1994-95	1993-94	1992-93	1991-92	
				Latest	Previous						
All Commodities	100.0	298.6	0.5	8.6	9.0	4.7	6.4	10.4	10.8	7.0	13.6
Primary Articles	32.3	309.2	1.3	9.5	9.1	5.9	9.0	12.7	11.5	3.0	15.3
Food Articles	17.4	342.5	2.0	7.8	7.2	9.1	13.3	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	326.0	0.2	13.7	13.3	0.7	2.3	8.1			
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.9	-0.1	1.2	2.1	13.1	15.2	13.2
Manufactured Products	57.0	295.3	0.2	9.6	9.5	4.9	6.0	10.7	9.9	7.9	12.6
Food Products	10.1	282.5	0.6	4.3	6.5	3.7	7.4	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	320.5	1.2	6.7	7.0	7.3	11.3	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Nov 04, 1995)	100.0	294.0	-	9.8	10.2	9.0	10.7	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent)					Point to Point			
			Over 12 Months	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92		
				Latest	Previous						
Industrial Workers (1982=100)	317 ^a	0.6	10.1	11.2	8.2	7.5	9.7	9.9	6.1	13.9	
Urban Non-Man Emp (1984-85=100)	247 ^a	1.2	10.3	8.7	1.2	0.9	9.9	8.3	6.8	13.6	
Agri Lab (July 60 to June 61=100)	1413 ^a	0.6	12.9	10.3	8.7	6.5	10.6	11.6	0.7	21.9	

Money and Banking (Rs crore)	Oct 27, 1995	Over Month	Variation								
			Fiscal Year So Far	1994-95		1993-94	1992-93				
				1995-96	1994-95						
Money Supply (M ₃)	559301	9515 (1.7)	28499 (5.4)	35421 (7.8)	78617 (17.4)	73307 (19.3)	50916 (15.5)				
Currency with Public	113024	5786 (5.4)	12235 (12.1)	7826 (9.5)	18806 (22.9)	14170 (20.9)	7111 (11.7)				
Deposits with Banks	441105	3273 (0.7)	14472 (3.4)	26043 (7.1)	58956 (16.0)	57925 (18.7)	43371 (16.3)				
Net Bank Credit to Govt	242618	6694 (2.8)	20202 (9.1)	7764 (3.8)	16325 (7.9)	28315 (15.9)	18657 (11.7)				
Bank Credit to Comm'l Sector	305081	6689 (2.2)	15426 (5.3)	11195 (4.6)	34991 (18.4)	17147 (7.5)	30187 (15.3)				
Net Foreign Exchange Assets	75574	2507 (3.1)	350 (-0.5)	18202 (34.6)	23298 (44.3)	27674 (110.9)	3726 (17.6)				
Reserve Money	177588	2972 (1.7)	8309 (4.9)	15814 (11.4)	30607 (22.1)	27893 (25.2)	11271 (11.3)				
Net RBI Credit to Centre	112926	5299 (4.9)	14013 (14.2)	-3541 (-3.7)	2130 (2.2)	260 (0.3)	4257 (4.6)				
Scheduled Commercial Banks											
Deposits	397947	3240 (0.8)	11088 (2.9)	23560 (7.1)	53630 (16.1)	52144 (18.6)	39017 (16.1)				
Advances	225615	6520 (3.0)	14055 (6.6)	9872 (5.8)	40638 (23.8)	11566 (7.4)	23757 (17.5)				
Non-Food Advances	212486	5997 (2.9)	13201 (6.6)	6543 (4.1)	37797 (23.4)	8875 (5.8)	21684 (16.6)				
Investments	157806	1616 (1.0)	8553 (5.7)	12691 (9.4)	13965 (10.3)	28641 (26.9)	15820 (18.7)				

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	June 1995	Fiscal Year So Far					Average for Full Fiscal Years			
			1995-96	1994-95	1994-95	1991-92	1990-91	1989-90	1988-89	1987-88	
General Index	100.0	251.5	254.8 (13.3)	224.9 (7.2)	250.6 (8.4)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)	180.9 (8.7)	166.4 (7.3)	
Mining and Quarrying	11.5	240.1	241.2 (14.3)	211.1 (2.0)	245.8 (6.3)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)	199.1 (3.7)	184.6 (6.2)	
Manufacturing	77.1	241.2	244.6 (12.2)	216.0 (8.2)	241.8 (8.8)	206.2 (0.8)	207.8 (8.9)	190.7 (8.6)	175.6 (8.7)	161.5 (7.9)	
Electricity	11.4	332.9	337.0 (12.5)	299.5 (6.9)	314.6 (8.5)	257.0 (8.5)	246.8 (7.8)	219.7 (10.9)	198.2 (9.5)	181.7 (6.6)	

Foodgrain Stock (million tonnes)	Minimum norm as in Sept	Sept 1995	May 1995 (Peak)	Sept 1994	End of Fiscal Year							
					1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
At the end of the period												
Total (incl others)	22.3	30.4	37.5	27.5	27.7	22.2	14.7	12.2	17.3	11.6	7.4	9.4
Rice	9.2	13.5	18.2	11.6	18.9	14.7	11.0	9.8	11.2	7.9	4.7	5.9
Wheat	13.1	16.9	19.2	15.7	8.8	7.3	3.0	2.4	5.8	3.6	2.7	3.3

Foreign Trade	September 1995	Cumulative for Fiscal Year So Far									
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Exports, Rs crore	7915	46591 (27.8)	36445 (12.3)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)			
US \$ mn	2383	14685 (26.4)	11621 (12.3)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)			
Imports, Rs crore	9256	54145 (34.3)	40315 (19.1)	88705 (21.8)	72806 (15.7)	63375 (12.4)	47851 (10.8)	43193 (22.0)			
US \$ mn	2787	17065 (32.8)	12851 (19.1)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)			
Non-POL US \$ mn	2325	13952 (36.8)	10201 (31.7)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)			
Balance of Trade, Rs crore	-1341	-7554	-3860	-6375	-3259	-9687	3809	-10640			
US \$ mn	-404	-2380	-1230	2018	-1039	3345	1545	5930			

Foreign Exchange Reserves (excluding gold)	Nov 10,	Nov 11,	Mar 31,	Month Ago	Year Ago	Variation Over					
	1995	1994	1995			Fiscal Year So Far 1995-96	1994-95	1993-94	1992-93	1991-92	
Rs crore	60726	62118	66028	-3512	-1392	-5303	14492	18402	27430	5385	10223
US \$ mn	17565	19670	20816	-1308	-2105	-3251	4494	5640	8724	731	3383

Capital Market

Share Price Index															
	Nov '94 (1994)	Month Avg	Year 1994	1995 '96 Trough	So Far Peak	1994 '95 Trough	Peak	1994 '95	End of Fiscal Year						
									1993 '94	1992 '93	1991 '92				
BSE Sensitive index (1982=100)	3944	3344	4075	2044	3557	3233	4631	3261	3779	3752	4285				
	(12.9)		(33.5)					(13.7)	(65.7)	(46.8)	(266.9)				
National index (1982=100)	133	158	150	1342	1691	1577	2176	1606	1830	1071	1900				
	(40.7)		(3)					(12.2)	(9.2)	(48.1)	(734.1)				
BSE 100 (1989-90=100)	396	316	465	296	385	360	497	368	150	231	585				
	(36.3)		(6)					(18.2)	(92.3)	(60.0)	(267.1)				
BSE 100 (1982-90=100)	11	10	14	142	204	191	269	145	259	175	176				
	(13.5)		(11)					(18.4)	(91.7)	(16.8)	(178.5)				
P/E Ratio (Monthly Average)															
	Sept '95	Aug '95	Sept '94	Aug '94	Quarter Ending			End of Fiscal Year							
					Sept '94	June '94	Mar '95	Mar '91	Mar '93	Mar '92	Mar '91				
BSE Sensitive index	18	18.7	14	31.7	45.8	51.9	30.4	46.5	29.7	44.3	19				
National index	7	0.7	4.5	38.5	17.1	51.3	34	46.9	27.1	11.9	19.1				
BSE Turnover (Rs crore)															
	Oct '95	Sept '95	Oct '94	Sept '94	Quarter Ending			Full Fiscal Year							
					1994 '95	1994 '95	1994 '95	1992 '93	1991 '92	1990 '91	1989 '90				
Specified shares	370	1740	1517	1355	10835	1547	671	33707	54610	78803	35313				
Non-specified shares	2267	3781	7613	1364	34787	52297	22321	12489	17168	7149	4173				
Total	4581	5019	8533	1464	45612	67749	84537	45699	71778	60172	29486				
Avg. daily turnover	155	38	417	14	2438	29	385	238	342	189	175				
No. of working days	18	21	20	1	167	252	215	192	216	191	21				
Market Capitalisation															
	Oct '95	Sept '95	Oct '94	Sept '94	Quarter Ending			End of Fiscal Year							
					Dec '94	Sept '94	June '94	Mar '95	Mar '91	Mar '93	Mar '91				
BSE listed companies	5630*	46545*	416854	38	100000	41696	38044	435481	44462	189408	605957				
	(12.7)		(105.7)		(31.1)	(4.8)	(15.6)	(26.4)	(81.9)	(38.1)	(1)				
100 National index listed	143551	116452	140052	10512	160019	149646	148586	141703	146176	73078	117031				
comps	(15.6)		(2.2)	(1.0)	(5.5)	(7.0)	(8.5)	(3.5)	(100.0)	(34.8)	(98.8)				
* Data pertains to Aug '95, July '95 and Aug '94 respectively															
Capital Issues															
	April-July			Full Fiscal Year				Quarter Ending							
	1994 '95	1994 '95	1994 '95	1993 '94	1997 '95	1991 '92	Sept '91	June '91	Mar '91	Dec '93					
Capital issues cleared/approved by SEBI															
Amount (Rs crore)	6191	59359	7201	19810	2127	19407	187	1705	803	168					
Number of issue	3160	4580	749	1117	1331	1763	100	103	135	175					
Capital issues launched															
Amount (Rs crore)	66905	16060	1951	23275	1985	5757	1748	980	1531	4573					
Number of issue	4540	4440	1461	1112	105	517	145	97	138	86					
* For 11 months of 1994 '95 (from April to February)															
Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets (for each month)															
Month	No. of Repd FII (Cumulative)	Gross Rs Cr	Purchase US \$ mn	Gross Sale Rs Cr	US \$ mn	Net Investment Rs Cr	US \$ mn	Cumulative Net Investment in US \$ mn							
Portfolio for FII								7778*							
January 1994	136	1258.6	115	54.0	1	1234.6	398.3	1176.1							
June	179	1079.1	332.1	274.2	5.5	754.9	243.5	2338.0							
September	9	64.4	208.3	201.8	1.1	445.6	113.7	2717.3							
December	281	363.7	115.2	316.2	100.5	47.5	15.3	3077.9							
January 1995	280	465.0	153.5	325.0	105.5	110.0	44.8	3099.7							
February	50	402.1	125.3	201.7	11.5	200.7	64.0	3104.2							
March	325	67.6	115.8	182.3	55.7	180.3	58.2	3266.6							
April	31	562.5	117.4	182.5	5.8	180.5	58	3266.0							
May	315	440.5	138.5	219.2	0.7	211.1	68.1	3338.5							
June	33	582.8	185.1	226.5	3.1	356.3	115.0	3448.5							
July	224	857.6	276.8	202.8	65.5	654.8	211.2	3663.3							
August	225	51.7	242.4	186.8	60.2	564.9	182.2	3846.5							
September	33	714.4	215.1	308.3	22.8	406.0	131.0	3967.5							
October	24	569.0	164	246.3	71.3	322.7	104.1	4080.7							
* Inclusive of life repatriation which is not incorporated in the monthly flows															
* RBI has placed it at \$ 829 million															
Assistance Sanctioned (S) and Disbursed (D) by all Financial Institutions (Rs crore)															
Institution	1994 '95		1993 '94		1992 '93		1991 '92								
	S	D	S	D	S	D	S	D	S	D					
All India Development Bank (excluding SIDBI)	44597.9	21800.1	26322.6	15449.0	18145.4	11759.7	13643.0	9075.7							
Institutions assisting small scale industries (SIDBI)	5314.8	2478.4	2086.0	1778.7	1518.1	1291.2	1357.2	1181.8							
State level institutions	2708.8	2314.6	2845.6	2282.9	2988.4	2252.1	3199.3	2215.5							
SICs	1808.2	1579.0	1909.1	1568.0	2015.3	1557.4	2190.3	1536.8							
SIDBI	900.6	735.6	936.2	714.9	973.1	694.7	1009.0	678.7							
Investment institutions total (RBI, LIC, GIC)	9138.6	6051.8	9889.9	7001.7	10753.9	7711.2	4786.0	3341.5							
of which RBI	6910.1	4529.6	7601.9	5937.4	9104.8	6229.8	3013.5	2127.2							
Specialised financial institutions	364.5	244.9	195.6	116.6	159.0	92.9	133.2	74.5							
Total by all financial institutions	60174.6	32889.8	41340.7	26628.9	33564.8	23107.1	23118.7	15889.0							
Data are adjusted for inter institutional (all India and state level) flows															

APOLLO TYRES

Capacity Expansion

PROMOTED in 1977 by Raunag group with the Kerala government's equity participation, Apollo Tyres has a market share of about 13 per cent in the automobile tyre segment. Apollo Tyres manufactures all the major categories of automotive tyres at its two plants at Perambra near Kochi and Limda near Baroda. The Perambra plant with a capacity 38,500 tonnes per annum can manufacture 6,00,000 truck tyres, 1,20,000 radial tyres, 29,000 tractor tyres and 46,000 light commercial vehicle tyres. The plant has a capacity for production of 5,10,000 tubes and 1,00,000 flaps used between the tyre and the steel rim of the wheel. The Limda plant has an identical capacity and a similar product profile.

The company closed the financial year ended March 1995 with a sales turnover of Rs 577 crore, up by 8 per cent from Rs 534 crore in the previous year. Other income rose by 11 per cent. Total income moved up from Rs 473 crore to Rs 540 crore, a rise of 14 per cent. Provision for depreciation fell by a massive 73 per cent and was accompanied by a 4 per cent rise in the provision for tax. The company closed the year with a net profit of Rs 26 crore, up by 66 per cent from Rs 16 crore achieved in the previous year. A dividend of 35 per cent has been recommended by the directors.

The company has focused on the truck/bus tyre segment in the replacement market, which accounts for 70 per cent of the total demand for tyres while the original equipment market accounted for the rest. The future of the tyre industry in general appears to be bright with the recession ending and the demand picking up. In 1994-95 the industry grew at a rate of 18 per cent and it is expected to grow at a rate of 10 per cent per annum. Along with capacity expansion, Apollo Tyres plans to pick up the idle capacities of smaller units. The company has an arrangement with Tyre Corporation of India and Stallion Tyres wherein the companies will execute Apollo Tyres orders to specification and Apollo Tyres will sell them under its brand name. While TCI executes truck orders, Stallion caters to two wheeler tyres. The company has signed an agreement with Tyre Corporation of India for the purchase of 5,000 tyres of its total capacity of 25,000 tyres every year. In end 1994, the company took over Premier Tyres, Kerala's oldest tyre manufacturing company with a capacity of 25,000 tyres per annum. The company plans to invest Rs 1 crore to modernise the Premier plant and increase its production capacity from

the present 45 tpd to 100 tpd over the next three years.

Total exports for the year under review amounted to Rs 84 crore against Rs 77 crore in the previous year. The company penetrated into new markets like Myanmar, Ghana, Brazil and Kenya while at the same time consolidating its market share in the US, Canada, Afghanistan, West Asia, Egypt, Philippines and Vietnam. To strengthen its position in the international market, the company has set up a wholly owned 100 per cent export oriented subsidiary, Apollo International, which in the long run seeks to build up the exports of other goods and services around the core business of tyres.

Making a foray into merchant banking, finance and leasing, the company has promoted Apollo Finance with an authorised capital of Rs 10 crore.

Capacity expansion at the company's plant at Limda and Perambra is on the anvil. Their combined capacity of 113 tonnes per day would be increased to 150 tonnes per day in the first phase of expansion and gradually to 200 tonnes per day in 1996-97. The company is setting up a 500 crore radial tyre plant in Maharashtra with an installed capacity to produce 18,00,000 tubes and 12,00,000 flaps per annum. The company is widening its operations overseas by setting up joint venture manufacturing units in Vietnam and Sri Lanka.

The company has been accredited with ISO 9001 for its entire range of brands, being the first Indian tyre company to do so. A research centre has been set up by the company at Baroda to meet stringent requirements at home and abroad.

PARASRAMPURIA SYNTHETICS

New Ventures

Parasrampur Synthetics is engaged in the manufacture of polyester, nylon and other filament yarns.

The company closed the financial year ended March 1995 with a sales turnover of Rs 322 crore, up by 83 per cent over Rs 175 recorded in the previous year. Total income of the company rose by 83 per cent from Rs 181 crore to Rs 331 crore. Interest costs rose by 19 per cent from Rs 29 crore to Rs 40 crore. Provision for depreciation increased from Rs 11 crore to Rs 14 crore, a rise of 30 per cent. The company closed the financial year with a net profit of Rs 26 crore, up by 41 per cent from Rs 18 crore in the previous year. A dividend of 27 per cent has been recommended by the directors.

The polycondensation plant achieved a production of 23,340 mt against 15,495 mt in the previous year. Production of filament

yarn stood at 15,693 mt compared to 13,990 mt in the previous year. The cotton spinning plant commenced commercial production in November 1993 and achieved full capacity utilisation in March 1995. Being 100 per cent export oriented, 5,354 metric tonnes of yarn was exported to UK, Philippines, Spain, Hongkong, Switzerland, Mauritius, Canada, Korea and Bangladesh. Of the total sales of Rs 60 crore, export sales accounted for Rs 31 crore. Paras Fab International, the 100 per cent export-oriented unit for the manufacture of terry towels, with an installed capacity 1500 mt per annum started commercial production in March 1995. Exports during the year stood at Rs 16 crore, up by 316 per cent from Rs 4 crore achieved in the previous year.

The company is entering the area of waterways transport. It plans to launch a speed boat ferry service connecting Bombay to Mandwa in neighbouring Raigad district from March 1996. The investment envisaged for this venture is to the tune of Rs 75 crore.

A foray into floriculture comprising cultivating cutflowers and roses has led the company to form Parasrampur Plantations Floriculture with Dalsem Kassenbow BV of Holland which will hold a 15 per cent stake in the Rs 20 crore project which is to come up at Nashik.

GODFREY PHILLIPS

Foray into Entertainment

Godfrey Phillips, a B K Modi group company and one of the largest cigarette manufacturers in the country, has shown improved results for the year ended March 1995. The company diversified into tea in 1987 with the launch of Tea City, but the diversification has proved to be minor in nature as tea does not contribute more than 4 per cent to the turnover of the company.

The company closed the financial year with net sales of Rs 306 crore, up by 17 per cent from Rs 262 crore recorded in the previous year. During the year under review, the company earned good returns from deployment of its funds in the bonds of public sector undertakings, preference shares and inter-corporate deposits. As a result other income rose from Rs 3 crore to Rs 6 crore. Total income accruing to the company rose from Rs 266 crore to Rs 309 crore. The company achieved a substantial reduction in interest costs as a result of the use of cost efficient funds besides efficient inventory management. Interest costs came down from Rs 11 crore to Rs 7 crore, a decline of 32 per cent. Provision for depreciation and tax rose by 5 and 6 per cent respectively. The company ended up with a net profit of Rs 13

Financial Indicators	Apollo Tyres		Parasrampur Synthetics		Godfrey Phillips	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	57691	54261	32150	17538	30638	26225
2 Value of production	53794	47142	32821	17674	30310	26265
3 Other Income	215	193	244	377	577	338
4 Total income	54009	47336	33062	18051	30887	26603
5 Raw materials/Stores and spares consumed	34423	29678	20851	8615	10775	9809
6 Other manufacturing expenses	1894	1849	1840	1273	5452	5009
7 Remuneration to employees	2881	2244	769	513	1555	1314
8 Other expenses	8037	6746	2105	1889	8146	7309
9 Operating profit	6779	6819	7197	5761	4959	3162
10 Interest	3305	3064	3432	2873	117	727
11 Gross profit	3487	3758	3973	2904	5019	2640
12 Depreciation	496	1811	1473	1093	174	194
13 Profit before tax	2991	1947	2551	1811	4845	2446
14 Tax provision	400	384	0	0	1948	1191
15 Profit after tax	2591	1563	2551	1811	2897	1255
16 Dividends	976	976	81	467	520	391
17 Retained profit	2591	587	1661	1344	2377	864
Liabilities/assets						
18 Paid up capital	2787	2787	4811	1909	1040	1040
19 Reserves and surplus	15108	14075	13564	7542	6377	4310
20 Long term loans	14732	14465	29573	22941	592	591
21 Short term loans	6533	3973	1531	1204	2589	2776
22 Of which bank borrowings	6221	2000	74	0	2493	1140
23 Gross fixed assets	31657	28939	39737	29979	3442	3248
Accumulated depreciation	11184	10676	5797	3879	1782	1638
25 Inventories	9806	6341	10381	6202	7166	7395
26 Total assets/liabilities	54501	46205	58853	37644	15876	13785
Miscellaneous items						
27 Excise duty	17094	15298	9651	7883	14592	40898
28 Gross value added	10303	9691	8457	6281	6980	5182
29 Total foreign exchange income	4856	7756	8155	1462	1862	1996
30 Total foreign exchange outgo	5434	10407	2793	6219	490	397
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	105.9	115.3	53.6	46.6	193.0	190.2
32 Sales to total net assets (%)	147.3	150.9	63.0	52.2	289.1	302.6
33 Gross value added to gross fixed assets (%)	32.6	33.5	21.0	21.0	202.8	159.5
34 Return on investment (gross profit to total assets) (%)	6.4	5.1	6.8	7.7	31.6	19.2
35 Gross profit to sales (gross margin) (%)	6.0	7.1	12.4	16.6	16.3	10.1
36 Operating profit to sales (%)	11.8	12.8	21.4	32.8	16.2	12.1
37 Profit before tax to sales (%)	5.2	3.7	7.9	10.3	15.8	9.3
38 Tax provision to profit before tax (%)	13.4	19.7	0.0	0.0	40.2	48.7
39 Profit after tax to net worth (return on equity) (%)	14.5	9.3	13.1	19.2	39.1	23.5
40 Dividend (%)	35.00	35.00	27.00	27.00	50.00	37.50
41 Earning per share (Rs)	9.30	5.61	0.0	0.0	27.86	12.06
42 Book value per share (Rs)	64.1	59.9	0.0	0.0	71.3	45.7
43 P/E ratio (based on latest and corresponding last year's price)	15.0	35.0	4.0	8.9	7.5	20.8
44 Debt equity ratio (adjusted for revaluation) (%)	82.4	86.7	151.7	242.7	8.0	12.4
45 Short term bank borrowings to inventories (%)	63.4	31.5	0.2	0.0	34.8	15.4
46 Sundry creditors to sundry debtors (%)	150.4	88.8	52.5	48.0	666.1	587.4
47 Total remuneration to employees to gross value added (%)	28.0	23.1	9.2	8.2	22.5	25.4
48 Total remuneration to employees to value of production (%)	5.4	4.8	2.3	2.9	5.1	5.0
49 Gross fixed assets formation (%)	9.4	-	32.5	-	6.0	-
50 Growth in inventories (%)	54.64	-	67.38	-	-3.10	-

crore, up by 14 per cent from Rs 11 crore achieved in the previous year. A dividend of 50 per cent has been recommended by the board of directors.

For the year under review, the company registered a growth of 7 per cent in volume terms against a drop of 8.8 per cent in the previous year. According to the company, all its brands are doing "reasonably well" in their respective markets. Sales rose to Rs 19.43 crore from Rs 16.83 crore, a rise of 15 percentage points. The sales network was extended in the state of Bihar, and the main towns in Madhya Pradesh and Rajasthan. For the current year, the company hopes to increase its market share and turnover consequent to a further expansion of distribution network in these states and also in northern India.

Export earnings for the year under review stood at Rs 19 crore against Rs 20 crore. Enforcement of strict legislation by the German authorities against high pesticide residue in Indian tea made a significant impact on the export earnings of the company. A positive side to the export performance was the test launching of the company's brand in Oman in August 1994 which were well received. The exports to Kazakhstan also increased so much so that out of the total exports turnover, Kazakhstan accounted for 70 per cent followed by Oman and Mongolia. The foreign exchange outgo on imports, dividends and other expenditure stood at Rs 1 crore against Rs 5 crore in the previous year.

The company has been accredited with the ISO 9000 accreditation for its quality system and operating procedures implemented in its factory in Bombay. Godfrey Phillips India is the first cigarette manufacturing company to be awarded the quality control certificate.

The company is planning to shift its production facilities from Andheri to Thane dictated by the need for expansion. The operation spread over the next five years involves an expenditure of Rs 50 crore. Plans for capacity expansion on the anvil included doubling of production capacity from 6,000 by the year 2000. The company has decided to invest Rs 40 crore for upgradation of the existing facilities at its Andheri factory and also in the other two factories located at Ghaziabad in Delhi and Guntur in Andhra Pradesh. The company will seek technical knowhow from Japan Tobacco Company. The company with a 16 per cent share in the branded cigarettes market has plans to increase its market share to 21 per cent in the next five years.

Making a foray into the entertainment business, the cigarette-maker has tied up with US-based sports TV company ESPN to launch a 24-hour sports channel. The company was also planning to promote theatre culture in India. For this, the company has tied up with the US-based film production company, United Artists.

Education and Women

On the Beijing Agenda

Sadhna Saxena

Although education was not among the most important issues on the agenda at Beijing, the several workshops and discussions in the NGO Forum drew attention to how structural adjustment programme and related state actions, often repressive, have a direct impact on the quality and the reach of initiatives in the field.

EDUCATION has always been considered an important sector of social action. Depriving disadvantaged sections of the right to education is denial of right to equal opportunity. The cause of disadvantage being of caste, class, gender or whatever else. Thus, expectedly, struggles for equality have to come to grips with the problem of analysing education system and to seek ways to intervene in it to make it more egalitarian and progressive. However, by and large even the most progressive education discourses are limited to the questions of curriculum, methodology, content, etc, sometimes totally obliterating the issue of minority, ethnicity, identity and of course class, caste and gender. Concern about women's education, in particular girl child's education, has yet to emerge as a primary concern of even women's movement. Interestingly, this has been acknowledged as a major agenda by the international funding organisations and policy pushers but their overriding perspective seems to stem from their worries regarding population explosion and fertility control rather than education for its intrinsic value in individual and social development.

Concern for education was not a high priority area even in Beijing although there were quite a few workshops on women's education during the Beijing NGO forum conference. The importance given to education could be gauged by looking at the same statistics – on the whole almost 4,000 workshops were organised during that short span of 10 days and on the first two days there were about 750 workshops. Out of these, only 20 were on education. However, groups such as Asia South Pacific Bureau of Adult Education (ASPBAE), International Council of Adult Education and various groups from Africa, Latin America, Philippines, etc, did make efforts to put this crucial issue on the agenda.

These groups organised workshops on themes such as empowering indigenous women through adult education, education of the women migrant workers, the role of popular education in advancing women's movement, women's education in south-east Asia, women and literacy, mainstreaming gender towards a gender inclusive culture through education, etc. Concern was also expressed about the increasing rate of school drop-outs – a major chunk being the girl students. I could attend six such workshops which dealt with the specific issues related to education. Although this limited experience only gives a glimpse of the discussions regarding the education scene in Beijing NGO forum meet still the issues raised at these meetings are of general significance.

It is important to understand education in the context of economic changes that the Asian region is undergoing which have serious social and political implications. People from many countries do realise and articulate the impact of these changes on education. For example, in the south and south-east Asian countries transnational migration of workers is emerging as an important issue. During the conference there were many sessions related to the problems of such migrations. And in most of these sessions on transnational and migration within the country, education was discussed as one of the key issues. Workers from Thailand, Malaysia, Philippines, Bangladesh, Japan, Singapore, etc, who have migrated from their respective countries to foreign lands spoke about their living conditions. Sometimes in choked voices they described their ghetto-type existence where they are totally isolated – culturally, linguistically and socially – from the people of the 'host' countries. They are neither protected by the law of the land nor by any international moral code. In all such workshops on migration education of migrant workers

emerged as an urgent need. Emphasis obviously was not on reading and writing alone but on political awareness and struggle.

Many third world countries are going through the process of structural adjustment and bearing the brunt of it the education scenario is also changing very fast. Expenditure on social sectors, especially on food subsidies, health and education is being drastically cut down. The state is withdrawing from the social sector rapidly. As a consequence of this, it is feared, more girls will be taken out of the education process. Some Latin American and African countries are already experiencing this. Hence in all such workshops on migration, displacement, impact of globalisation and structural adjustment, impact on education was raised and discussed as an important social issue.

Women's education workshops, especially women belonging to minority communities like the tribal women in India and indigenous women in developed countries, pointedly raised the social issues such as discrimination of the minorities by the state, negligence and insensitivity to their culture and language, marginalisation due to the development process leading to displacement, loss of work, loss of identity and impoverishment on a massive scale. Australian indigenous women, who did not even engage a translator, in their broken English, talked about their cultural alienation from the mainstream and lack of educational opportunities for themselves. Women from Madhya Pradesh, India, very effectively raised the issue of the total absence of the problems related to lives of the tribals and struggles of their survival from the literacy primers and textbooks. They stated that the tribal communities in different parts of India are facing the threat of extinction of their identities.

ADULT EDUCATION AND STATE REPRESSION

In a country like the Philippines, it was reported, there is a situation of civil war resulting in a further set-back to the education process in general and more so in case of women. The only option left for the people in such a situation is to work in smaller groups and build up alliances with democratic groups. And an activist from Indonesia said that under the repressive military regime, like the one in Indonesia, there is no space for women's movement. Since 1965, women's movement activists have either been killed or jailed. Gathering of more

than 10 people is banned unless permission is obtained from the police. So, the only way to work there is to work in groups of 10 or less. This is the size of an adult education class in Indonesia, if it is allowed to function at all. There is no popular women's movement in Indonesia. So, in Indonesia people try to work in education in the context of this kind of social reality and education in such a situation means to learn to challenge the state.

Surprisingly even in a country like Nicaragua special efforts for women's education were made not by the state but by the autonomous women's groups and faced stiff resistance from the government. It is due to the emergence/presence of such groups the government had to provide some space. Even the Sandinista government's reaction to women's education, which challenged the patriarchal values and the existing power relations and used feminist methodology, was negative. The speaker from Nicaragua said that understanding the process of one's own exploitation is important but equally important is it to become part of a political process to be able to have a say in the decision-making. This, she said, could be achieved only through a sustained process of women's education.

In these workshops on women's education it emerged that all education efforts are located in the existing socio-economic and political context. There is no point talking about women's education without taking this reality into consideration. In fact, it was stressed by many participants, including participants from India, that women's education remains a sterile subject if it fails to weave the socio-political realities and the struggles for survival into the content and process of education.

A lot of concern was expressed on the state of research in the field of adult education. Nicaragua is probably one country where the literacy crusade was backed by thorough research input. The tradition, as was reported during one of the meetings, still continues. Otherwise not much research work is done in the field of women's education although this is a strongly felt need. Such need was also emphasised by the representative of the UNESCO Institute of Adult Education. In fact she made a very relevant point that the content of the reading materials, especially the primers and the text books, needs to be looked into carefully. For, the low priority of research in adult education, she feels, results in the kind of gender insensitive literacy materials which is produced in bulk. She strongly urged that we ought pay attention to the content analysis of the literacy primers. This is a very significant point as in adult education and literacy work

understanding of the context and research is pushed under the carpet and the whole education process has literally been reduced to a pathetic attempt at transference of reading and writing skills. And due to this limited understanding of education in general and women's education in particular, where the emphasis is on issue-based transference of information, most important being family planning, education has become a stagnant field. There were African women's groups which were trying to elicit more information on the content, curriculum and the administrative and political process since they thought that theirs are the only countries which are not working in these crucial areas. They were surprised to learn that these are the neglected areas even in countries which are boasting of successful literacy programmes. A very rosy and one-sided picture of India's government-run literacy programme, romanticising the role of 'unpaid volunteers', was presented by some of the Indian speakers. The trouble with such a presentation was that it gave a general feeling that Indians have such a naive understanding of education. Due to the painful experiences of the Asian and other third world countries, as stated above, there was a lot of emphasis on understanding the process of exploitation and seeing the education in that wider context. Lack of preparation to present an analytical and objective assessment by the Indian speakers left a lot unsaid which could have been a source of enrichment to the women's education discourse.

There were not many meetings, sessions or workshops dealing with specific problems and issues related to girls' education, that is, education of the girl child and young girls within the formal system (schools) and outside of it. However, a workshop organised by Mill's College, California, the US, on 'Equity, Science and Math Education - Innovative Curricula' was different and refreshing. The point of debate was: do women and girls learn differently than males? Does their pace differ? Do they have different cognitive abilities? It was, however, clarified that the different pace or the difference in learning process *per se* does not imply inferior capabilities but differences exist and the present school curriculum does not take these into consideration and hence girls are put at a disadvantage. A few research studies were quoted by the scientist of Mill's College to substantiate this point. However, the participants, other scientists, college and university level teachers were not convinced. It was pointed out that probably such a general conclusion that women and girls learn differently cannot be drawn. Two experiences quoted from India, showed that the existing social conditions are not in

favour of girls education and this bias affects their self-confidence and self-esteem which in turn hinders the learning process. They are married off at a very young age and expertise in handling domestic responsibilities considered more important than schooling. These are external factors rooted in the structure of the society. They do not show any kind of inherent differences in learning process between boys and girls. It is more to do with the socialisation process. Even the most sensitive and innovative groups engaged in science and social science education fail to address the special needs of the girl students. Their names, their pictures, their worldviews and perceptions, references to girl students and their women teachers is invariably missing from the books and the teacher's guides. Given the kind of resource constraint and patriarchal social structure we have in India, it was pointed out that investing in girl child's education, especially in science and technical education, is considered a wasteful exercise and this bias leads to dangerous conclusion of the type that girls are not capable of learning subjects such as higher maths and science. Considering this social ambience, a question was raised, should not the issue of difference in learning be seen in the context of the social reality of women? Isn't this a more important reason for the backwardness of the girl students? Doesn't the learning process depend on this and within these constraints the kind of space available to the girls and the niche girls are able to carve out for themselves?

And finally, in one of the workshops it was firmly stated that education is a site of conflicts. There are conflicting values, ideologies, worldviews, etc, which influence the process of education in different ways. If the issues related to curriculum, research, methodology, language, culture, social realities, etc, are not thrashed out in the context of education the danger of the imposition of the dominant worldview looms large which is presently reflected in the textbooks and primers world over. This worldview emphasises fragmented, issue-based women and girl child's education, for example, imparting information on population explosion and fertility control in the name of fertility awareness and women and child's development. While not undermining the importance of fertility awareness from women's perspective a more holistic concept of women's education emerged as an important need. It was feared that in the absence of such a concept, education for its intrinsic value would remain a distant goal and a diffused dream.

Drug Prices: Sharp Rise after Decontrol

Wishvas Rane

The sharp rise in drug prices has been facilitated by the new policy adopted by the government on drug pricing

UNDER the 1995 DPCO, drug units are entitled for 18 per cent post-tax return on net worth if bulk drugs are manufactured from the basic stages as against 16 per cent in the 1987 DPCO. This rise the drug manufacturers can claim justifiably. The bulk drug units making 6 APA and 7 ADCA intermediates for synthetic penicillin will now have to source penicillin from local manufacturers to the extent of 70 per cent of their requirement. This government policy shows a clear shift in favour of domestic penicillin G manufacturers. An inevitable outcome of this is likely to be a price increase of semi-synthetic penicillins like ampicillin, amoxycillin and cephalexin.

The drug industry and trade had come to an agreement to increase the trade margins for decontrolled drugs in phases starting from July 1. The government has decontrolled a total of 67 bulk drugs and their formulations under DPCO 1995 and chemists are entitled to a higher margin for these products. The agreement provides for a 12 per cent increase in trade margins at 18 per cent to retailers from July 1 for all formulations of drugs which are outside the price control under DPCO 1995. The wholesale trade will get a margin of 9 per cent for the decontrolled drugs. A further 2 per cent increase in the retail trade margin and a 1 per cent hike in wholesale margin will be effected from January 1996 in the second phase. With these increases the retail margin will be 20 per cent and wholesalers' margin will be 10 per cent for all decontrolled drugs. This makes a total of 30 per cent for drug retailing and wholeselling.

According to a comment in *Express Pharma Pulse* (June 29, 1995), "A 30 to 40 per cent rise in the prices of most of the decontrolled drugs is expected from July 1995 with the agreement between the drug industry associations and pharmaceutical trade to hike trade margins taking effect. A further 60 per cent increase in prices of these drugs is likely from next year. An estimated Rs 25 crore is expected to be collected by the All India Organisations of Chemists and Druggists (AIOCD) from the drug units." In short the drug industry and the trade decide amongst themselves how much should

be extracted from the consumers, and the government takes the position of a silent spectator.

Normally 10 per cent free scheme is offered by many drug companies throughout the year but Table 1 shows the additional free schemes offered.

From Table 2 we find that the prices of nearly 20 per cent of the products and 28 per cent of the products and packs have gone up. The break up of the price rise shows that 11.17 per cent have shown a rise of less than 10 per cent, 5.32 per cent a rise of 10 to 20 per cent, 3.83 per cent a rise of 20 to 30 per cent, 2.30 per cent a rise of 30 to 40 per cent and 1.28 per cent a rise of 40 to 50 per cent. But strangely enough 3.80 per cent show a rise of over 50 per cent. Some of this rise may be of bigger packings. This has been the usual practice of the drug companies to increase the prices of different packings of products at different times. (See Appendix

Table for full list of products which have registered a price rise over December 1994 prices in September 1995.)

Over 100 per cent rise is recorded in 41 products and 11 of these are ophthalmic products of Bell Pharma. The top position is taken by Gesticaine, a local anaesthetic of S G Pharma with a rise of 221 per cent and followed by Glucagon (for hypoglycemic attack) 100 per cent, Hematine (iron preparation) Sandoz 148 per cent, Daktacort (antifungal) Ethnor 147 per cent, Epsolin (anticonvulsant) Cadila 145 per cent, Depsonil (antidepressant) S G Ph 144 per cent, Septopal (antibiotic) Merck 139 per cent, Nutrisan (nutrition supplement), Sandoz 121 per cent, Alludrox Gel (antacid), Wyeth 114 per cent, Myambutol (antitubercular), Cyanamide 114 per cent, Corex (cough mixture) Pfizer 108 per cent, Testanol 25 (hormone) Inlar 108 per cent, Lanoxin (cardiac drug), B Wellcome 105 per cent, Dilantin (anticonvulsant), Parke Davis 105 per cent and Enderine (nasal decongestant) Wyeth 104 per cent.

Ten products show a rise between 90 and 100 per cent, 7 products between 80 and 90 per cent, 17 products between 70 and 80 per cent, 10 products between 60 and 70 per cent and 33 products between 50 and 60 per cent. In this group the most commonly used products are Arovit (vitamin), Neosporin (skin ointment), Incidal (antiallergic), Zet (cough mixture) Phenatal

TABLE 1 FREE SCHEMES

Manufacturer	Brand Name	Scheme	Per Cent Free
Amazon	Coldin Tab	10 + 6	60
	Zolgin Tab	10 + 5	50
	Ibunova Tab	10 + 6	60
	Eldopar Cap	10 + 5	50
Brown and Burk Micro Labs	Renitab 150	10 + 1	60
	Microflox 250/500	10 + 4	40
	Microdine Oint	10 + 5	50
	Centamycin 10 ml	7 + 5	71.43
Plethico Mac Labs	Genman 2 ml	10 + 5	50

TABLE 2 PRODUCTWISE PRICE RISE

Category System	No of Products Showing Per Cent Price Rise of						
	0-10	10-20	20-30	30-40	40-50	Over 50	
Alimentary	28	10	4	1	2	2	
Cardiovascular	27	23	12	10	3	9	
Central nervous	49	30	11	13	4	20	
Musculo skeletal	17	5	7	4	6	3	
Hormones	31	13	13	4	2	9	
Genito urinary	13	9	6	1	2	3	
Infections	110	22	22	12	5	17	
Nutrition	65	29	19	12	7	18	
Respiratory	20	12	9	5		9	
Ear Nose-Throat	1	5	2	2	2	6	
Eye	10	6	4	3	5	17	
Allergic	4	2	4	3	4	2	
Skin	27	12	15	11	2	11	
Others	1	14	10	2	2	11	
Total Products (3607)	403	192	138	83	46	137	
Per cent	11.17	5.32	3.83	2.30	1.28	3.80	

(nutritional supplement), Gardinal (anticonvulsant), Sodium antimony gluconate (for Kala azar), Algipan (pain balm), Xyllocaine (anaesthetic), Escorlin (nasal drops), Diabinese (diabetes), Paraxin (antibiotic), Nebasulph (antiseptic), Triaminic (cough mixture), Arovit (vitamin). Pfizer has hiked the price of its tetracycline by going generic. The price of Gardinal, the most effective and the cheapest of anticonvulsants, has gone up by 50 per cent.

In June 1993, the prices were marginally reduced, but were increased in December 1993 reaching a maximum by June 1995. The comparative figures presented here are from *Monthly Index of Medical Specialities (MIMS)* December 1993 to September 1995: 5.32 per cent of the products have shown marginal decline in prices and the maximum decline is for norfloxacin, ciprofloxacin, lamotidine, omeprazol, rifampicin, etc. The real price rise began from June 1995 and henceforth more and more products will raise the prices.

In September 1994, the government of India, ministry of chemicals and fertilisers, department of chemicals and petrochemicals announced modifications in the Drug Policy, 1986. Under clause 22.7.2(iv) 'Span of Control' it says "Government will keep a close watch on the prices of medicines which are taken out of price control. In case, the prices of these medicines rise unreasonably, the government would take appropriate measures, including re-clamping of price control." Now that 67 drugs have been decontrolled, it becomes the responsibility of voluntary organisations to keep track of price rise and force the government to take appropriate action.

Under clause 22.7.3 'Ceiling Prices' it says "Ceiling prices would be fixed for commonly marketed standard pack sizes of price-controlled formulations and it would be obligatory for all, including small scale units, to follow the price so fixed." Now in this category we will look at the prices of two most commonly used drugs, paracetamol and aspirin. The ceiling prices fixed and notified by the government of India under DPCO 1987 and continued to be in operation under DPCO 1995 are as follows (Order No 672(E), September 14, 1992)

Paracetamol 500 mg/tab strip (10 T) @ Rs 2.74; 125 mg/5 ml syrup (60 ml) @ Rs 7.04; 150 mg/ml drops (15 ml) @ Rs 6.58.

The actual prices prevalent today are. Calpol (Burroughs Wellcome) 500 mg tab (10 T) Rs 4.12 +50.36 per cent; 125 mg/5 ml (60 ml) Rs 11.67 +65.77 per cent. Crocin (Duphar) 500 mg tab (10 T) Rs 3.98 + 45.26 per cent; 125 mg/5 ml syrup (60 ml) Rs 10.78 +53.13 per cent; 150 mg/ml drops (15 ml) Rs 7.34 +11.55 per cent. Metacin (Themis) 500 mg tab (10 T) Rs 3.13

APPENDIX TABLE: PRODUCTS SHOWING PRICE RISE MORE THAN 50 PER CENT

Product	Company	Packing	Rate on		Per Cent Rise
			December 1993	September 1995	
Gesicaine (1 per cent)	S G Pharma	30 ml	3.48	11.17	220.98
Fristina	MAC	110 ml	6.10	19.52	220.00
Kenalog S	Sarabhai	2.5 gm	2.53	8.03	217.39
Oioflour	Bell Pharma	10 T	4.00	12.00	200.00
Glucagon	Torrent	vial	114.98	330.00	187.01
Stadined Entrozyme	Stadmed	45 ml	7.51	21.30	183.61
Mycoderm	FDC	100 gm	15.25	22.40	181.67
Fungizone IV	Sarabhai	50 mg	55.51	150.00	170.22
Midarine	Burroughs Wellcome	2 ml	3.42	6.93	181.58
Bell Hoinatropine (2 per cent)	Bell Pharma	10 ml	5.62	14.90	165.12
Capsovit forte	Pharmed	30 C	9.20	24.00	160.85
Mac Soralen	Mac	15 ml	6.80	17.66	159.71
Walavin FL	Wallace	10 T	8.80	22.77	158.75
Bell Duono Resolvant	Bell	3 gm	5.90	15.00	154.24
Bell Resolvant	Bell	3 gm	5.05	12.80	153.47
Hematrine	Sandoz	40 C	16.16	40.00	147.52
Daktacort	Ethnor	5 gm	7.93	19.60	147.16
Epsolin	Cadila	2 ml	1.01	2.47	144.57
Depsont PM	S G Pharma	10 C	6.58	16.05	143.92
Bell Homa (1 per cent)		10 ml	4.20	10.15	141.67
Septopal	Merck		1534.41	3672.46	139.32
Algipan	Wyeth	20 gm	7.43	17.70	138.22
Broacil dry syp	IDPL	40 ml	9.61	22.61	135.28
Copamide	Dey's	10 T	1.73	4.00	131.21
Capto Motie (2 per cent)	Bell	10 ml	13.80	31.80	130.43
Marax Unimed		20 T	12.83	28.81	124.55
Nutrisan	Sandoz	30 C	13.55	30.00	121.46
Bellpino Artina	Bell	5 ml	4.65	10.00	115.05
Alludrox Gel	Wyeth	350 ml	13.49	28.93	114.46
Myambutol	Cyanamide 400 mg	10 T	5.92	12.64	113.51
Gesicaine (1 per cent)	S G Pharma	30 ml	4.16	8.83	113.23
Bionotic	Bell	10 ml	18.80	40.00	112.77
Trivision	Bell	10 ml	4.70	10.00	112.77
Corex	Pfizer	60 ml	9.39	19.55	108.20
Testanon 25	Infai	1 ml	5.00	10.40	108.00
Lanoxin	Burroughs Wellcome	10 T	1.95	4.00	105.13
Dilantin	Parke Davis	100 T	21.65	44.41	105.13
Albucac	Cadila	50 ml	695.00	1420.00	104.13
Endrine	Wyeth	30 ml	9.42	19.22	104.03
Phicort	Bell	5 ml	6.25	12.75	104.00
Citravite	Pharmed	10 T	6.90	14.00	102.90
Thromycin	IDPL	45 ml	9.68	19.25	98.86
Kinetone	Boots	300 ml	211.14	42.00	98.68
Calmod	IDPL 5 mg	10 T	3.35	6.65	98.51
Lanxin	Burroughs Wellcome	2 ml	2.70	5.31	96.67
Arovit	Roche drops	7.5 ml	10.76	21.15	96.56
Zinco Sulpha	Bell	10 ml	5.09	10.00	96.46
Neosporin Skin	Burroughs Wellcome	20 mg	11.86	22.94	93.42
Ridinox	Bell	10 ml	5.20	10.00	92.31
Lorvas	Torrent	10 T	11.70	22.50	92.31
Pupilleto Forte	Bell	5 ml	5.00	9.50	90.00
Incidal	Bayer	10 T	2.91	5.50	89.00
Vanniyetin	Opticaps	100	15.01	28.29	88.47
Zeet	Alembic	110 ml	10.44	19.58	87.55
Prenatal	Cyanamide	150 C	36.43	67.99	86.63
Gardinal	Rhone Poulenc	2 ml	6.80	12.69	86.63
Betonin	Boots	450 ml	23.19	43.17	86.16
Licab	Torrent 300 mg	10 T	5.90	10.90	84.75
Sodium Antimony Gluconate	Alb Dav	30 ml	43.75	78.65	79.77
Oncitral	Pharm Research	450 ml	30.65	55.00	79.45
Algipan	Wyeth	40 g	14.25	25.50	78.95
Bronkorab 4	Biddle Sawyer	10 T	2.93	5.18	76.79
Xyllocaine (2 per cent)	Astra IDL	30 ml	7.30	9.05	76.76
Hemocid	Biddle Sawyer	20 ml	32.00	56.36	76.13
Benocide	Burroughs Wellcome	10 T	11.18	2.01	75.42

(Continued)

APPENDIX TABLE: PRODUCTS SHOWING PRICE RISE MORE THAN 50 PER CENT (Continued)

Product	Company	Packing	Rate on		Per Cent Rise
			December 1993	September 1995	
Elcorlin	Glaxo	15 ml	4.82	8.40	74.27
Hexavit	IDPL	500 T	64.00	111.53	74.24
Bidurate-L	Croydon	10 T	3.90	6.71	73.59
Methazil	Bell	10 ml	6.35	8.50	73.47
Dhabinase (100 mg)	Pfizer	10 T	2.66	4.60	72.93
Crotorax HC	S G Pharma	10 g	7.45	12.84	72.35
Paraxin (250 mg)	Boehringer-M	10 C	11.67	20.00	71.38
Depsomil forte	S G Pharma	10 T	3.13	5.35	70.93
Nehas sulph powder	Pfizer	10 g	7.46	12.71	70.38
Beetron	Francho Indian	10 T	4.06	6.91	70.20
Triaminic	Wander	10 T	6.22	10.55	69.61
Kenacomb	Sarabhai	5 g	4.46	7.56	69.51
Sarotena	CFL Pharma	10 T	3.25	5.41	66.46
Arovit	Roche	10 T	6.72	11.11	65.33
Catobell	Bell	10 ml	6.10	10.00	63.93
Brexie	Wockhardt	6 C	4.50	7.32	62.67
Dexona	Cadila	5 ml	40.71	65.44	50.75
Salimex	IDPL	10 T	1.68	2.70	60.71
Maxmox	Max	10 ml	8.25	13.24	60.48
Perlocyn	Bell	5 ml	6.55	10.50	60.31
Terramycin (generic)	Pfizer	4 C	3.82	6.11	59.95
Nebasulph skin	Omni protec	15 G	9.44	15.07	59.64
Hexidol plus	Torrent	10 T	11.91	18.90	58.69
Derobin	Glaxo	25 g	11.39	18.07	58.65
Altol	Indoco	10 T	10.61	16.80	58.34
Glynase	USV	10 T	5.50	8.69	58.00
Oxytetracyclin skin	Pfizer	5 g	5.07	8.01	57.99
Harnycin vag (6 ovules)	HAL		10.00	15.76	57.60
Tavist	Wander	50 ml	20.77	32.67	57.29
Sedonal	East India	12 T	2.61	4.09	56.70
Gravol	Wallace	10 T	6.35	9.95	56.69
Depsomil DZ	Burroughs Wellcome	10 T	3.08	4.82	56.49
Kay-Ciel	Stadmed	228 ml	15.01	23.50	56.56
Hycibex	Pharmed	110 ml	9.07	14.12	56.45
Lynoral	Infar	10 T	6.00	9.35	55.83
Testanon-50	Infar	1 ml	12.00	18.70	55.83
Calpol	Burroughs Wellcome	60 ml	7.49	11.67	55.81
Wockadine	Wockhardt	500 ml	122.45	189.48	54.74
Arachitol (3 pack)	Duphar	3x1 ml	8.00	12.36	54.50
Sarotena	CFL Pharma	10 T	6.25	9.65	54.40
Aquasol	USV	30 C	23.05	35.50	54.01
Subamycin	Dey's	10 C	7.60	11.69	53.82
Tonoleron	East India	450 ml	27.41	41.94	53.01
PZA	Ciba	10 T	17.12	23.10	52.45
Paracin	Stadmed	60 ml	5.25	8.00	52.38
Dexosyn ZN	Bell	5 ml	5.29	8.05	52.17
Eptoin	Boots	100 T	27.85	42.25	51.71
Gardinal (60 ml)	Rhone Poulenc	10 T	3.28	4.97	51.52
Gardinal (30 ml)	Rhone Poulenc	10 T	2.39	3.62	51.46
Synertab	Pharmed	10 T	6.48	9.80	51.23
Astelong	Torrent	60 ml	15.83	23.90	50.78
Neosporin	Burroughs Wellcome	10 ml	8.90	12.97	50.81
Arlidin	USV	10 T	8.36	12.60	50.72

+14.23 per cent; 125 mg/5 ml syrup (60 ml) Rs 8.21 +16.62 per cent, 150 mg/ml drops (15 ml) Rs 7.42 +12.77 per cent (Metacin prices have not gone up yet).

The popular brands of paracetamol prices are 65.77 to 11.55 per cent more than the ceiling price fixed by the government. The price of Calpol tablet has gone up by 40 per cent and syrup by 56 per cent and Crocin tablet has gone up by 35 per cent and syrup by 31 per cent.

Another way of circumventing the rules

and regulations is to make drug combinations.

One such example is Fortagesic of Win-Medicare. It contains paracetamol 500 mg and pentazocin 15 mg per tablet. Fortwin 25 mg pentazocin costs Rs 2.73 per tablet and Crocin 500 mg paracetamol tablets costs Rs 0.40. So 500 mg paracetamol and 25 mg pentazocin should cost Rs 3.13. But Fortagesic with 15 mg pentazocin and 500 mg paracetamol costs Rs 4.95 per tablet. Similarly Win-Medicare has another overpriced combination product of

paracetamol 450 mg + chlormezanone 100 mg costing Rs 2.50 per tablet.

The ceiling price of aspirin formulation (per order No 12(I) of January 4, 1988) is as follows. Aspirin 300 mg/tablet strip (10 tabs) @ Rs 0.64. Actual prices are as follows (for 10 tablet strips): Apidin (IDPL) Aspirin 200 mg +++ (10 T) Rs 2.42, Colsprin (Reckits) Aspirin 325 mg (10 T) Rs 1.92, Disprin (Reckits) 350 mg +++ (10 T) Rs 2.00, Micropyrin (Nicholas) 350 mg + (10 T) Rs 2.37, and Winsprin (Win-Medicare) 324 mg (10 T) Rs 3.73.

The brand prices are more than the ceiling prices from 483 per cent to 200 per cent. Besides none of these products conform to the standard formulation of 300 mg aspirin. This shows the inefficiency of FDA in allowing irrational formulations.

To top all this the drug companies have marketed small dose aspirin as anti-coagulants for prophylaxis in cases of increased risks of blood clotting. The government notified ceiling price of 300 mg aspirin/tab (10 T) is Rs 0.64, ASA 50 (German Remedies) 50 mg aspirin/tab (10 T), 6; and Aspirin (Concept) 80 mg aspirin/tab (10 T), 2.20. How can the government allow 9.38 times (938 per cent) the ceiling price to ASA 50 and a price rise of 24.08 percent as well? If we can compare all the ceiling prices and find wide discrepancies this can be reported to the government.

Most of the expectorants (Benadryl, Brozedex, Cinaryl, Corex, Deacos, Luphist, Mit's linetus, Protussa plus, Solvin, Soothex, Sovental, Triaminic, Tristina, Zedex and Zect) show increase in price, ranging from 20 per cent to 220 per cent. Likewise vitamin formulations (Aquasol-A, Arachitol, Arovit, Becosules, Beetron, Beplex, Betonin, Bivmal forte, Citravite, Cobadex forte, Hexavit, Hovite, Hycibex, Macroberin, Pedic, Polyhion, Stresscaps, Sukcee, Viseneral, Vitneuron, etc); minerals (Calcium-Sandoz, Cital, Citarka, Coslyte, Electral, Electrobiob, Filhion, Macalvit, Nutrisan, Ostocalcium, etc); iron preparations (Dexorange plus, Feron, Fessovite, Hematrine, Hepatoglobin, Imleion, Phosphomin, Tonoferon, etc); and nutritional products (Bayer's tonic, Hemiphos, Kinetone, Livogen, Neogadine elixir, etc) show rise in price.

In the antituberculous products, the prices of ethambutol, and pyrazinamide have gone up. Among antibiotics tetracycline and chloramphenicol rates have gone up. Prices of hormones have consistently been raised and this time, we see the price of Aquaviron (without B12) has gone up by 41.36 per cent, Lynoral by 56 per cent, Orgalutin by 47 per cent and Testanon by 108 per cent. Most of the anticonvulsants like Dilantin, Epilex,

Epsolin, Eptoin, Garoin, Mysolin, Valparan alkalets, and Gardinal have also shown a price rise. Prices of sedatives and antidepressants continue to rise.

Some of the newer entrants in the drug industry have become intelligent enough to market only tablets – so that capital investment is less or one can get the tablets compounded on a loan licence – for vague indications, where doctors cannot complain that there are no results, and at very high prices so that there is no need to ask for an increase in rates. One such example is Serdia which has introduced the following products.

Rates (Rs)

Conversyl (antihypertensive) 10 T	201.47 (1 od)
Daflon-500 (cardiac) 10 T	158.64 (1 bd)

Diamicon (antidiabetic) 10 T	90.40 (1 bd)
Flavedon-20 (cardiac) 10 T	90.40 (1 tds)
Isomeride (antiobesity) 10 C	88.81 (1 bd)
Natrilix (antihypertensive) 10 T	37.10 (1 od)
Ponderax (antiobesity) 10 C	77.22 (1 od)
Survector (antidepressant) 10 T	119.96 (1 bd)
Trivastal LA (anti-parkinson) 10 T	141.55 (1-4 d)

(Od is once daily; bd is twice daily; and tds thrice daily.)

Are such high introductory rates for such products justified?

Plight of Child Labourers

Pankaj

Though immediate intervention to alleviate the misery of child labourers is necessary, any attempt to render them jobless is equally uncalled for.

DELHI, where maximum number of organisations work for the welfare of child labourers and where laws for abolishing child labour throughout the country are formulated, has 18 per cent of its 25 lakh child population employed in various types of physical labour.

A report by the UNICEF says, the working conditions for child labourers are harsh in India. About 45,000 children work for almost ten hours a day in the various industries. In Delhi, a majority of the child labour is engaged as domestic servants. Vehicle repair shops and garages employ a sizeable number of the child labourers. Children can also be found working in dhabs, tea stalls and in small hotels to a large extent.

In UP, carpets industries in Mirzapur and Bhadoi and glass industry of Firozabad, and various other industries have 7-8 million child labourers. UP accounts for 20 per cent of the entire child labour force in the country. It is shameful that after 47 years of independence India has more than 5.5 crore child labourers. No serious attempt has been made to liberate them except the Child Labour (Prohibition and Regulation) Act, 1986 and the Factories Act in 1948.

According to the Centre of Concern for the Child Labour, at present 10,000

children are engaged in rag picking in Delhi, with last 15 years registering a rapid increase in their presence. The centre also mentions that girls constitute 30 per cent of the child labour. A large number of child labourers live on streets and this makes them more vulnerable to sexual and drug abuse.

A few months ago India found herself in an embarrassing situation when Germany refused to attend an international conference of carpet manufacturers organised by India on the grounds that the Indian carpets were made by the children. To abolish child labour, the European Community has passed the social clause to apply selective import restrictions on the countries who are denying minimum labour standard to their workers. The Indian carpet industry, which has a turnover of approximately Rs 1,400 crore, will suffer.

In Mirzapur-Bhadoi carpet belt 40 per cent of the carpet weavers are children below 14 years. Knitting, weaving and pre-processing in these carpet industries adversely affect their back and their eye sight and in a very short period they lose their fingers. Another 10,000 children work in the lock industry of Aligarh where they slog for 12-15 hours in dim light and amidst highly poisonous chemicals which make them prone to asthma and various skin

problems. It has been estimated that 45,000 children below 15 years are engaged in brass industries in Moradabad and 50,000 children in the bangle industries of Firozabad. In Lucknow, zari industry employs at least 45,000 children. Child labour is a feature of almost all the states. In diamond cutting and polishing industry of Surat at least 50,000 children do drilling and polishing in highly polluted environment for long hours which exposes them to several health hazards due to lack of basic facilities at the workplace.

The world conference in Vienna in 1994 recognised the important role the governments can play in improving the lot of children. It urged nations to mobilise maximum resources to reduce child mortality rate and provide nutritious food to all children. Unfortunately, no political party ever took to abolish child labour as children do not constitute vote banks. According to South Asian Coalition on Child Servitude, only voluntary organisations are doing the work of emancipating child labour. Non-government organisations can more effectively implement policies for revival protection and development of children. But most of the NGOs end up rendering the child labourers unemployed.

The NGOs always demand high priority to be given to the literacy of these children. Now, how can a child afford education after giving up his low waged job? If he goes to school he has to spend on his studies, while working not only was he earning but also contributing to family income.

Child labourers are paid low wages ranging from one-third to one-half of that paid to adult labourers, even if the output of the former is more. Some demand equal wages for child labourers. But laws hardly transform the society. Last year (till June 1994) 309 child labourers were 'released'. But now it has become a common feature to find one lot of child labourers being 'released' only to be replaced by other group of children. The inspectors upon whom lies the responsibility to enforce laws are often bribed by the employers. Of course, industrialists who exploit child labour on a large scale and get high profits, will not pay enough to the children till government exerts pressure.

Child labour is common in developing countries like Nepal, India, Pakistan and Turkey, etc. In these countries poverty and child exploitation go hand in hand. Instead of industrialisation which deprives the children of income earning opportunities, schemes for poverty alleviation and rehabilitation of child labourers are a better alternative.

Muslim Women's Voices

Expanding Gender Justice under Muslim Law

Sabeeha Bano

An opinion survey among Muslim women in a section of Delhi indicates that while the enactment of a Uniform Civil Code is a difficult proposition, the objectives sought to be promoted through the enactment can be achieved equally well by a process of reform of personal laws through the internal initiatives of different communities.

EVEN though there has been a spate of research on women in India since the UN declared the International Women's Year two decades ago, little corresponding research exists in respect of Muslim women in India. The few studies that have appeared during the last two decades have been undertaken either with the commonly prevalent prejudice against Muslims in mind or were otherwise methodologically deficient in that they employed indices of measurement of women's status which had little relevance to the realities of their existence within the Indian environment. Therefore, studies on Muslim women are called for if a realistic assessment of the issues of concern to them and their community is to be formed.

Since little empirical research exists on Muslim women, the impression somehow exists that they have no voice and no feelings about the issues which concern them. This is particularly the case when it comes to the issue of gender justice. On this important issue, which has been highlighted time and again during the past several decades through the demand for enactment of a Uniform Civil Code applicable to all Indians, the debate has usually taken place among men. Even when women have raised the issue, their reasons for demanding a Uniform Civil Code have been taken over by men and equally, contested by men. What are women's sensibilities on this question has never appeared on the surface, and this has distorted an understanding of the problem in proper perspective.

Enactment of a Uniform Civil Code enjoined upon the state in terms of Article 44 of the Directive Principles of State Policy in the Constitution of India has proved to be an extremely contentious issue. The protagonists of the Uniform Civil Code do not as a whole belong to a common category in terms of the arguments which they use in order to buttress their demand for enactment of a Uniform Civil Code. Among them, there are a good many people who are strongly committed to democratic and liberal values and feel that the concept of a common citizenship enshrined in the Indian Constitution demands that there should also be a common law for all citizens. Others are motivated by very narrow nationalist or chauvinist ideas to demand a common civil code for all Indians. For them, a Uniform

Civil Code is a necessary condition for the promotion of a strong national feeling. Others still demand a Uniform Civil Code because they feel that the personal laws of the different communities, including Muslim Personal Law, are gender unjust, and gender justice may be easier to ensure through a Uniform Civil Code. On the other hand, those opposing the enactment of a Uniform Civil Code have couched their arguments in the democratic right of cultural minorities to continue to follow their distinct cultural traditions and personal laws.

This is not an appropriate place to undertake an examination of the rationale of the different arguments advanced to demand or oppose the enactment of a Uniform Civil Code. It is sufficient to indicate that the manner in which the debate on this controversial question has gone on, there has emerged a fair degree of consensus that enactment of a Uniform Civil Code in the present situation is not going to be easy. For one thing, the legal diversity which exists in this country is far too complex and bewildering and any attempt to force uniformity of legal practice will be generative of a great deal of social strife. Secondly, there also exists diversity with respect to jurisprudence or what might be considered the philosophy of law. Enactment of a Uniform Civil Code will entail reconciling these different principles of jurisprudence which is not going to be easy. Finally, personal laws of several tribal communities are sanctified by the Constitution and overruling them can lead to constitutional difficulties.

On the whole, consensus among large sections of opinion, except some hardcore liberals and nationalists, is tending towards the position that enactment of a Uniform Civil Code is not possible, but the question of ensuring gender justice remains. This should be ensured through the different communities taking the initiative on their own to reform their personal laws to give effect to considerations of gender justice without coercion from the state or any other agency. Such reform is also called for in the face of the emerging tension between the constitutional civil law as it has developed through the decisions of the Supreme Court and the personal laws of the different

communities. If the final enactment of a Uniform Civil Code is not to be made an eventual contingency in the face of the growing chasm between the constitutional law and the provisions of the personal laws, internal reform through rationalising the personal laws would appear to be a good strategy for those groups and communities which do not want to submit under pressure of either the liberals or the Hindu chauvinists to the tyranny of a Uniform Civil Code.

Our aim here is to articulate Muslim women's voice on this question by focusing on the response offered by women respondents on aspects of social practice and law which are the core of the issue of gender justice and the principal reason for the demand of a Uniform Civil Code on the part of those who feel that gender justice cannot be assured under traditional personal laws of the different communities in general and Muslim Personal Law in particular. Our analysis is based on the assumption that eventually consensus on the question of internal reform would be a suitable strategy to withstand pressure for the enactment of a Uniform Civil Code and in the process of that reform what Muslim women themselves think should be of critical relevance.

The data presented here was collected from a sample of 200 respondents drawn from the Muslim localities in and around the Jamia Millia Islamia in Delhi as part of a larger study designed to find out women's understanding of the Koranic and Muslim Personal Law provisions relating to divorce, marriage and inheritance, etc. From this study, we have isolated a set of questions for this discussion. Of the total respondents covered by this study, 194 (97 per cent) were Sunnis and 6 (3 per cent) were Shias. Most of them belong to the Ashraf category of social groups such as Saiyed, Pathan and Sheikh. The Saiyed women account for 30 (15 per cent), Khan for 37 (18 per cent), and Sheikh for 72 (36 per cent). Others belonged to intermediate or lower social groups of Muslims: Ansaris account for 15 (6 per cent), Sulaimani, Saifi and Dhobi for 22 (11 per cent), and Meo for 5 (3 per cent). The large majority of them, 142 (71 per cent) were between 26 and 45 years old, 28 (14 per cent) were below 25 years of age and 30 per cent (15 per cent) were above 46 years of age.

In terms of educational background, 37 (19 per cent) were informally educated, 125 (63 per cent) had received formal education and 38 (19 per cent) were illiterate. Of the formally educated respondents, 15 (8 per cent) were educated up to the fifth standard, 40 (20 per cent) were educated up to sixth to 12th standard, and 70 (35 per cent) were educated up to the degree level. Whether educated or not, most of the respondents, 147 (74 per cent) were housewives, two (1 per cent) were working in house-based economic activity, 10 (5 per cent) were self-employed, 40 (20 per cent) were in service, and one (.5 per cent) is in business. Of those

engaged in gainful economic activity, 11 (6 per cent) were earning up to Rs 500, six (3 per cent) were earning between Rs 500 and Rs 1,500, 10 (5 per cent) were earning between Rs 1,500 and Rs 3,000 and 26 (30 per cent) were earning more than 3,000 a month.

Since women enjoy limited autonomy in terms of what they do with their earnings and their access to the economic resources of their families, the respondents were asked a set of questions with respect to those aspects as well. Of those having an independent earning, seven (4 per cent) spend their earnings the way they want, and 46 (23 per cent) hand over their earnings to the husband to be spent on the family. Again, 87 (44 per cent) respondents said they were free to open and operate their own bank account, and 113 (57 per cent) admitted that they did not enjoy this freedom. On the whole, it would appear that the respondents are by and large living within a traditional family setting and are dependent on their husbands and families in terms of their daily course of life.

Their personal lifestyles further confirm this. Of all the respondents, only one is unmarried but lives within a family setting; 175 (88 per cent) are married, four (2 per cent) are divorced, 17 (9 per cent) are widowed and three (2 per cent) are separated, but they too are living with their paternal families. Of those married, 198 (99 per cent) had a traditional religious marriage and only one had a civil marriage. As many as 138 (69 per cent) pray daily (which does not mean that they pray five times daily; it only means that they perform at least one prayer daily), 40 (20 per cent) pray at least on Friday, and 19 (10 per cent) pray occasionally. One respondent said she prayed only during personal crises and two said they did not pray at all. Again, 156 (78 per cent) observe fast for all 30 days during Ramazan, 40 (20 per cent) observe fast on some days, and four do not observe fasts at all. As far as engaging in a reading of the Koran as a religious duty is concerned, 63 (32 per cent) read the Koran daily, 85 (43 per cent) read only sometimes, five (3 per cent) read only on special occasions and 47 (24 per cent) do not read the Koran as a religious duty. Of those who read the Koran, 70 (35 per cent) admitted that they understand the Koran and 83 (42 per cent) admitted that they did not understand what was there in the Koran even though they read it from time to time.

Since observance of purdah is considered a characteristics of Muslim women, the respondents were asked if they believed in the purdah and what was the precise form in which they themselves observed purdah. Of all the respondents 182 (91 per cent) said they believed in purdah and 18 (9 per cent) denied believing in purdah. Of those who said they believed in purdah, 65 (33 per cent) believed in wearing the burqa, 68 (34 per cent) believe in covering the head with the end of the sari or a dupatta, and 49 (25 per

cent) believe in observing purdah through proper behaviour without engaging in any adherence to form of dress. On the whole, therefore, the large majority of the women respondents covered are fairly typical Muslim women.

Since one of the areas at the centre of the controversy over the enactment of Uniform Civil Code is that of marriage and divorce, the respondents were asked a series of questions about marriage and divorce. Of all the respondents, 86 (43 per cent) reported that their formal consent to the marriage was sought by their parents, and as many as 113 (57 per cent) said that no formal consent to their marriage was sought from them. Again, 198 (99 per cent) were married through a 'nikah' ceremony. The payment of mehr promised by their husbands at the time of marriage ranged as low as Rs 100 and as high as Rs 40,000. Three respondents (2 per cent) entered marriage on a 'mehr' of less than Rs 100, 35 (18 per cent) on Fatmi mehr which is an amount equivalent to that fixed by Prophet Muhammad while marrying his daughter, seven (4 per cent) on an amount between Rs 100 and Rs 1,000, 25 (13 per cent) on an amount between Rs 1,000 and Rs 5,000 and 92 on an amount above Rs 50,000. This last category includes one respondent whose mehr was of the order of Rs 1,25,000. Interestingly, as many as 37 (19 per cent) respondents reported that they did not know what was the mehr fixed at the time of their marriage.

For all the respondents except one, their present marriage was their first marriage. It is often believed that the ease of divorce in the case of Muslims results in frequent casting away of the wife. If our data is to be relied upon, it would seem that divorce is not very common among Muslims. This is as true of men as much as women as our question with respect to the marriage of the respondents' husband shows that in the case of 187 (94 per cent) respondents their marriage to their present husband was also the first marriage for the husband. Only in eight (4 per cent) cases the present marriage of the husband was his second marriage and in one case the present marriage was a fourth marriage. Of those husbands whose present marriage is not their first marriage, only eight (4 per cent) had divorced their wife and three (2 per cent) had married a second time after having been widowed earlier.

Even though the overwhelming majority of the respondents have never been divorced and only eight (4 per cent) have married husbands who had been widowed or divorced earlier, the large majority of them are of the view that the practice of triple divorce is iniquitous to women. As many as 164 (82 per cent) felt that the practice of triple divorce should be abolished completely, while 20 (10 per cent) thought otherwise and another 16 (8 per cent) did not show a firm opinion on this matter. On the question of polygamy as many as 173 (88 per cent) want the

provision for polygamous marriages to be abolished completely, 14 (7 per cent) think otherwise and 13 (7 per cent) are undecided. Accordingly, on an overall assessment, as many as 76 (38 per cent) respondents felt that Muslim personal law discriminates against women, 70 (35 per cent) thought otherwise and another 54 (27 per cent) were undecided.

If such a large proportion of women feel that the provisions of Muslim personal law relating to triple divorce and polygamy are iniquitous to women and should be abolished or that Muslim personal law discriminates against women, the question naturally follows what they feel about how the reform of the law should be effected. Of all the respondents 76 (38 per cent) felt that Muslim personal law should remain unaltered which, in other words, means that in their opinion the personal law needs no reforms. The remaining respondents thought that changes or reforms in specific areas were called for. As many as 73 (37 per cent) felt that reform in respect of polygamy was called for, 62 (31 per cent) felt that reform in respect of custody of the child in the event of separation or divorce was called for, and 58 (29 per cent) said that the provisions regarding maintenance to a divorced or separated wife needed reform. Only one respondent also said that reform in respect to a woman's right in paternal property was required.

The broad consensus which seems to be emerging in Indian society with respect to the enactment of Uniform Civil Code is that such an enactment is a difficult proposition but the objectives sought to be promoted through the enactment of Uniform Civil Code can be achieved equally well by process of reform of the different personal laws through internal initiative of the communities themselves. Our discussion of the data from the respondents shows that there is a clear understanding of the need for this kind of reform as well as a clear understanding of the areas where such reforms are called for. Our respondents' specific answers also go to show this broad consensus. The respondents were asked to indicate whether a Uniform Civil Code should be enacted, or Muslim Personal Law should be retained as it is, or it should be reformed. Only 29 (14 per cent) respondents said that Muslim Personal Law should be replaced with a gender-just Uniform Civil Code, and a roughly equal number 30 (15 per cent) felt that Muslim Personal Law should be retained as it is. Of the remaining respondents, 35 (28 per cent) felt that Muslim Personal Law should be retained with minor changes and another 57 (29 per cent) said that Muslim Personal Law needs drastic reforms, but that these changes should be brought about within an Islamic framework. There cannot be clearer indication for the leaders of the community and greater reason for them to initiate the process of reform than this testimony.

Further Dispossessing the Tribals

Implications of Draft Forest Bill

Stephen Rego

The draft forest bill aims to increase the hold of bureaucratic and commercial-industrial interests over forest resources, further alienating the tribals from their environs.

WHILE the draft forest bill of the central government entitled, 'The Conservation of Forests and Natural Eco-Systems Act' has found few supporters outside the political establishment and the forest bureaucracy, there has been much discussion on various aspects of the proposed legislation even among those opposed to it. This was only to be expected, since critics of the bill encompass a broad spectrum ranging from urban based environmental groups, to NGOs working in tribal areas, academics subscribing to differing ideologies, and even some Marxist-Leninist political organisations.

Almost all the critics are unanimous in condemning the bill as undemocratic and anti-tribal. But, opinion remains divided on how to understand the role of the state and the forest bureaucracy, the intervention of the World Bank and other foreign agencies, the impact of the leasing out of forest land to industry, the advisability or otherwise of centralisation, the question of tribal subsistence and its possible adverse impact on the goal of conservation, to enumerate some of the more contentious issues. As part of this debate, a group of lecturers, researchers, lawyers, activists, who stand for a people-oriented forest policies, met at Nashik in February at a seminar organised by the Van Vidheyak (Forest Bill) Samiksha Samiti.

The keynote address at the inaugural session was given by Pradip Prabhu of the Kashtakari Sanghatana which works among the tribals in Thane district of Maharashtra. Recognising that the massive deforestation caused by a policy bias in favour of commercial and industrial interests over the last 100 years had created a crisis situation which threatened not only the environment, but also the very existence of the tribal communities, he questioned the commitment of the government to the goal of forest conservation. Despite the title given to the proposed act, there was little reason to believe its avowed aims because of certain basic flaws in its approach.

According to Prabhu, one of the most significant flaws was the centralisation of powers at all levels which will pave the way for greater authoritarian functioning. By disempowering the people and strengthening the hands of the forest officials, besides

increasing the powers of the centre vis-à-vis the states, it would only worsen the present undemocratic and arbitrary system of forest management. Since even ordinary forest officials would now have the powers to arrest merely on suspicion the bill would convert every adivasi who enters the forests, even if it was in search of subsistence, into a potential criminal.

Further, he criticised the bill for seeing no role for the tribal communities in forest conservation and management, even as it prepares the grounds for leasing out forest land to private parties, including industry. 'Captive plantations' as a raw material source could be ecologically dangerous, and it would be futile to believe that the problem of degraded forest land could be solved in this manner. In fact, the goal of preservation has only been achieved in those areas where the adivasi communities have been actively involved.

Finally, Prabhu stressed that it would be dangerous to look at the bill in isolation. The roots of the new legislation, and its apparently conservationist thrust, could be traced to the changes in the framework of the World Bank which have come about as a result of the pressure from people's movements and environmental groups. Since most of its earlier schemes have been shown to be environmentally harmful the bank has now set up the Global Environmental Facility (GEF) to route its loans. For availing of this finance, each member country has been asked to prepare an environment assessment and eco-development plan. The new bill is clearly part of this process. Prabhu asserted that experience has proved that an external agency like the bank cannot play any positive role, and this was further evident from the new legislation which he described as a 'TADA for the forest areas'. In conclusion, he pointed out that it was incorrect to welcome individual clauses of the bill as some environmentalists had done. It was necessary to view the bill in its totality and demand the complete withdrawal of the present draft.

Anand Kapoor of the Maharashtra Arogya Mandal, Bhimashankar project, gave a detailed account of 'Jungle-Jeevan Bachao Yatra' whose aim had been to focus attention on the plight of tribal communities living

in the wildlife sanctuaries. While the tribals in the Sariska game park in Rajasthan were prevented from collecting forest produce from within the boundaries, more than 470 limestone quarries had been allowed to continue operations within the same area despite a Supreme Court order banning this in 1993. Only mass struggles of the people had been able to check this practice. The yatris came across similar examples with respect to the Central Paper Mill that extracts bamboo from the Shoutpaneshwar sanctuary in Gujarat, and the Birla-owned Indaleo with regard to bauxite mining in the Radhanagari sanctuary near Kolhapur. The ban on cattle grazing by nomadic tribes in the Bharatpur sanctuary in Rajasthan actually had a negative effect, because the grass grew wild and choked the marshlands, thus destroying the natural habitat of the birds and driving them away. Kapoor argued that the goal of wildlife protection could only be achieved with the active involvement of the tribals, but, if the proposed legislation becomes law, the opposite is likely to happen.

PANCHAYATS OR PRIVATISATION?

Speaking on behalf of the Bharat Jan Andolan (BJA) Pradip Prabhu drew attention to the recommendations of the Bhuriya committee, consisting predominantly of tribal MPs, on the need to extend the provisions of the 73rd constitutional amendment relating to local self-government to the schedule areas. The amendment proposes that while the gram panchayats should enjoy greater autonomy, the gram sabha (village assembly) should have the power to monitor the panchayats. This would guard the panchayats against the present pattern where these bodies are mostly controlled by a narrow, corrupt elite section. Demanding that these recommendations should be implemented, Prabhu pointed out that this was only part of the process towards 'Adivasi Swarajya', the goal of the BJA, under which complete control over all natural resources would pass over to the local community, which would enjoy total political autonomy. The presentation sparked off considerable discussion, especially over whether genuine democratically functioning alternatives could be created in some pockets within the existing system, or whether a complete overhaul was required.

Manorania Savur of the Bombay university traced the historical evolution of the paper industry in the country and its relationship with the tribals and the forests. The industry had felled large areas of bamboo forests for its raw material needs, besides exploiting the tribals who are employed as contract labour for bamboo cutting at ridiculously low wages. Savur further explained how handing over control over forest lands to large industrial houses as proposed under the draft bill, could be detrimental, illustrating her

argument with the example of the Ballarpur Paper Mills near Nagpur owned by the Thapars. She also asserted that the state had not been neutral in this process but sided the paper mill owners through low tariffs and subsidised inputs, and often ignored the legitimate demands of the affected tribal communities. However, she stressed that such criticism should not lead to an argument against modernisation, or for romanticising the tribal existence, but be seen as a plea that the fruits of such development are evenly shared by all and not monopolised by a few large business families.

Stephen Rego contended that the context and implications of the proposed privatisation of forest lands needs to be explored. From reports it appears that the government plans to lease two million hectares of degraded forest lands, overcoming the ban on such leasing through a legal subterfuge. The land will first be leased to autonomous government bodies like the Forest Development Corporations (FDCs), who will in turn lease it to private industry. It should be recalled that the FDCs are one of the important channels through which World Bank finance for forestry schemes are entering the country, and that privatisation is an established principle of the bank. Taken together, this raises the question as to what exactly is the bank's agenda for Indian forests? This privatisation policy can be criticised not only on the grounds of control over natural resources, but ecologically as well, for it is apparent that 'captive raw material plantations' are no ecological substitute for the rich and varied natural forests that industry itself has earlier destroyed. It is clear that "the needs of the market will only dominate over the needs of the people and the environment" under such privatised planning.

ARCHIVE OF FOREST MANAGEMENT

Rajinder Singh Negi of the People's Union for Democratic Rights (PUDR) gave a historical overview of government's forest policy. The successive legislations from British times served the purpose of demarcating areas as protected or reserved for commercial and industrial exploitation, thus depriving the adivasis of their traditional rights. Negi lamented that the post-independence approach of the Indian government was no different. Though the 1952 and 1988 policy resolutions of the government spoke of the need to encourage involvement of the tribal people in forest management, such an approach had rarely been brought into practice. Against this backdrop, Negi pointed out that though the proposed bill sounded as if it had a different outlook, closer investigation revealed that it was basically similar to the act it sought to replace, besides adding a number of new anti-people conditionalities.

Negi's presentation sparked off a discussion over the nature of the regulatory mechanisms that existed prior to the advent of the colonial administration. Knowledge of these customary laws and practices are weak largely because these were part of the oral traditions and the British administrators tended to ignore that which was not written while formulating their policy. Many participants observed that a number of these valuable traditions were dying, and it was of the utmost urgency to gather information on them for they could form an important basis for formulating a pro-people policy. There was a general agreement that while some facts could be gathered from the colonial administrative records of the various departments, other important sources of information would include the literature produced by and the documentation of people's movements historically, and through activists involved in organising tribals today, who could gain an understanding of the significance of many socio-cultural practices in the process of integrating with the people.

The discussion provided a natural background to JJ Roy Burman's presentation on 'Dynamics of Tribal Sacred Groves'. Explaining that these were certain historically demarcated parts of the forests which remained untouched because of their association in tribal culture with different deities, Burman argued that this was an assertion of tribal self-identity, "establishing norms against the profligate use of nature". He criticised the attempts of both the government and some foreign-funded organisations for the preservation of these tracts, arguing that people themselves should be empowered to do this. He concluded that while such traditional structures should not be romanticised, they reflect the need to develop such age-old systems and other customary practices as the basis for current management principles.

Burman's observations generated a strong debate on the role of NGOs as catalysts of change, activist intervention in traditional practices, and the conflict between modern scientific ideas and the age-old tribal culture. A general consensus was that there should be a critical acceptance of tradition, helping the people to differentiate the good from the bad. For example, while knowledge of science should be disseminated to eradicate a belief in the supernatural, and discriminatory rules like the ban on entry of women into the sacred groves should be sought to be overcome, the essential principles of these tracts could be oriented towards autogenous social development and management of the environment.

Satyakam Joshi focused on the situation prevailing among the tribals in the forest belt of Gujarat. Tracing the history of the forest

labour co-operatives (FLCs) set up in the 1940s, he showed in spite of increase in education and awareness among the tribal population at large, such bodies have tended to be dominated by a small propertied section who have sacrificed the interests of the majority to become corrupt power brokers. On the one hand, the widespread pauperisations that now exists in the tribal tracts of the state presents a depressing picture. But, on the other, the growth of organisations in the Dangas, Bharuch, Panchmahals and other parts of south Gujarat which are involved in taking up the issues of the people provides hope for improvement and change. Recently, the public pressure built up by such groups has forced the Gujarat government to begin the process of implementing a ten-year-old government resolution regularising all ownership rights of the tribals on forest land being cultivated prior to 1980. Joshi stressed that such cultivation is crucial for the subsistence of the tribals, and is not the major threat to the environment, as the draft forest bill makes it out to be.

Later, representatives of the Kashtakar Sanghatana, Bhoomi Sena, and the Adivasi Shetkari Shetmajoor Sanghatana traced the history of their organisations and the types of issues and struggles taken up by them. The reports described how each organisation had mobilised the people to demand the regularisation of forest plots, fought against illegal felling by private contractors, opposed the harassment by forest officials, etc.

The concluding presentation by Eknath Salve, on the implications of the new bill for the democratic rights of tribals, criticised the increased powers proposed to be given to the forest officials. For the tribals of Chandrapur and Gadchiroli districts, harassment and arbitrary arrests have already become common in the name of dealing with naxalites, and the situation would only worsen if the new bill became a law. He said that the very process of drafting the legislation was undemocratic since tribals and tribal organisations had not been consulted, and argued that it was only a 'perspective from below' that could lead to a genuinely democratic system of governance. Since the proposed bill lacked this, it was the duty of all democratic minded individuals and organisations to firmly oppose it.

During the discussions, it was constantly highlighted through various examples that if the goals of conservation are to succeed then the participation of tribal communities, not their total control over the local natural resources, is absolutely essential. Any other perspective had to be summarily rejected. The seminar therefore concluded with the participants resolving to campaign against the proposed legislation and demanding its total withdrawal.

Continuing Sanctions against Iraq

Ninan Koshy

The 'information gap' regarding Iraq's weapons programme has been effectively used by the US to continue enforcement of sanctions against Iraq.

THE mandate of the recent referendum has declared that Saddam Hussein intends to stay in power for a long time to come. This will strengthen US resolve to continue UN sanctions against Iraq more than all for the evidence about the technical aspects and 'information gap' regarding Iraq's programme on weapons of mass destruction. But the divisions within the UN Security Council are bound to deepen as economic interests increasingly shape the policies of the concerned countries on the sanctions issue.

The sanctions regime has been in place for more than five years and its prolongation ensured by ever widening interpretation of the relevant Security Council resolution by the US. But as trade and related factors determine the policies of several countries and the true nature of the tragedy of the Iraqi people caused largely by UN actions emerges, the sanctions regime will be weakened and its legitimacy lost. Meanwhile, Saddam Hussein's mistakes and miscalculations will provide his foes enough ammunition to continue the punishment of the Iraqi people.

It is significant to note that the UAE and the Arab League have made calls for an end to sanctions, mainly on humanitarian grounds. These calls represent a new awareness among large section of people in the region that the punishment has gone too far.

The punitive sanctions regime imposed in August 1990 has already taken a tragic toll among the most vulnerable Iraqi civilians. According to the UNICEF representative in Baghdad Thomas Ekfal, half a million children, more than 9,000 a month, had died of malnutrition and disease because of sanctions. Another 1.5 million are in danger of dying if the sanctions were continued. An additional three to four hundred thousand Iraqi civilians, the elderly and chronically ill, also have died as a result of lack of medical supplies. Other humanitarian agencies also have cited similar figures.

Sadrudin Aga Khan, who was the executive delegate of the Secretary General of a UN Inter-Agency Humanitarian Programme for Iraq, Kuwait and Iraq/Turkey and Iraq/Iran border areas, immediately after the war against Iraq in his report of July 15, 1991 had raised the basic contradiction in imposing sanctions on a country devastated by a war of high-tech and overkill waged in the name of the UN. He said:

This mission has addressed the current humanitarian needs in Iraq and has concluded that their magnitude requires funding which

exceeds international and short-term palliatives and can only be met from the country's own reserves. How this finding is to be reconciled with the Security Council's imposition of sanctions is a determination which is not ours to make.

CONCORTING LINKS

It was Security Council Resolution 661 adopted on August 6, 1990, soon after the Iraq invasion of Kuwait, that imposed sanctions on Iraq under Chapter VII of the Charter of the UN, prohibiting all states from importing into their territories any commodities and products originating in Iraq and from exporting any commodities or products to Iraq and also prohibiting all financial transactions with Iraq. The only exceptions were supplies intended strictly for medical purposes and foodstuff in humanitarian circumstances.

After the US-led coalition defeated Iraq, the Security Council adopted Resolution 687, paragraph 22 of which reads, "[the council] decides that upon the approval by the council of the programme called for in para 19 above and upon council agreement that Iraq has completed all actions contemplated in paras 8,9,10,11,12 and 13 above, the prohibitions against the import of commodities and products originating in Iraq and the prohibitions against financial transactions related thereto contained in Resolution 661 (1990) shall have no further force or effect." Para 8 deals with Iraq's unconditional acceptance of the destruction, removal or rendering harmless under international supervision of all chemical and biological weapons and all ballistic missiles with a range greater than 150 kms. Paras 11, 12 and 13 are about nuclear weapons and nuclear-weapons related materials. Para 9 deals with international mechanisms and para 10 with monitoring.

Subsequent resolutions and decision of the Security Council have defined the procedures to be followed and the UN special commission (UNSCOM) has worked closely with the International Atomic Energy Agency (IAEA). The commission has dealt mainly with missiles and chemical and biological weapons while the IAEA has concerned itself with nuclear issues. In the first two years, the UN inspectors were frequently obstructed in their work by Iraq. Iraq then began to extend co-operation and its acceptance of resolution 715 calling for long-term monitoring was an important step towards compliance.

Therefore para 22 of Resolution 687 is understood to mean that upon completion of all actions specified therein the sanctions should come to an end. But the US has refused to accept this interpretation. In an article, in the *New York Times* (April 24, 1994) the secretary of state, Warren Christopher, wrote that the US did not believe that Iraq's compliance with para 22 was enough to justify the lifting of the embargo. This is the position which the US permanent representative in the Security Council, Madeline Albright, has religiously maintained.

During the 20th review of Iraq's response to the council resolutions in July 1994 Albright issued a statement containing a long litany of unfulfilled requirements by Iraq without a single word of appreciation for its co-operation with the UN special commission. The statement made it clear that the US still awaited Iraqi compliance with virtually every other obligation called for by the council. These included recognition of Kuwait's sovereignty, independence and territorial integrity and its international borders, cessation of terrorism at home and abroad; an end to the economic warfare against the Kurds, an end to the repression in the Southern Marshes; a response to inquiries on the hundreds of Kuwaiti and other nationals missing since the Gulf war. According to the *Wall Street Journal* of July 18, 1994, president Clinton wrote to all council members stressing that the US, which can veto any council decision, gives a high priority to the continuation of the sanctions.

In insisting on the condition about the human rights of the minorities in Iraq, especially the Kurds, the US links Resolution 687 (related to destruction of weapons of various kinds as condition for lifting sanctions) with Resolution 688. Resolution 688 condemned "the repression of the Iraqi population in many parts of Iraq, including most recently in Kurdish populated areas", asked the Iraqi government for open dialogue to ensure human and political rights of all Iraqi citizens and for access of humanitarian organisations, and co-ordination with UN humanitarian programmes.

Some western powers, notably the US and UK, sought to establish a link between Resolution 687 and Resolution 688 from the beginning. That there is no actual link between the two is clear. There is no reference in Resolution 687 to human rights issues and domestic policies of the government in the conditions imposed on Iraqi government. Resolution 688 is only on human rights and humanitarian issues and does not refer to UN actions against Iraq on the Kuwait issue and does not mention Resolution 687. While Resolution 687 is under Chapter VII of the Charter, the only reference in Resolution 688 to the Charter is to Article 2, para 7 which deals with the domestic jurisdiction of the states.

However, in the action taken by some member states and subsequently legitimised by the UN, the two resolutions were increasingly linked. The proposal for the

establishment of a 'safe haven' for the Kurdish refugees in northern Iraq was on the basis of such a link.

At a press conference in Luxembourg on April 8, 1991, after the meeting of the European Council, prime minister John Major said that at the meeting he had put forward an action plan that was 'intended to build on Resolutions 687 and 688'. He thus not only linked the two resolutions but was ready to go beyond them. He linked sanctions especially to the treatment of Iraqi Kurds though there was no basis for such a link in the Security Council resolutions. The prime minister added a new condition to lift embargo and said that total embargo should be maintained as long as Saddam Hussein remained in power. The last condition was also endorsed by president Bush and has apparently continued to be the US position even under president Clinton.

ECONOMIC MOTIVES

Of the conditions laid down by Ambassador Alhright in July 1994, the first one related to Kuwait was fulfilled by Iraq in November 1994. In what was known as the 'October crisis', when Iraqi republican guards division moved to the Kuwait border, the US response for military action was quick and the division had to be pulled back. Iraq yielded to the Security Council demand that it recognise Kuwait's independence, sovereignty and UN demarcated borders. In fact, Iraq accepted even US demands on the modalities of the action when the recognition was ratified by a vote in the National Assembly, officially approved by the government by action of the Revolutionary Command Council of the Ba'ath Party in a decree and published in the official gazette.

Though Iraq literally fulfilled the demands, the response of the US bordered on indifference. It was not ready to acknowledge the Iraqi action as an important step. This was partly because of the differences among the Security Council members regarding response to the October crisis and Moscow's direct dealings with Baghdad. In fact, the Russian foreign minister, Kozyrev, had claimed that he got the agreement that Iraq would recognise Kuwait in return for Russian efforts to get the sanctions lifted.

The October crisis brought to the fore the economic rather than political factors that decided the sanctions policy of major powers. The US was highly critical of what it thought was the soft approach of Russia and France to Iraq's action. French defence minister Leotard's comment that the rapid US response was not unconnected to its domestic policies, and Kozyrev's diplomatic efforts, angered the US. US officials hit back at France and Russia by telling reporters 'off the record' that the two countries had selfish reasons for showing more tolerant attitude towards Saddam. It was noted that both countries were major arms suppliers to Iraq before 1991 and both had huge debts to be repaid by Iraq and therefore expected to profit once Iraq's oil is released for sale and Iraq

began major reconstruction. It did not go unnoticed that the US and Britain were not exactly acting out of pure altruism. Both countries have been criticised for rapaciously lapping up all the plumb contracts from Kuwait and Saudi Arabia after the Gulf war, leaving the French and the Russians out in the cold.

Most important, however, is the fact that the US does not want anything that would affect Saudi Arabia's cash flow since American companies hold orders there for US \$ 30 bn worth of weapons and \$ 6 bn worth of commercial aircraft. Competition from Iraqi oil would have a severe impact on Saudi Arabia which could lower its price or reduce its output. The last thing the US wants is to see Iraqi oil in competition with the Saudi's. It is believed that one of the trade offs in the Gulf war was a secret commitment by Kuwait and Saudi Arabia to guarantee cheap oil to the US.

Russia's concerns are primarily economic. Iraq was once one of its most valuable trading partners, and now facing desperate shortage of hard currency and internal economic crisis, a resumption of economic relations is becoming urgent. Reports indicate that Russia has already signed agreements with Iraq for \$ 10 bn in trade and for rescheduling of Iraq's \$ 7 bn debt. France broke ranks with the Gulf war allies when it began to take steps to restore diplomatic relations with Iraq. Iraq's deputy prime minister, Tariq Aziz, was officially received by French foreign minister (now prime minister) Alan Juppe in January this year. While France's interests also are mainly economic, it wants to show that, as always, it has an independent west Asian policy. Turkey and Iran have ignored the sanctions for the past one year to harter goods and food for Iraqi oil while the Iranian and the UAE flagged ships were accused by the US in December 1994 of smuggling oil.

European governments and companies are aware that the US itself will be a competitor for trading rights after the sanctions are lifted. There are many who believe that the US insistence on the sanctions is motivated more by economic than political factors. An official of the European Commission said an year ago, "We suspect that the US may put a heavy price on the lifting of sanctions, a price that may include exclusive trade ties", and compared this to the situation in Kuwait and Saudi Arabia after the Gulf war when US companies got almost all the big contracts.

With regard to Iraq's actions in compliance of the relevant UN resolution, favourable reports by the UN Commission have been regularly downgraded or ignored by the US, producing evidence on extraneous issues and linking it to the conditions. The 'information gap' of the Iraqi government and its occasional misadventures have been effectively utilised by the US. It is known that just prior to the October crisis of 1994, the UN weapon monitors were ready to report that Iraq was co-operating and meeting UN-imposed conditions with regard to missiles and weapons of mass destruction.

The movement of the republican guards division destroyed whatever credibility Iraq had gained from the report.

Baghdad's 'information gap' has been mainly on its biological weapons programme since the 1980s. The UN commission has maintained that Iraq has failed to provide a full and complete accounting of its past biological weapons programme. The only remaining obstacle was the unclosed biological file. With regard to chemical weapons and ballistic missiles the commission was satisfied with the information. Although some issues remained, the commission has stated that as far as setting up and operating the monitoring system, it received full co-operation from the government. The claim by a defected Iraqi scientist that Iraq had a crash programme for making nuclear weapons was equated into by the UN commission. Iraq itself admitted that it had such a programme in August 1990 soon after its invasion of Kuwait but it had to be given up.

The defection of Saddam Hussein's son-in-law Hussein Kamal and some statements he made regarding Iraq's weapons programme prompted the government to provide new information on its armaments of various types. Thousands of previously withheld documents were handed over to the UN commission. This has naturally reinforced the impression that Iraq has not filled in all the gaps in the information on its military capabilities. The US has already claimed that the surveillance system is inadequate and has to be restructured and upgraded.

But more than all such new evidence, it is Saddam Hussein's declaration that he intends to be around for long that will decide US and UK policy on sanctions. Sadruddin Aga Khan's report of July 1991 said:

It remains a cardinal human principle that innocent civilians – and above all the most vulnerable – should not be held hostages for reasons beyond their control. Those already affected by war's devastation cannot continue to pay the price of a hotter peace. It is a peace that will also prove to be tenuous if unmet needs breed growing desperation. It is clearly imperative that Iraq's essential civilian needs be met urgently and that rapid agreement be secured on the mechanism whereby Iraq's own resources be used to fund them to the satisfaction of the international community.

The latest UN Security Council resolution on such a mechanism is Resolution 986 which was adopted on Good Friday this year. This would allow Baghdad to sell \$ 1 bn worth of oil every 90 days. Of the \$ 1 bn, 300 will go to UN Gulf war reparations and 200 m to UN agencies providing relief to Kurds in northern Iraq. The rest of the amount can be utilised by Iraq to purchase relief supplies. The conditions attached to this have not found acceptance from Iraq. A modified mechanism with arrangements more acceptable to Iraq is urgently needed at this time when the humanitarian situation is becoming desperate and there is indication of some flexibility on the part of Iraq regarding such mechanism.

Nineteenth Century Indian Stagnation

Colin Simmons

Finances in the Early Raj: Investments and the External Sector by Arun Kumar Banerji; Sage Publications, New Delhi, 1995; pp 338, Rs 375.

THIS intelligent, well-written and thought-provoking book is aimed at the regrettably small number of connoisseur economic historians of modern Indian finance. Like its two predecessors, *India's Balance of Payments, 1921-22 to 1938-39* (Asta Publishing House, Bombay, 1963), and *Aspects of Indo-British Economic Relations, 1858-98* (OUP: Bombay, 1982), together with the penetrating article on transfers and deflation over 1860-1900 published in *World Development* (Vol 18, October 1990), Banerji has re-stated in his characteristically cogent way, the importance of returning to the specifically imperial theme when examining the performance of the Indian economy at a crucial juncture - the second half of the 19th century. In the light of the steady, Cambridge-orchestrated scholarly movement away from such a top-down perspective - itself, of course, a reaction to both Marxist- and Nationalist-inspired historiography - the appearance of this work is timely.

The theoretical anchoring of Banerji's work in general, and this offering in particular, is neo-Keynesian in the mould of Michael Barrat-Brown's original, and Alan Thirwall's more recent, characterisation of a tradition embracing such diverse luminaries as John Knapp, Joan Robinson, Roy Harrod, Evsey Domar, and James Meade (though none, save the last named, are specifically alluded to in the text). The analysis therefore uses the familiar, textbook terminology of national income factor flows; concentrates on public finance and takes in the supply of money; focuses upon physical - rather than human - capital; highlights the importance of savings and especially investment rates; and naturally incorporates the international dimensions of 'tribute', transfers and exchange mechanisms. This is at once a strength and a weakness: on the one hand, it provides a coherent and recognisable base upon which to build and organise the description, and in this sense has affinities with rival operating frameworks such as the neoclassical, the Marxist and New Institutionalism; but, on the other, it is now rather old-fashioned. The theoretical discourse has moved on, and if Banerji wants

us to accept the key logical premises of his version of Keynesian economics then he really needs to spell out his position on the relevant aspects of the current debate featuring, amongst others, the post-Keynesians and the emergent rational choice theorists. It would have been useful, for example, to have been provided with an overarching model encompassing the clutch of 'internal' and 'external' variables that are considered either implicitly or explicitly. The fragile and uncertain nature of the statistical series makes this task more urgent - rather than the opposite as the author seems to suggest (p 226). However, this is a tall order, and Banerji earns our collective gratitude for at least attempting to address the problem of applying the theory of adjustment to the broad macro aggregates of the Indian economy over this period.

The author has managed to compress a considerable amount of original empirical research and a great deal of thought into seven main chapters which, in turn, are divided into three parts. The Introduction sets out the aims and objectives, identifies the basic problem of stagnation, considers the macro-level links between national income, investment and international transfers, attempts a brief, but penetrating, literature survey and outlines the overall argument. This is a concisely written chapter which repays the careful reader. It also strikes a suitably modest note: Banerji does not claim that the secular deflation brought on by the transfers was the only, or even the most important, factor behind the disappointing growth rate; rather he wants to argue that it merits serious consideration alongside other explanations. This seems to be a sensible position, but I harbour two largely methodological reservations. First, in the absence of the sort of model I mentioned earlier, it is hard to judge how to 'weigh' the relative degree of importance of this factor; and furthermore, because Banerji rarely has the temerity to step outside his particular furrow, it is not clear how the transfer problem articulates with "all the other factors which may have contributed to this uniquely unfortunate result" (p 27).

Second, although there is plenty of informed critical commentary on specific public policies, the alternatives are only mentioned indirectly. This is a problem on several counts: public choice theorists would certainly suggest that unless the possible effects of an alternative regime are discussed systematically the judgments lack any firm standard; and the chroniclers would likewise consider the absence of any counterfactual reasoning to be damaging.

Part One (untitled, unfortunately like its two successors) contains just a single chapter covering government finance. The treatment is impressive, the broad-brush is wielded with restraint and yet produces a revealing picture of the mentality and execution of colonial finance. This chapter could be of interest to students of imperialism outside the subcontinent since, for most other developing countries, the absence of tolerable estimates of national income precludes an exercise relating such series to the level and growth of public accounts. However, a surprising omission from the list of references is Davis and Huttenback's ambitious volume *Mammon and the Pursuit of Empire*: had this been consulted a more comparative context might have been attempted. The main heads of revenue and expenditure are described very competently, and certain policy and administrative matters are considered in a critical, but scrupulously impartial, manner. The problems connected with the innovation of fiscal decentralisation, and the extent and significance of the borrowing in both India and London are particularly well handled. Banerji decomposes the accounts with skill and illustrates the predominantly regressive character of tax receipts on the one hand, and the unambiguously non-development orientation of government spending on the other. As an aside, I found Banerji's admonitory remarks on Lord Northbrook's fiscal acumen - witness his decision to axe the income tax proposal in 1873 - to be rather amusing (p 37) in the light of the recent Baring Brothers debacle (he, Northbrook, is taken to task despite hailing from that well known banking firm). More seriously, the verdict that the politicians and the much vaunted ICS failed to construct a "fiscal structure appropriate to a sprawling empire of over 200 million people" (p 65) is well supported by the evidence adduced here. Instead of facing up to the enormous challenges of mass poverty and recurrent famine the India Office spent an inordinate amount of time examining the annual

budgets, and were far more concerned about "pettifogging details" than providing "guidance for policy" (p 66). This is a telling critique

Part Two has three inter-connected chapters on the complex, but obviously vital, question of irrigation. The first of these is at the policy-making level, and deals with construction, funding and charging. This is the longest single chapter of the book and, totalling just over fifty closely argued and detailed pages of writing, is sometimes hard going despite the number of sub-headings. The contributions of Elizabeth Whitcombe and Ian Stone can be understood better by a first reading of this chapter. Of particular interest is the discussion of irrigation building, notably the important yet sadly neglected, Public Works Department. The issue of the Water Rates is well brought out, and the notorious Famine Insurance Taxes which 'arrested irrigation for a quarter of a century' (p 129) are considered in depth. The pivotal role of individual – most notably John Lawrence and Richard Strachey – is not neglected, but is placed correctly in the wider administrative and policy setting. Chapter Four concentrates on Punjab, 'the greatest recipient of provincial government investment in irrigation'. As a case study this is a rather disappointing effort, although it has a useful survey of the agro-climatic and agrarian features of the area, especially the A Punseep's Settlement (pp 141–44), and the Tenancy Act of 1868 (pp 145–48). Despite the relatively high levels of investment, Banerji argues that "achievements fell short of the plans and the needs – due to infrastructural deficiencies and London's intransigence" – and goes on to comment that "if this is how the Punjab fared, it is small wonder that many other parts of the country showed even greater stagnation" (p 149). The remaining chapter examines five major canal projects: the Western Jumna, the Bari Doab, the Sirhind, the Orissa, and the Son. The detail here is impressive, and the arguments for and against are keenly probed. The range of technical, engineering and canal water marketing problems are all rehearsed (pp 189–91) and running throughout is a consideration of the efficacy of the PWD at the provincial and imperial levels. This work can help to lay the foundations for any future appraisal of the public and private costs and benefits of the schemes.

Part Three is composed of two substantial chapters, and just five pages of concluding observations. Chapter Six looks at investments in the economy over the period 1860–98. The railways occupy pride of

place, and there is also some revealing discussion on private domestic investment. New estimates of the aggregate figure are presented with due care and caution (Tables 6.2 for 1860–61 to 1879–80, p 216f; and 6.3 for 1880–81 to 1897–98, p 218f). There are of course gaps and guesses, but these make interesting reading, and should in time become our standard series. Excluding 1894–95, between 1873 and 1898 Banerji calculates that total investment amounted to 6.6 to 8.8 per cent of national income at current prices (p 225); in turn this yields an average of 7.5 per cent for the quarter century under consideration. This takes us to the heart of the problematic of the book. Using Moni Mukherjee's series of national income accounts (rather than the more recent but still flawed estimates of Heston), the vital question is why income grew by an average annual rate of only 1.5 per cent when the investment was running at over five times that figure. This focus upon the neo-Keynesian capital-output ratio is the essential reason why Banerji is so interested in uncovering the quantitative, the qualitative and policy dimensions affecting both public and private streams of investment. Of course many scholars have sought an answer to the rather wider issue of India's sluggish macro-economic performance in the last three decades of the 19th century, and Banerji does attempt to address a few of these arguments insofar as they touch upon investment behaviour (pp 276–28). However the reference works are dated (Arthur Lewis and David Landes), and the constraints are familiar – the weak multipliers, the length of the gestation period; the over-elaborate nature of many of the schemes, especially relating to the railways and the canals (though Daniel Thorner's work is not alluded to); the limited state outlays on human capital formation; and the modest levels of agricultural productivity. Rather than pursuing these points in more depth, the author then returns to the theme of policy towards public works. He challenges the scholarly community to test the hypothesis that 'ideological factors' associated with utilitarianism, and the 'cool economic calculus of a foreign government' contributed to policy shifts which militated against greater and more sustained investment in productive assets, especially irrigation.

This provides the necessary link to Chapter Seven which concentrates upon the external sector. Here the accumulated knowledge derived from a life-time career as a distinguished international civil-servant and banker has allowed Banerji to write with authority and strength of purpose. To my mind, the empirical significance of

the outward transfer of factor income and other remittances is demonstrated convincingly. Such transfers, amounting to around 6 per cent of national income, dwarfed inward flows of foreign, overwhelming British, capital, and clearly exerted long term and damaging deflationary effect. As we would expect from Banerji's previous publications, the home charges, i.e., the transfer of funds to London by the sale of council bills, the secular depreciation of silver, the uncertainties of estimating the amount of private investment from domestic sources, bullion movements and the enormous surplus of merchandise trade are brought into the analysis. All this resurrects interest in the old claim of a crippling economic drain, and sceptics such as Kir Chaudhuri and Tapan Mukherjee, and beyond them, Neil Charlesworth and James Foreman-Peck, are taken to task for both misunderstanding as well as underestimating the magnitude and scope of "the relentless, swelling stream of transfers" (p 274). A similar charge could be levelled at the *Cambridge Economic History of India, Volume 2* (1983), and even B.R. Tomlinson's *New Cambridge History* (1993), a more recent and open-minded survey of the field, does not properly address this whole thorny issue. Perhaps this is the reason why a disconcertingly large fraction of the references cited by Banerji are contemporary to the period and only a handful of books and journal articles published after 1984 are deemed relevant and worthy of a mention in the Bibliography.

The conclusion does not do justice to the work since it is more a summary and recapitulation of what has gone before than a genuine attempt to provide context and discuss significance. It is followed by nine quite lengthy Appendices – of which I feel that only the first (on utilitarian principles as applied to public finance), and the third (detailing the accounts of government finance) had any real value. I also found the listing of prime ministers, secretaries of state, governor-generals and viceroys to be a quite unnecessary annoyance. There is also a steady stream of, fortunately minor, printing errors. However, none of this detracts from the overall value of Banerji's efforts, and although the book is unlikely to reverse the low order of priority which public finance now commands on the agenda of academic research, it deserves to be taken very seriously. It is perhaps indicative of the poor state of health of Indian economic history that it has taken a dedicated and talented 'amateur' to enrich our comprehension of the intricate and complex subject matter.

Old and New in Maharashtra Politics

Gopal Guru

Politics in Maharashtra by Usha Thakkar and Mangesh Kulkarni (eds), Himalaya Publishing House, Bombay, 1995; Rs 350.

THERE are various ways to review an edited book, but such a book always poses a serious problem when it operates at various levels. The present book poses such problems. To handle this problem I have decided to look at the book within the context of the following definition of politics, which to some may appear arbitrary.

If politics is defined as the process of creating and counter-creating hegemonic conditions through the complex process of fusion and fission of social forces, then it becomes a little easier to make sense of the striking variations in thematic focus of the articles that have gone into making this particular book. Therefore, with the assistance that one can get from the above definition, it is possible to divide the book in following way. The book contains essays that do not address the complex interplay of political forces that have a bearing on the hegemonic conditions. Instead, most of the essays seek to offer a mechanical account of political development in Maharashtra. Due to their limited focus these essays tend to be descriptive and informative. In this first category are essays by Ram Joshi, Usha Thakkar, Rohini Gawankar, S S Gadkari, Mandekar, Mukadam, Maneesha Tikekar and Veena Deosthali.

The opening essay by Ram Joshi describes the political development of Maharashtra in terms of the leadership qualities of Yashwantrao Chavan who, according to Joshi, made important contributions to stabilising the Congress rule in Maharashtra. Joshi in his attempt to idealise Chavan, not only sidelines other Congress leaders and subsequent Congress chief ministers, but also attributes philanthropic qualities to Chavan for having brought the dalits into mainstream politics in Maharashtra. Joshi in the same vein seeks to understand the emergence of non-Congress forces in the politics of Maharashtra when a leadership crisis developed within the Congress. While the leadership factor is important in terms of facilitating the stability element in politics, this view does tend to lose sight of other important factors that condition the charter of leadership.

Usha Thakkar traces the leadership qualities of the people's representatives (PRs) in local bodies of Maharashtra. In her useful article dealing with variations in the perception of people's representatives, she

observes that contemporary PRs tend to value 'practical politics' rather than 'idealist politics', which was the major concern of PRs of bygone days. Gawankar deals with the organisational involvement and political orientation of women, both in political parties and in socio-economic groups. She records that, by and large, male-dominated political organisations are not well disposed towards women despite the contribution of the latter to the freedom movement. However, the article fails to show how the ruling parties controlled women through tokenism and successfully subordinated them to the state-mediated patriarchy and overall hegemony of the ruling classes.

Mandekar's essay forms a useful contribution to the book as it provides detailed information about the structure and functioning of the panchayat raj system in Maharashtra. His emphasis on the 73rd and 74th constitutional amendments makes available information of which many are unaware. The contributions by Gadkari, Kashikar/Deshpande and Veena Deosthali are informative but fail to offer any fresh analysis about the important themes they have handled on politics in Maharashtra. For instance Kashikar/Deshpande's joint paper on the regional imbalances in Maharashtra, instead of discussing its politics, seems to be a memorandum of grievances to be sent to the state government on behalf of the people of Vidarbha, showing how the people of the region feel cheated under the Nagpur agreement and feel deprived compared to western Maharashtra. But the article does not show which are the forces perpetuating the regional imbalances and why certain forces are countering it. What are the hegemonic considerations behind these regional imbalances? What is the political fallout of this neo-colonialism? All such issues which warranted serious academic treatment have been couched in simplistic language.

Maneesha Tikekar's article on dalit politics in Maharashtra, though informative and occasionally critical of dalit parliamentary politics, is loosely organised in terms of academic rigour and logical sequence. It may be that the author was working under the pressure of including too many points which were deemed equally important. In the process, despite the author's serious intention to offer a theoretical grounding to

dalit politics, she appears to be delivering judgments on her subject. Veena Deosthali offers an uncritical account of the success story of judicious water management by certain NGOs in Maharashtra. This account of the voluntary efforts dissolves into a 'more of the same' syndrome, which could have been avoided if a more objective stand had been taken regarding the viability of such projects.

The articles by Joshi and Gadkari are too innocent in terms of the message they convey. For example, Joshi's attempt to attribute benign motives to Y B Chavan for his attempt to bring dalits into mainstream politics of Maharashtra denies the revolutionary political past of dalits and their independent efforts at acquiring autonomous political visibility in state politics. On the contrary, Joshi downplays the aspect of dalit co-option by the Congress. Similarly, Gadkari's otherwise useful article tends to be elitist in its focus when the author laments the lack of representation of teachers, architects, engineers, doctors, businessmen and industrialists in the municipal government. Gadkari considers these sections to be the most enlightened and blames the system of adult franchise for keeping them out of local self-government bodies. Gadkari argues that this system is responsible for electing representatives, the majority of whom are illiterate, and who in the absence

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of a good democratic tradition tend to be communal and casteist (p 109). This kind of biased understanding of the democratic system raises serious problems. Gadkari assumes that the elite are beyond petty considerations. If this were the case then how do we understand the nexus between these 'elite' sections and the underworld mafia that dictates terms over life and property of the common man in urban areas.

Rajdeep Sardesai's article on the Shiv Sena has clearly brought out how Vasant Naik was responsible for using and aiding the Shiv Sena as a task force to destroy the communist hold over the trade union movement in Bombay. Sardesai has further highlighted how the nexus of the urban elites (as defined by Gadkari) controls the power centres to protect their individual interests rather than those of the urban poor. He also delineates how the Shiv Sena moved from its earlier exclusivist and chauvinistic considerations to the 'all-inclusive' saffron agenda. Sardesai believes that the undiluted regional perspective of the Shiv Sena will remain at loggerheads with its recent 'corporatist' outlook.

Ashok Chousalkar's essay on the politics of the co-operative movement in Maharashtra provides a critical account of the symbiotic relationship between the co-operative institutions and Congress-dominated state politics. However, Chousalkar's understanding of the relationship differs from Baviskar's premise, wherein the latter sees the symbiotic relationship primarily in terms of development politics rather than the politics of mutual manipulation. Second, studies on Maharashtra, including Chousalkar's essay, use the term 'sugar lobby', implying a pressure group role for the sugar bosses. Yet this kind of characterisation attributes a narrow and discrete sense of power to the sugar lords, who otherwise have a hegemonic presence in all the power centres in rural Maharashtra.

The essays by Nawaz Mody, Mangesh Kulkarni and, more particularly, Robert Jenkins, form an interesting part of the book. These three articles try to understand the politics of Maharashtra mainly in the political idiom of voluntary action groups (VAGs). These articles form a unity among themselves inasmuch as they situate the politics of VAGs in the context of a ruling class hegemony that failed to create a healthy civil society. Yet these articles differ from each other in terms of their assessment of VAGs and in academic rigour. Mody's article offers an uncritical account of the role of voluntary groups, while Mangesh Kulkarni's article

does not approve of all the claims made by the VAGs. Kulkarni notices the limitations of these groups in transcending the horizons of the bourgeois order. However, Kulkarni's blanket attribution of emancipatory discourse to AGs is defined primarily from the point of view of the outsider, and overlooks internalities that contest the emancipatory claims of the AGs. First, AG politics assume limited understanding of emancipation based on the politics of local solidarity and sectorial political struggle. This kind of politics does not open up a social corridor for localised consciousness to traverse from the local to the global. This localised consciousness remains tied to local loyalties due to two factors: the competing political activism of the radical forces working in the same place who, instead of engaging collectively in creating the conditions of counter-hegemony, are unfortunately aiming to cut the base of a rival from its own sector. Second, most of the AGs have taken on developmental tasks either independently or with the support of the state. This at least temporarily tends to smother the consciousness of the people who, due to the limited but timely material intervention of the AGs, refuse to see reality beyond their village if not across their region or nation.

Jenkins' article claims that it is an attempt to capture the complex process of building pro-poor political alliances during the difficult time of structural adjustment. Taking a cue from Joan Nelson, Jenkins argues that it is politically possible to shelter the poor from the negative effects of economic reforms by creating mechanisms in the realm of culture as well as in the form of various opportunity structures. The politics of accommodationism was operating before the era of economic reforms basically through four agencies. Jenkins believes that the Employment Guarantee Scheme in Maharashtra is one such mechanism which can accommodate the diverse concerns of the well-off and the poor. The Shetkari Sanghatana is another mechanism which could successfully accommodate the contradictory interests of the two sections. In addition to these, Jenkins also considers co-operative structures as accommodating mechanisms providing democratic space for the least privileged as well as the more privileged.

Jenkins discusses the strategies that can be employed by the poor in order to protect themselves from the current economic reforms in Maharashtra. He considers it important to accommodate the rich farmers who, due to their hold in the rural areas, count much in the electoral politics of the state. Sharad Pawar did exactly this -

accommodating the rich farmers through amending the land legislation so as to suit the interests of not only the rich farmers but also of the foreign investors. Jenkins further argues that though the expenditure on social heads has been drastically reduced in the reform period, the poor need not depend on the technical capacity of the state elites or the government agencies to devise ameliorative programmes. He feels that it is important for the poor to build political alliances around the enduring power of non-economic identities. One such identity is the cultural distance which is the result of the growing common ground between the urban and rural rich, which at the same time deletes the poor from their privileges. However, the author does not offer any illustrations to substantiate his claim.

Jenkins' analysis, though fascinating, does not provide any serious critique of the national and global economy which renews the structure of inequality and exploitation at the regional level. However, he does not seem to be endorsing the new economic policy. He opts for an instrumentalist logic to understand Maharashtra politics, reducing it from proxies to mere skill and strategy. To this extent, not only Jenkins' article but a number of other essays in the book avoid the theoretical issues involved in Maharashtra politics.

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Viceroy Reading's 'Offer'

Barmecide's Feast

Anil Nauriya

The 'offer' by Viceroy Reading in 1921 for a round table conference to confer dominion status upon India was in fact a proposal by the moderates within the Congress so as to end their isolation during the non-cooperation movement.

TOWARDS the end of 1921, the Indian non-cooperation movement against the British regime drew to a climax. This coincided with the visit to India of the Prince of Wales who was later briefly to become Edward VIII). As a British civil servant acknowledged, the resistance to the British authority at this time had 'given the English a fright', had been 'unparalleled since the mutiny', incarceration, 'the principal deterrent at the disposal of government, had been made to lose its terrors' and a 'dent had been made in the mystic fabric of British authority' [Moon 1968:113-14]. The fright was understandable. With the October 1921 manifesto prepared by Gandhi and signed also by Maulana Azad, Hakim Ajmal Khan, Jaypat Rai, Abbas Tyabji, Motilal Nehru and several others, the movement had come to acquire a cool clarity of purpose, involving withdrawal of Indians irrespective of religion from civil and military service to the empire.

The mass response to the movement created a crisis for the 'moderate' or liberal school in Indian politics which found itself caught in a bind. The liberals did not wish to disrupt ties with the British. The dilemma became acute on the visit by the Prince of Wales. An effective nationalist boycott of the British royalty entailed a compulsion upon the liberals to take sides and place themselves with the non-cooperators or alternatively, in welcoming the Prince, face national isolation.

Out of this dilemma, which seemed to portend the political supersession of the liberal school in India, was born the so-called Reading 'offer' of December 1921, in relation to which Madan Mohan Malaviya became the principal facilitator. What precisely was this offer and what were the conditions on which it was based? Was it an offer from the then viceroy, Reading, at all? Was it a proposal for a Round Table conference merely to discuss generally the future of India, or did it involve also a promise from Reading that provincial autonomy and dyarchy at the centre (and, according to some versions, even dominion status) would be conceded? If the offer did not originate with Reading, what precisely was his subsequent involvement and objective? Could such concessions have

conceivably been promised at all by the viceroy at the time? Did the liberal school, in promoting the proposal, have any political object *vis-a-vis* the Ali brothers whose political prominence was distasteful to the liberals, and whose political fate was to be given short shrift in most versions of the proposals for calling off the 'hartal'?

Finally, if there was no offer of provincial autonomy and dyarchy at the centre, how has the story survived for nearly 75 years? For, the so-called offer of dyarchy at the centre and even dominion status, from Reading at the time of the visit of the Prince of Wales in 1921, is one of the longest flying kites of modern Indian history. It has been kept alive by certain writers, each relying on the other. Most, though not all, of those who have written on the subject belonged at the time to the liberal school and had close links with it. The Reading offer is part of their mythology.

HM Seervai, writing on the modern period prior to partition in *Constitutional Law of India* (Vol 1), does not seem to have scrutinised the veracity of the sources on which he chooses to rely. Errors made by other writers are sometimes reproduced by him, if the erroneous statement fits in with the design of his work. He relies on K M Munshi's observation in 1967:

...had Gandhiji accepted Reading's offer, we might have obtained Dominion Status before 1939 without having had to partition India [Seervai 1991:7].¹

Munshi in his turn has cited in the relevant chapter, and more or less followed, Kanji Dwarkadas whose book had appeared a year earlier in 1966 [Munshi 1967:23]. Munshi, along with the Dwarkadas brothers, had been associated with the Annie Besant school of politics. Kanji Dwarkadas had been a campaigner against non-cooperation.

In Kanji Dwarkadas's 1966 account, his brother Jamnadas and Hridayanath Kunzru were sent to Gandhi by 'Reading, Sapru, Mrs Besant and Malviya' (sic) on December 18, 1921:

with the offer from Reading and Sapru that Lord Reading would call a Round Table Conference in Calcutta a week prior to the Prince's visit... [Kanji 1966:189].

According to Dwarkadas:

Reading promised that at this conference, he would, on behalf of the British government concede full provincial autonomy and discussions would take place as to what powers should be transferred from the Central government to the Indian people's representatives, i.e. dyarchy in the Central government. Ronaldshay in his speech to the Bengal Legislative Council referred to this offer from Reading [Kanp 1966:189].²

That Jamnadas Dwarkadas and H N Kunzru went to see Gandhi, that they did so at the instance of Malaviya and that a proposal for a conference was discussed is not in dispute. However, what role the viceroy played is open to question, though it is probable that by this time he was also in the picture with objectives of his own which were not necessarily consistent with those of the liberals. The suggestion that Jamnadas Dwarkadas and Kunzru had been sent by the viceroy, among others, is made in an account by M R Jayakar, who is apparently taken over later on by Kanji Dwarkadas, who in turn is followed by Munshi. But the account by Jayakar is in fact an almost verbatim repetition of an earlier publication by Kanji Dwarkadas (1950). The two further 'promises' from Reading referred to by Kanji Dwarkadas are not borne out by the record. Jayakar, while referring to the visit to Ahmedabad by Jamnadas Dwarkadas and H N Kunzru, had written:

They were sent at the instance of the Viceroy Sapru and Mrs Besant, to Gandhi at Ahmedabad on December 18, 1921, with the offer that, if the agitation boycotting the visit of the Prince was stopped, the Viceroy would call a Round Table Conference in Calcutta a week prior to the Prince's visit there, at which he himself would represent the British Government and India would be represented by its political leaders, including Gandhi and his Congress friends. *The Viceroy further promised that at this conference, he would on behalf of the British Government, offer full provincial autonomy and discussions would take place as to what powers could be transferred in the Central Government to the Indian people's representatives. In other words, in addition to full provincial autonomy, dyarchy in the central government would be negotiated* [Jayakar 1958:504; emphasis added].

The underlined portion of the so-called offer is borne out neither by the material on Reading nor even by the speech made by Ronaldshay, the then governor of Bengal, cited by Kanji Dwarkadas. Jayakar himself does not appear to have been careful at this point because the passage quoted is virtually a straight lift from a booklet by Kanji Dwarkadas and Seervai published in 1950. In fact, Kanji Dwarkadas and Seervai have confused the issue. Jayakar had, to his credit, reproduced also a subsequent statement by Madan Mohan

Malaviya to the effect that there was no offer from the viceroy. We shall presently refer to this. Dwarkadas has left out this aspect of the matter from his account. Moreover, Ronaldshay's speech to the Bengal legislative council, made on December 19, 1921, was to the effect that if, to pave the way for a conference, non-cooperation was suspended, he would be 'prepared to suggest' that prosecutions under Part II of the Criminal Law Amendment Act of 1908 (that is the part dealing with 'unlawful associations') would be suspended and 'those charged with offences under this Act should be released' (*Indian Annual Register*, Vol 1, 1922:256-57). (Even this conditional suggestion, therefore, did not cover those arrested on other charges, including the Ali brothers and Saifuddin Kitchlew, on which question much was to turn)

It is this speech, containing a conditional and limited proposal, which is converted by Kanji Dwarkadas not only into a certain offer but also into a corroboration of an 'offer' by Reading on provincial autonomy and dyarchy. Incidentally, when Ronaldshay, as the 2nd Marquess of Zetland, wrote his memoirs (published in 1956) containing several references to his services to India, this particular proposal was not one of the matters mentioned [Ronaldshay 1956; Zetland 1935].

Jayakar had no direct knowledge of the offer. There are certain other aspects of Jayakar's account, which indicate that Jayakar's knowledge about even the Ahmedabad side of these events in December 1921, was, contrary to his occasional claim, not wholly at first hand. According to Jayakar's narrative, when the message brought by Jamnadas Dwarkadas and Kunzru was in the presence of Jayakar and M A Jinnah given to Gandhi this is what happened: Gandhi 'agreed to convey through the emissaries his acceptance of the offer obviously with the view of exploiting it. He was later engaged in deep consultations with his followers and Muslims, at which he was not present, but it was clear that these followers did not like the idea of Gandhi accepting the Viceroy's offer and going to the Round Table Conference. Within one hour, Gandhi wired to Sapru and the Viceroy that, after serious thought, he had decided to reject the Viceroy's offer and the previous acceptance he had sent through Jamnadas and Kunzru was to be treated as cancelled [Jayakar 1958:505 emphasis added]

This part of the narrative is also based on Kanji Dwarkadas's account in 1950. In fact, the portion beginning 'Within one hour' is a verbatim copy from Kanji Dwarkadas's 1950 booklet except that the word 'Viceroy' is used for Reading and 'previous' is inserted before 'acceptance' [Dwarkadas 1950:28]. Dwarkadas is followed also by Munshi (1967:23). No such wires from Gandhi to Sapru and the viceroy are on record and

Jayakar also has not produced them. That no such wires were sent is indicated also by the telegraphic exchange that took place between Gandhi and Jamnadas Dwarkadas on December 21 and December 22, 1921. Jamnadas Dwarkadas himself remonstrates with Gandhi about the latter's telegram to Malaviya and Das (and not about any communication to Sapru or the Viceroy). Jamnadas Dwarkadas to Gandhi (December 21, 1921).

Can you imagine how heart breaking it is for me? Came full of hope only to find that your subsequent telegram to Panditji and Das practically cancelled all you told me. Gandhi to Jamnadas Dwarkadas (December 22, 1921).

My word to you ahides. Prepared individually unconditionally attend any conference Viceroy putting you wrong track. Tell me concrete terms to be observed. Only cannot waive voluntary Hartal till terms stated telegram to Das satisfied? [Jayakar 1958:507-08]

(The terms in the telegram dated December 19, 1921 to C R Das included the release of the Ali brothers and others who had been arrested for, *inter alia*, asserting at a meeting of the All India Khilafat conference in Karachi that it was un-Islamic to participate in military action against Egypt and the Turks who had done no harm to India. Such prisoners were known as the 'Fitwa Prisoners'. The telegram is reproduced further on in this article)

These facts suggest that Jayakar's account is inaccurate and not consistent even with the texts of such communications as are reproduced by him. Ironically, Jayakar draws pointed attention to such telegraphic exchanges that in fact took place at the time and claims that even these telegrams, reproduced by him, "have remained so long hidden from the general public". This is incorrect. The relevant communications including the two telegrams reproduced above were published in 1928 in Krishnadas's detailed work *Seven Months with Mahatma Gandhi* (1928). But there is no evidence of any wires in December 1921, from Gandhi to Sapru or to the viceroy. Nor is there any evidence of an offer from Reading of the kind suggested by Kanji Dwarkadas.

How did the mythology concerning the Reading offer arise? Towards the end of 1921, the group of 'moderate' leaders led by Madan Mohan Malaviya wanted to make peace between the British and the non-cooperators. The viceroy, who had been anxious that the Prince visit India, found himself in an embarrassing position as a result of the nationalist boycott of the visit. At this juncture, in December 1921, a deputation led by Malaviya wished to call on the viceroy with a suggestion for a Round Table conference. There is little to indicate that the suggestion for such a conference came from the viceroy, it came from the

'moderate' leaders. This group was against mass action at the time. Such action was an embarrassment because it compelled the moderates to take a side. As part of its opposition to the non-cooperation movement, this group circulated that the viceroy had offered dominion status, or something similar, to India. This account the Dwarkadas brothers furthered. Kanji Dwarkadas, in particular, did not confine himself even in 1966 to the limits reached in Jayakar's account. He gave it yet another twist. What Jayakar had contented himself with describing as a proposal for discussion was presented by Dwarkadas in 1966 as a promise. Dwarkadas wrote, now improving on his own 1950 version, that:

full provincial autonomy which was promised to us in January 1922, came to us fifteen years later in 1937, and for the responsibility in the centre which was promised to us then we had to wait for 25 years and that too came by way of division of the country (August 1947) [Dwarkadas 1966:196; emphasis added]

To start with, the underlined portion of these remarks is erroneous. Further, Dwarkadas now shifts ground. The offer is now supposed to have been made in January 1922. This, as showed below, is still more erroneous.

A year and a half after the December 1921 demarche, Madan Mohan Malaviya, who had been in the thick of it, in an interview published in the *Voice of India* (July 4, 1923) said, *inter alia*

But I never received so much as a hint from Lord Reading to start any negotiations for the Round Table Conference or to take any steps to call off the hartal [quoted in Jayakar 1958:516]

This is a contemporaneous account of the events and does not appear to have been challenged by the Dwarkadas brothers in 1923.

All those, especially in Calcutta, who had pegged their earlier understanding of these events on Malaviya's moves in 1921-22 do not seem to have had much to go by. According to Malaviya's press statement issued on June 30, 1923, the proposal had come from an unnamed 'friend' who "suggested the idea of a deputation to the viceroy to urge that a Round Table Conference should be held to discuss the demands of the Congress." [quoted in Krishnadas 1928:156]

Could the viceroy have made, even if he had so wished, the kind of 'offer' that is attributed to him? Reading's biographer, Montgomery-Hyde, speaks the feeling in England about this time was that "constitutional reform in India had gone too far" (1967:369). Only a few months earlier the demand put forward by Srinivas Sastri at the Imperial conference in 1921, for equal citizenship for Indians domiciled in the dominions had engendered opposition

[Jagadisan 1963:71-75]. And Edwin Montagu, the secretary of state in the British government, had to quite shortly after the December 1921 events for granting permission to Reading to publish the latter's telegram to London sent on February 28, 1922 making suggestions on some of the issues agitating opinion in India on the Turkish question and the terms of the treaty of Sevres [Montgomery-Hyde 1967:371-75].

Having failed to wean away Gandhi from the Ali brothers in December 1921, the viceroy nevertheless now wished to placate what he described as 'Moslem India' by seeking to publish his telegram relating to the terms of the treaty of Sevres. Reading explained later to Lloyd George, the British prime minister, "Of course I know that the Greco-Turkish Treaty (of Sevres) was one of international complications." But, he continued:

I was, however, definitely of opinion that having regard to the situation in India, it would be of great value if we could impress upon the Mohammedan population by our action and by publication of the telegram of 28th February that we had done all in our power to present their views as forcibly as possible to His Majesty's Government. Further, we were of opinion if it could be permitted it would be of special importance to publish before the arrest of Gandhi. [Montgomery-Hyde 1967:372]

There are indications that the real attempt of the viceroy, once the 'offer' got going in December 1921, was to drive a wedge between Gandhi and the Ali brothers (on whose release there was no commitment) and thereby seek to alienate, as he saw it, Muslim opinion from the Congress. Reading had, as is to be expected, a predisposition towards such a policy. Earlier, in mid-1921, he had written, as recorded by his son,

He (Mahommed Ali) is the ostensible link between Mahommedan and Hindu. If trouble comes between him and Gandhi, it means the collapse of the bridge over the gulf between Hindu and Mahommedan. [Reading 1945:199]⁴

The story spread in 1922 that C R Das was annoyed with Gandhi for having spurned the viceroy's 'offer'. C R Das was in jail at the time. His knowledge of these December events was based primarily on a couple of visits to him by Malaviya.

However, C R Das's reaction was subsequently written by Suhhas Chandra Bose, who also was in prison at the time [Bose 1948]: "Manikava Azad, too, was in prison along with C R Das. Azad's reminiscences, as reported after his death by Humayun Kabir in *India Wins Freedom* (referred to hereinafter by us as the Azad-Kabir account) contain a story similar to Bose's. This story hinges, as in the case of Bose, on the impressions then conveyed by Malaviya. As Malaviya himself denies that there was any hint of such an offer from

Reading and since Malaviya's denial was more or less contemporaneous and has not been noticed in either the Azad-Kabir version or by Bose, this removes the substratum on which these accounts are based. However, an examination of these accounts is also instructive. As in Bose's account, there is no suggestion in the Azad-Kabir version of dominion status or of any form of dyarchy at the centre but only of a Round Table conference "to settle the question of India's political future" (quote in Kabir 1959:14-15).

There is one important difference between Bose's account and the Azad-Kabir version. In the latter narrative the government agreed to release the Ali brothers as well for the proposed conference. This, of course, Seervai obliquely repeats by referring to the willingness of Das and Azad to accept the offer, provided all Congress leaders were released "before the Round Table Conference was held" [Seervai 1991:7]. What he does not mention is that Gandhi's query about the date of the conference goes unanswered.

In Bose's account, when Gandhi in his reply to a telegram from Das and Azad "insisted on the release of the Ali brothers and their associates as a part of the terms of the settlement and also on an announcement regarding the date and composition of the Round Table Conference" the viceroy was "not in a mood for any further parleying and wanted an immediate decision." [Bose 1948:100-01]

According to the Azad-Kabir version, the point at which the viceroy "dropped" his proposal is upon Gandhi's refusal to agree unless political leaders, particularly the Ali brothers, were released unconditionally [Kabir 1959:15]. If the Azad-Kabir version that the government agreed to release the Ali brothers before the Round Table conference is correct, why then should the viceroy have lost interest when Gandhi insisted on their release and a date for the conference?

The viceroy's concern was directed according to the Azad-Kabir version, to avoiding a boycott of the visit of the Prince of Wales to Calcutta. This visit was in late December 1921. Well before the visit, Gandhi had on December 19, 1921 wired C R Das and Azad as follows:

Composition/dates Conference should be previously determined. Release should include prisoners convicted for Farwas including Karachi ones. Subject to these conditions in addition to yours we can, in my opinion, waive Hartal. [Government of India ind. 55]

This was before the Malaviya deputation waited upon the viceroy on December 21, 1921, and also before the Prince's visit to Calcutta. Therefore, the reason given in the Azad-Kabir account for the 'dropping' of the supposed proposal from the viceroy is not quite correct and misses the point. The viceroy ceased to evince any interest after

the Prince's departure. But did he have any real interest in the proposal itself even prior to the visit? For, Gandhi's telegrams to Malaviya and to C R Das and Azad were dated December 19, 1921, that is before the Prince's visit. It is on this aspect of the Azad-Kabir version that Seervai has however, been conspicuously suggesting that the viceroy lost interest after the Prince's departure [Seervai 1991:7].

To conclude this part of the story, there was no offer from the viceroy either about dominion status or about any form of dyarchy at the centre. In December 1921, there was no 'offer' from him about a Round Table conference either: this was a proposal by the moderate group. The viceroy simply did not discourage efforts for such a conference as the report prepared under the Government of India Act for presentation to the British parliament put it at the time [Rushbrook 1985:93]. If the fact of the Prince having come and gone in December 1921, is given as the reason for viceregal lack of enthusiasm this does not explain the 'loss of interest' on the viceroy's part even before the Prince's visit. Evidently, the viceroy had simply pursued a strategy of ambiguity with Malaviya's deputation, in the belief that the hartal might be called off on the basis of airy hopes that the deputation itself had nursed of a future Round Table conference and with the isolation of the Ali brothers as an added bonus. Reading was not prepared to be pinned down to a specific proposal. Nor does he appear to have had any authority from the British government to make political 'offers' to India. In fact, there are clear indications to the contrary. The participants in these events do not appear to have known that a meeting of senior ministers of the British cabinet in London on December 20, 1921 had not been enthusiastic about the idea of a conference and had declined to agree to a withdrawal of penal measures or to 'sanction any change in the Constitution of India' [quoted in Nanda 1969:33]. Reading does not appear to have let this be known. Significantly, the bluff was finally called after Gandhi's telegram to Jaganadas Dwarkadas on December 22, 1921, saying, *inter alia*, "Tell me concrete terms to be observed." [Dayakar 1958:508; Krishnadas 1928:128]. But the story, like the tale of the Cheshire cat, remained.

There was a sequel to these events. A conference of leaders was held at Bombay in January 1922 (sometimes referred to as 'Malaviya conference' and even as a Round Table conference, although the object of the Malaviya conference itself was to persuade the government to call a Round Table conference). The conference served as a repetitive act of the events enacted in December 1921. Seervai refers to the Azad-Kabir account and with regard to the January 1922 conference states that this was called

by Gandhi [Seervai 1991:7; Kabir 1959:20-21]. This is incorrect. The January conference was called by the Malaviya-Jinnah group which, along with Jayakar and Jamnadas Dwarkadas, had earlier floated the Round Table conference idea. Incidentally, the invitation sent for the conference is signed by Malaviya, Jinnah, Jayakar and four others [Pirzada 1977:36-37; Jayakar 1958:519-20].¹ Gandhi participated in his individual capacity in the January 1922 conference as a 'non-cooperator'. Even at the January 1922 conference the organisers showed little anxiety on the release of the Ali brothers and this was a serious point of difference between them and Gandhi [Krishnadas 1928:263-64, 267-68].

At the January 1922 conference, Jinnah himself, while functioning as one of its secretaries was sceptical of the so-called 'offer'. He, therefore, remarked at the Bombay meeting that "... there could be no conference until the Viceroy gave an assurance that he had the sanction of the British government behind him for carrying into effect whatever decision might be reached by the suggested conference" (*The Indian Annual Register*, Vol I, 1922: 277).

The British official position with regard to the events in December 1921, and January 1922, is set out in the report prepared for presentation to the British parliament in accordance with the Government of India Act. The report states in regard to the 'Round Table Project', that when some of:

the Moderates displayed a great anxiety to arrange a compromise by means of a Round Table Conference, Lord Reading did indeed make plain the fact that nothing could be done until the non-cooperation party discontinued open breaches of the law, and the practice of intimidation: but he did not discourage efforts which were so plainly well-intentioned [Rushbrook 1985:93-94].

This is consistent with Malaviya's own statement made a year and half later, which has already been referred to above. An indication of the British position can also be found in the fact that when on January 18, 1922, Pheroz Sehnna moved a resolution in the Council of State at Delhi that an "informal joint sitting of both the houses of the legislature" be convened "to settle on what lines a Round Table conference of all party leaders should be held", this was opposed on behalf of the government, voted upon and 'declared lost' (*The Indian Annual Register*, Vol II, 1922-23: 528xx-528xxi). Consequently, it appears that many of the academic narratives of these events currently in circulation are also based on incorrect premises.²

Notes

- 1 The relevant portion has been published separately as *Partition of India* (1994:14). Seervai cites from Munshi (1967). Stanley Wolpert (1985) also swallows the story, writing of "that remarkable Viceregal offer" and going

to the extent of saying that had Gandhi "adhered to his initial response, the transfer of power from Imperial British to national Indian control might have been advanced a full decade and a half" (1985:75). Wolpert cites Jayakar (1958).

- 2 The substance of this passage occurs also in the same writer's *Ruttie Jinnah* published by himself from Bombay (1963?), p 15.
- 3 Out of the proposals put by him before C R Das and Azad in prison, Malaviya adds in the press note that: "They were proposals put by me before the viceroy in consultation with some friends, which the government was willing to entertain and agree to" [Krishnadas 1928:158]. The reference to the government's willingness to agree is in relation to proposals embodied in C R Das and Azad's telegram of December 19 to Gandhi regarding the conference proposal along with release of those arrested as a result of orders passed under the Criminal Law Amendment Act but not of other non-cooperators. Further, this did not concern provincial autonomy or dyarchy at the centre.
- 4 Division was, in fact, the basis of Reading's conscious strategy from the very beginning, not real dialogue. On his arrival in India in April 1921, there were suggestions both in India and England for a Round Table conference. "But", his son records, "Lord Reading set his face against all such hints and proposals and not only declared his intention of refusing to take the initiative in summoning such a conference but also of rejecting the proposal if made by anybody else" (1945:193).
- 5 Bose was arrested on December 10, 1921, and remained in prison till August 9, 1922 [see Basak 1977:9]. His sources of information at this time suffered from the same disadvantages as did those of C R Das and others in prison at this time.
- 6 An amusing version of this episode which spread in political circles was that the talks failed "owing to a slight mischance in that Gandhi's telegram reached Lord Reading in Calcutta a little late..." See B Pattabhi Sitaramayya's contribution in S Radhakrishnan (ed) (1944). There was no such telegram to Reading. Besides, a glance through the *Transfer of Power Documents* published by the British government in regard to its last days in India would reveal that the viceroys often received letters long before the addressees. That the British government would have missed out on any of Gandhi's telegrams to various persons at this time strains credulity. If, on the other hand, it is implied that any telegram was despatched late, this is belied by the dates of the communications exchanged. Incidentally, according to Malaviya's press note of June 30, 1923 [quoted in Krishnadas 1928:169] what in fact reached late was a telegram sent on December 21, 1921 by Gandhi to Shyama Sunder Chakravarty who succeeded C R Das as the president of the Bengal provincial congress committee. In the *Collected Works of Mahatma Gandhi* (Vol 22, p 60) this telegram is published with the note 'on or after December 21, 1921'. This too seems to have reached early enough to enable Malaviya and Chakravarty to meet the viceroy again on this basis, on December 22, with the suggestion that the conference be called on February 15, 1922, and that the Ali brothers be invited. In Malaviya's words, he placed the proposals before the viceroy "on the 22nd December (1921). But he said that it was too late to consider them. The members of his government had left Calcutta and the matter had been dropped". This 'too late' theory occurs also

in Bose (1948:101). Neither Malaviya nor Bose takes note of the fact that the Prince of Wales was yet to enter Calcutta. He was due on December 24, 1921.

- 7 Pirzada (1977) does not have the name of K Natarajan which is mentioned by Jayakar (1958). The latter claims that the conference was conceived by himself and Jinnah (1958:517).
- 8 For example, Brown comments: "A conference called by Malaviya, Jinnah, M R Jayakar and others proved abortive because Gandhi would not give up civil disobedience" (1972:348n). This reasoning, incidentally, seems incorrect not merely in the light of our discussion of the illusory nature of the so-called 'offer'. In addition, Brown goes further than the mainstream contemporary imperial tradition. For, the account by the Second Marquess of Reading had attributed to Gandhi merely the desire to continue preparation for civil disobedience while the conference was in progress [Reading 1945:243].

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Muslim Intellectuals, Institutions, and the Post-Colonial Predicament

Mushirul Hasan

Much research on Muslims since independence is still conducted within the framework bequeathed by the British and some nationalist writers. It is assumed that orthodoxy represents true Islam and that liberal currents are secondary. Much more research is needed on 'heterodox' trends, to discover schools of thought among Muslims that placed Indian Islam in its specific Indian environment. This study of the debates that took place, especially in and around Jamia Millia Islamia and Aligarh Muslim University, in the post-independence period, is a step in this direction.

I

MUCH research on Muslims since independence is still conducted within the framework bequeathed by the British and some nationalist writers. The categories used to define them have been questioned but not changed. There is still talk of a 'Muslim mind', a 'Muslim outlook', and an inclination to construct a 'Muslim identity' around Islam. A sense of otherness is conveyed in such images. Muslims are made to appear different in the print media, in some literary works, and in the world of cinema. In this respect, there is often a striking convergence between the 'secular' and the 'communal' perspectives.

It is also assumed that orthodoxy represents true Islam and the interests of its adherents; and that liberal and modernist currents are secondary or peripheral to the more dominant 'separatist', 'communal' and 'neo-fundamentalist' paradigms. It is time to underline, along with the 'dominant' orthodox paradigms, the 'heterodox' trends which contest the definition of 'Muslim identity' in purely religious terms, and to refute the popular notion that Islamic values and symbols provide a key to the understanding of the 'Muslim world view'.

Much is made of the fact that Muslims, more than any other religious entity, attached greater importance and value to their religio-cultural habits and institutions; hence they were more prone to being swayed by religious/Islamic rhetoric. There is irrefutable evidence to substantiate this view. But if the inferences drawn are specific to a community, what does one make of 19th century religio-revival movements in Bengal, Maharashtra and Punjab, and their deepening anxieties over the future of, and the evangelical threat to, the Hindu identity? At the heart of the Arya Samaj's brand of reconstruction and reform was the restoration of the pristine purity of vedic culture and civilisation. The 'Tilak school'

in Maharashtra and the leading architects of the Swadeshi Movement in Bengal, including Aurobindo Ghose and B C Pal, were constructively rethinking their 'Hindu' heritage and meeting the challenges of modern thought by assimilative-creative processes. The cow question was nothing but an evocative symbol of Hindu resurgence in northern and western India. The crusade for Hindi in opposition to Urdu was as much linked with government employment as with a widely perceived symbol of a Hinduised identity. Finally, the emergent national consciousness appropriated the orientalist construction of Hinduism, as well as what it regarded as the heritage of Hindu culture. The need for formulating a Hindu community also became a requirement for political mobilisation when representation by the religious community gave access to political power and economic resources.

It must be borne in mind that a Muslim, like his counterpart in any other community, has many diverse roles to play. He is not cast in the role of a religious crusader or a relentless defender of the faith. Besides being a follower of Islam by birth and training, a Muslim, and for that matter a Hindu or a Sikh, is a peasant or a landlord, an agricultural worker or a landless labourer, a worker or an industrialist, a student or a teacher, a litigant or a lawyer, a Shia or a Sunni, a Deobandi or a Barelwi. Should we then harp on his Muslim/Islamic identity to the exclusion of everything else, including the secular terms in which he relates to the more immediate socio-economic needs and his wide-ranging interactions with his class and not just his Muslim brethren? The depth and nature of this interaction is a matter of dispute; but does that justify a discussion in terms of an absolute Muslim/Islamic consciousness? If centuries of shared experiences could not create composite solidarities, how could a specifically Muslim self-consciousness emerge out of their diverse experiences?

Mohammad Ali Jinnah believed he had all the answers. So did the Jamaat-i Islami. But there were other explanations as well, boldly constructed around secular and pluralist conceptions and counterposed to an essentialist view of Indian Islam. Scholars, artists and creative writers, in particular, continued to contest the two-nation theory, and unfolded the past to discover elements of unity, cohesion and integration and to provide historical legitimisation for multi-culturalism and religious plurality. Prominent amongst them were people with pronounced socialist and marxist leanings.

Muslim intellectuals, both independently and as part of liberal-left formations, were doing much the same. Acting not as Muslim intellectuals *per se*, they nevertheless saw themselves as transmitters of a certain historical tradition. They carried forward the inconclusive debates of the post-1857 decades, when the 'ulama' and the liberal intelligentsia were constrained to sketch out a role for themselves – within a religious tradition that had strong revivalist precedents as well as liberal and reformist tendencies. They did so because certain key aspects in those debates bore contemporary relevance and related to how Muslims situated themselves in a world that was brutally shattered by partition. The nature of this engagement in post-independence India is the central theme of this discussion, though it is mainly confined to the realm of ideas mirrored through Jamia Millia Islamia and Aligarh Muslim University.

II

The 19th century, commented Maulana Abul Kalam Azad, "marked a spirit of renaissance for the Indian spirit, and Aligarh was one of the centres of such renaissance". Zakir Husain, author of the Wardha scheme of education and Aligarh's vice-chancellor, told Nehru on his visit to the campus in November 1955 that "the way Aligarh works,

the way Aligarh thinks, the contribution Aligarh makes to Indian life... will largely determine the place Muslims will occupy in the pattern of Indian life". Such magisterial generalisations do not stand the test of historical scrutiny; but they certainly offer a clue to the role assigned to this university in the Muslim intellectual resurgence. It is appropriate to concentrate on the main reformist strands in the last quarter of the 19th century, a phase dominated by the ideas of Syed Ahmad Khan and the 'Aligarh movement'.

The post-mutiny era witnessed two kinds of reactions: a traditionalist backlash which was sometimes militant but more often muted, and a 'modernist' response typified in the 'Delhi school' and the 'Aligarh movement'. There were first and foremost those who, in the footsteps of Shah Waliullah, attributed the political, social and moral decline of the 'faithful' to Hindu and shia accretions, to their straying from the straight path of Islam. The future of Muslims and of Islam was in jeopardy because the western concept of life, with its excessive individualism and materialism, constituted the very antithesis of the basic values of life as formulated by the Quran. That was the message from the 'mujahidin' in the north-west frontier region and the farazis in rural Bengal. They argued, just as their counterparts did in Egypt, Sudan and Turkey, that a programme of religious purification, together with religious education and 'Islamic conscientisation' in the form of publications, was an alternative to the 'degenerating' western ideologies which had placed the 'umma' in its gravest crises.

Some of their ideas, though fairly worn-out, went down well in north India and Bengal, where British rule had disturbed the status quo most of all. Their protagonists secured a following in rural Punjab and Bengal through established networks of mosques, 'dargahs' and 'madrasas'. Yet neither the mujahidin nor the farazis could generate a countrywide movement comparable to, say, the khilafat campaign in the 1920s. The social equilibrium was disturbed in some areas, but not everywhere. Islamic revival became an obsession with some, but not all. The message from Deoband's Dar al-ulum reached far and wide; yet not many, so lamented the high priests at this major site of Islamic revival, lived their lives in accordance with their 'fatwa'. The colonial government, especially after 1857, thwarted the orthodox challenge through conciliation and compromise and a policy of balance and rule between what they conceived as the two great communities, the Hindu and the Muslim.

The upsurge in 1857 offered a rallying point to the disgruntled elements in the ruling and service classes, but the banner of revolt

was not raised everywhere. In most areas, Muslims seemed inclined, from the days of Company rule, to arrive at a workable *modus vivendi* with their new rulers and to carve out new channels of aspiration and of spiritual creativity. Having read the writing on the wall, they accepted British rule much more gladly than others. There were no doubt a few hard nuts to crack; but most were not repelled by, but attracted towards, the west, because they found, as did Mirza Abu Talib and Lutfullah during their stay in England, a stable political system, an affluent industrialised economy, and a civilisation with a strong material and cultural foundation.

In Delhi College, subsidised by the British since 1827 and always headed by a British principal, there was much creative thinking and many systematic endeavours to demonstrate Islam's compatibility with western thought and values. In the presidency towns, Abdul Latif and Ameer Ali in Calcutta, and the Tyabji family in Bombay, set the tone. Tyab Ali, head of the Tyabji family, was the first Muslim to send his sons abroad for education, and the first ladies of the Tyabji-Fyzee family left 'purdah' in 1894. His son, Badruddin Tyabji, was the first Indian barrister in Bombay, the first Indian judge on the original side of the Bombay High Court, and the first Indian to act as chief justice of the Bombay High Court.

Rapprochement with the British, the guiding principle of most Muslim reformers, went along with much soul-searching and introspection. Newly-founded organisations such as the Anjuman-i Himayat-i Islam in Punjab, the All-India Muslim Educational Conference, and the Anjuman-i Islam in Bombay began to wonder why Muslims were not able to integrate their system of education, family structures, economic enterprises and even political aspirations into the 'national mainstream'. Why the resistance to change and innovation? What were the deeper causes of the social malaise? What was the remedy? Thus Hali devoted his *Majlis annisa* to the plight of Muslim women. Syed Mumtaz Ali commented on polygamy, the age of marriage, purdah and the empowerment of Muslim women. Nazir Ahmad, a civil servant, set a model for writers in the *Mirat al-urus* (The Bride's Mirror), detailing the evils of polygamy and the virtues of women education and widow remarriage.

Justice Shah Din in Punjab advocated specialised training for Muslim girls, if not in scholarly pursuits then at least in the basic skills of reading, writing, arithmetic, hygiene and home economics. He was the first president of the Muhammadan Educational Conference in 1894, and he and Mohammad Shafi were the first Muslims to send their daughters to study

at Queen's Mary College in Lahore. In Bombay, Badruddin Tyabji helped found and then ran for many years an educational foundation. The major focus of his career was the education of Muslim boys, along with other social reform measures like the removal of purdah and getting the Age of Consent Bill passed in the teeth of both Hindu and Muslim opposition. At the Muhammadan Educational Conference in 1903, he pleaded for the abandonment of the purdah system and for a liberal education for Muslim women.

During most of his adult life, Hakim Ajmal Khan, a senior and venerable citizen of Delhi, wore the sherwani and Turkish fez the former an adaptation of the western coat and the latter a symbol of admiration for Ottoman social change. His lifelong friend and comrade, M A Ansari, witnessed the impact of the Young Turk Revolution, led by the Committee of Union and Progress, and was vastly impressed by the strength and vitality of the modernising forces in Turkey. Others were equally impressed that Turkey was on the move, competing with the west for an equal status in the comity of modern nations. This led Iqbal, who was among the few Muslim intellectuals in India to welcome the abolition of the khilafat, to comment: "If the renaissance of Islam is a fact, and I believe it is a fact, we too one day, like the Turks, will have to re-evaluate our intellectual inheritance".

Syed Ahmad was of course the trailblazer. He alone possessed the intellectual resources to reconcile matters of faith with the more immediate task of rescuing Muslims from their downward spiral. He set high value on the social morality of Islam and justified the adoption of western ideas and institutions in Islamic terms. It was not necessary to 'imitate the west but only to accept some of its values as, at least, a second-best substitute for vanished Muslim glories.

With his sharp analytical mind and his acute sense of the working of historical forces in the shaping of contemporary societies, the Aligarh reformer was able to recognise change, flux and movement in history. He knew his Islamic history well. He knew his Islam better. He could thus comprehend the scale and depth of reformist ideas and currents, identify elements of change and innovation, and discover a sound theoretical basis for a constructive dialogue and interaction with the west. The conclusions drawn by him and the message communicated were directed against ill-founded assumptions about the west and ill-informed criticism of his own project by the theologians. He describes in his letter to Nawab Mohsinul Mulk, his esteemed colleague at Aligarh, how he became concerned after the mutiny for the reform of his community, which he saw to be

impossible apart from their education in the modern sciences and in the English language.

Despairing of existing commentaries with their preoccupation with trivia, he "deliberated on the Quran itself and tried to understand from the Quran itself the principles on which its composition is based". He found that if the Quranic principles were adopted there would remain no incompatibility between the modern sciences and Islam. He tried to resolve the difficulties inherent in the four traditional sources of Muslim law by a dialectical rationalist exegesis of the Quran; by scrutinising the classical data of the 'hadith'; by an almost unlimited emphasis on 'ijtihad' as the inalienable right of every individual Muslim; and finally by rejecting the principle of 'ijma' (consensus) in the classical sense which confined it to the ulama.

There was strong resistance to and criticism of Syed Ahmad from identifiable quarters. But in the long run, his modernist agenda was acclaimed and endorsed by a new generation of Muslims, many of whom were alienated by the formalism of the traditional theologians. They were, moreover, convinced that the pursuit of modern education and the raising of intellectual standards would not undermine but only vindicate the message of Islam. His reformulation of doctrine in modern instead of medieval terms, as also his eclectic world-view, became part of the furnishing of mind of educated Muslims. He inspired some to set up educational centres modelled on the Aligarh College. Thus a Madrasatul-Islam in Sind and Dacca College were set up, the latter gaining, like Aligarh, university status after first world war. Following the Muhammadan Educational Conference held at Madras in 1901, the Muslim Educational Association of south India was founded.

In his *Preparatory Years*, Syed Ahmad unveiled to the young Azad the true spirit of the Quran and the genuine teachings of Islam. The Maulana compared him with Raja Rammohun Roy, both of whom left the stamp of their personality in all spheres of intellectual activity, and emphasised that the Syed, who used the metaphor that Hindus and Muslims were the two eyes in Mother India's face, was a believer in inter-community harmony. He, the presiding spirit of the university, represented the forces of change by challenging traditional values and outmoded beliefs. "The battle was fought here in Aligarh and Aligarh is the visible embodiment of the victory of the forces of progress." Iqbal, too, described Syed Ahmad as "the first modern Muslim to catch a glimpse of the positive character of the age that was coming" and "the first Indian Muslim who felt the need for a fresh orientation of Islam and worked for it".

III

In the early 20th century, the political landscape underwent a change in response to major national and transnational developments. A closing-up of the ideological split between the ulama and the liberal intelligentsia, and a gradual re-assimilation of traditional and western values, were the immediate consequences. Deoband's Dar al-ulum and the Aligarh college were no longer arrayed against each other; in fact, vocal sections at both places dialogued to bridge the gulf and narrow their differences. This was not on account of any basic ideological compatibility or sudden meeting of minds on matters of faith and dogma. It was because more and more Muslim divines, especially from Deoband and Nadwa, and the men of 'New Light' discovered, as in the case of the Mussalman Waqf Validating Act of 1913, new areas of co-operation. Yet what engaged them most and spurred the efforts at unity were not just legal, educational or religious matters, but their place in the political arrangements that were being hammered out in Delhi and Whitehall. Their main preoccupation, if not the sole concern, was to define the community afresh in order to suit their godly as well as the more attractive temporal interests. Their spirited endeavour, for which they revitalised an otherwise defunct Muslim League, was to locate the wider communitarian concerns outside the framework of Congress nationalism.

Once the ulama and their erstwhile *bele noire*, the western-trained professional politicians, put their heads together, they came up with definition which was developed in the context of colonial institutions and their own scripturalist rhetoric. This definition sought to create a corporate identity and set Muslims apart from their own class, region and linguistic unit. An Islamicate identity was thrust on Muslims, many of whom were not accustomed to living in accordance with the shariat or the diktat of the theologians. In the end, the coming together of the men of religion and the modern-day publicists backfired – insofar as it aided the cause of 'Muslim nationalism' and stifled liberal, reformist and secularising trends. This was a cause of celebration in some quarters; but not everyone had reasons to rejoice over this ominous development in 'Indo-Muslim' history. The worrying thought was that the contours of the community were being delineated in complete disregard of, and with no reference to, its local, regional, class, caste or linguistic specificities.

What did the enumerators find when the first all-India census was tabulated and analysed in 1881? They found that Muslims numbered but 19.7 per cent of the population.

They uncovered a geographically-dispersed aggregate of Muslims, forming neither a collectivity nor a distinct society for any purpose, political, economic and social. They found Muslims whose religious rituals had a very strong tinge of Hinduism, and who retained caste and observed Hindu festivals and ceremonies. In the Bengal countryside, in particular, pre-Islamic ceremonies relating to birth, marriage and death continued to be observed. In fact, the entry of Muslims in south Asia by so many and separated doorways, their spread over the subcontinent by so many different routes, over a period of centuries, and the diffusion of Islam in different forms from one area to another, ensured that this religion would present itself in many different epiphanies seen from different angles. Neither to its own adherents nor to non-Muslims did Islam seem monochromatic, monolithic or indeed monolithic. Yet, by the close of the 19th century, the community, separate and distinct from the 'others', had arrived with its accompanying baggage of concepts which bore no relationship with the ground realities.

This is where the Simla deputation of October 1, 1906 and the viceroy's response to the 'command performance' appears to be a significant landmark. From now on the Muslim elites and their spokesmen knew where their priorities lay, and to whom to turn for political legitimisation. They had a three-fold project: to trace the historical evolution of an imaginary community, as an antithesis to the Congress theory of 'unity in diversity'; to emphasise the distinct identity and separateness of this community in order to bargain and extract concessions from the government; and to invoke Islamic symbols of unity to mount a movement that would, in its essential thrust delink specific 'Muslim aspirations' from the broader concerns of the countrywide nationalist struggle. This is how Muslim nationalism gained legitimacy in government eyes. This is why it appealed to the landed and the urban-based professional classes, who were apprehensive of their position in the newly-created power structures. Every single step towards the devolution of authority to Indian hands was accompanied with initiatives to cement bonds of religious solidarity, on the one hand, and exacerbate inter-community differences, on the other.

The British had no reason to challenge sectarian nationalism so long as it could be pressed into service to counter nationalist aspirations. Having already created a Muslim identity in Indian politics, they could draw comfort from Jinnah repeating, at the height of the Muslim League movement, much the same arguments that had prompted Morley, Minto, Montagu and Chelmsford to concede to the Muslims separate electorates, weightages and reservations in the councils

and public services. During second world war, Jinnah could play any tune he liked. Officials in Delhi were prepared to give him a patient and sympathetic hearing and support his Pakistan project. He emerged stronger once the guns were silent on all fronts and the allies had extracted their pound of flesh from Germany. The British government felt obliged to reward him for dutifully supporting the war effort.

While these games were being played out on the Indian turf with utmost cynicism and insensitivity, a fair number of Muslim-dominated organisations and institutions sensed the dreadful consequences of political solidarity being built on religious ties. They questioned the conviction or myth in certain Muslim circles that the future of Islam in south Asia was endangered by Hindu nationalism, they disputed the notion of a monolithic and homogenised community, and they challenged the constitutional arrangements that lay the seeds of discord and disunity. Many people wrote and spoke from these perspectives about composite living and plural nationhood. Many were moved by a high sense of idealism and worked for inter-community unity and harmony. Their banners and flags did not flutter on housetops. Their audiences or readership did not run into thousands, but this did not deter them from making their point of view known. They were men of conviction and envisaged, even when Pakistan's creation was imminent, a future that held out hopes for the beleaguered Muslims in India. Their optimism was summed up in the narrative as well as the title of Tufail Ahmad Manglori's book *Mussalmanon ka Raushan Mustaqbil* (A Bright Future for the Muslims), and in the reflections of others who, after independence and partition, renewed their intellectual quest and commented on their history and 'destiny' with poise, dignity and self-confidence.

IV

The Jamia Millia Islamia (National Muslim University) in Delhi was, in the words of Nehru, "a lusty child of the non-cooperation movement" and a living symbol of a modest but significant endeavour to experiment with the underpinnings of multi-culturalism. It encapsulated two dominant trends, each linking several points of convergence in the post-khilafat era: the reformist inclination of some ulama who, like Maulana Mahmud Hasan of Deoband, were also profoundly anti-British, and the political radicalism of Aligarh-based students who rejected their institution's pro-British proclivities and gravitated towards Gandhi and Nehru for political leadership. The Turkish author, Halide Edib, found the Jamia to be much nearer to the Gandhian movement than any

other Muslim institution. It seemed, in its political aspect, 'like an attempt to understand the inalienable democracy of Islam as it was in the earlier Islamic society'. Sturdy Congressmen could thus mingle with ardent socialists and fiery Communists and individually and collectively fashion a composite and secular ethos – hence the League's criticism of Jamia's nationalist complexion.

Whether others agreed or not, the Jamia 'biradari' at Okhla in south Delhi was convinced of its quintessential role as a nationalist institution, devoted to the service of the nation and destined to contribute to the shaping of modern India. Though founded by Muslims, it was Muslim only in name. The atmosphere was mixed and cosmopolitan, thanks to the presence of several Hindu and Christian teachers, including a few from Germany, a country where some of Jamia's founders learnt their first lessons to develop their antipathy towards British colonialism. The theological disputations between the bareilwis and the deobandis, and the doctrinal differences between the shia and sunnis, which marred campus life in Aligarh, were alien to Jamia's culture, where no one wished to serve as a proper example of religiosity.

Jamia's social and intellectual manifesto was the outcome of enlightened political and intellectual currents sweeping across the country. Its educational programmes, embodied in the Wardha scheme of education, bore the imprint of Gandhi's ideas on primary education and incorporated some of Tagore's innovations at Vishwa Bharati in Shantiniketan. Its liberal orientation owed much to Syed Ahmad who, according to Mohammad Mujeeb, "had a larger view of life than any of the purely religious leaders, and one must be grateful to him for having given commonsense its rightful place in religious thought". Its own reconstruction of the Islamic ideal of an active political life was inspired by Azad, whose neo-intellectual modernism, religious universalism and commitment to composite Indian nationalism, represented the essence of what the Jamia stood for. Zakir Husain, vice-chancellor from 1926 to 1948, recalled:

When I was a boy I was anxious to light the dusty lamp of my life, and like other people, I too had prepared the cotton wicks and had put them in the oil of my soul, and was roaming about to find out from where I could ignite them. The first wick of that soul, the first wick of the lamp, I lit from the lamp of the Maulana. As a student I used to read *Al-Hilal*, and when I read it in the company of my friends, it was at that time that this wick got the fire. Although I have ignited myself from other sources as well, but I do confess today that the first ignition had taken place only from him.

The Jamia fraternity was dumbfounded by the rhetoric of the Muslim League. Iqbal's plea for a Muslim state in north-western India was against their cherished ideal that Muslims must live and work with non-Muslims for realising common ideals of citizenship and culture. Mujeeb, the vice-chancellor, said so to the poet when he visited the campus early in 1935 to preside over Halide Edib's lecture. The two-nation theory was anathema to an institution whose sole *raison d'être* was to promote cultural integration, foster composite and syncretic values, and cement bonds of inter-community friendship and understanding. As the first 'Amir-i Jamia' (chancellor), Hakim Ajmal Khan expected the students to know each other's culture: "the firm foundation of a united Indian nationhood depends on this mutual understanding". M A Ansari, who pursued Jamia when it was threatened with closure, did not believe in a politically separate Muslim community. He often said that future India must be a field of co-operation between men of different faiths. Writing to Halide Edib, who was Ansari's guest in Jamia, the chancellor observed: "I consider the brotherhood of man as the only real tie, and patriotism based on race and colour are, to my mind, artificial and arbitrary, leading to division and factious fights".

Jinnah's political agenda in the 1940s ran contrary to the Ajmal-Ansari project. There were other huge differences as well. The Jamia biradari lionised Gandhi, their chief benefactor, and admired Nehru's intellect, broad vision and progressivism. They were regarded as models of impeccable political conduct. The more devoted, Shafiqur Rahman Kidwai being one of them, took to wearing khaddar and the 'Gandhi topi' and participated in civil disobedience campaigns. Jinnah and his colleagues were, on the other hand, highly critical of Gandhi, Nehru and the Congress brand of nationalism. Not surprisingly, they fired their salvo against Ansari and Zakir Husain, chided them for turning the institution into a 'Hindu stronghold' and criticised the syllabi which cultivated patriotism at the exclusion of Islamic worship. Jamia's ethos and orientation, stated a well-publicised letter, was prejudicial to Islam.

An institution with a secular and nationalist record, testified to by 'A Muslim', could not escape the fury of the angry mobs that struck terror in Delhi during the communal holocaust in August-September 1947. Jamia's property at Karol Bagh in old Delhi, where the institution was first headquartered after its brief and lazy existence in Aligarh from 1920 to 1925, was looted and destroyed. The vice-chancellor, Zakir Husain, ran for his life and escaped miraculously. The husband of Anis Kidwai, a friend of Jamia, was killed. There were other tragedies as

well, but Jamia lived through such harrowing experiences to provide the healing touch. Amidst incredible savagery, dedicated teachers and students were, in the words of Gandhi, "like an oasis in the Sahara" Nehru commented.

few institutions succeed in retaining for long the impress of the ideal that gave them birth. They tend to become humdrum affairs, perhaps a little more efficient, but without the enthusiasm that gives life. The Jamia, more I think than any other institution that I can think of, retained some of the old inspiration and enthusiasm.

The university, in its search for moral and political support after independence, could have turned into a quasi-religious or quasi-communal institution. But this did not happen. It remained, and rightly projected itself as, secular and nationalist to the core. Wedded to the values of liberal humanism, it allowed no space to religious intolerance and communal allegiances. "I look on this", claimed Mujeeb proudly, "as a secular school". Such traditions were exemplified in the writings of Mohammad Mujeeb and Syed Abid Husain, both connected with Jamia since 1925-26.

In his *magnum opus* published in 1966, Mohammad Mujeeb, the Oxford-educated Jamia vice-chancellor, identified various constituent elements of Indian Muslim religious, political and social life, revealed some of its essential qualities, and questioned "the fallacies and illusions that arise out of an identification of the whole... community with some element of its belief or practice, with some political figures or military or political achievements, with particular social forms and patterns of behaviour, with some historical tendency". He brought to light a fact that is now adequately known through perceptive historical and sociological studies: the diversity of beliefs, the variety of social forms and the multiplicity of ideas and movements among Muslims. The only common factor, he argued, was common allegiance to Islam; though it was easy to confuse the Islamic identity of the Muslims as a distinct body politic, as a nation, which they never were and never wanted to be. He questioned the ways in which educated Muslims saw themselves, arguing that their judgments were either inspired by self-praise or self-pity, and by an idealisation of themselves as the embodiment of religious truth.

Mujeeb underlined, in the spirit of liberal-left historians like Tara Chand, Beni Prasad, R P Tripathi, Mohammad Habib and K M Ashraf, the weight of composite and syncretic forces in Indian history. "If the Indian Muslim state is divested of its pseudo-religious guise", he observed, "the spirit of the political system will appear to be in accord with what is recognised as the national interest today".

He diligently traced the evolution of those ideas and movements that reinforced bonds of inter-religious unity and understanding. He concluded that there were far more convincing reasons for Hindus and Muslims to stay together than to be divided on the basis of religion. He was attracted, for these reasons, to the enlightened world view of Abul Talib, Ghalib, Syed Ahmad, Hali, Ajmal Khan and Azad, and his sympathies therefore lay with the protagonists of composite nationalism, chiefly the Congress Muslims.

The message for his generation was:

Indian Muslims can serve Islam and themselves best by associating themselves with persons and parties who aim at making democracy as real as possible and at achieving the maximum of social justice and social welfare through the legislative and administrative action of the State.

Abid Husain, a Shia married to Swaliha Abid Husain, a front rank Urdu writer and a descendant of Hali, studied at Allahabad, Oxford and Berlin. He taught philosophy and literature at the Jamia from 1926 to 1956, authored a number of books, and translated German, English and French works into Urdu. His forte lay in analysing and evaluating movements outside the conventional category of religion. He held the view that "the work of integrating the various communities into a nation ... cannot be and should not be done on the religious but on the secular plane". To combat divisive tendencies, it was necessary to impart practical training in schools and colleges "in citizenship based on the high ideals of nationalism, secularism and democracy".

The Destiny of Indian Muslims, along with Abid Husain's other works, helps to comprehend how educated Muslims saw their own role and their community's place within secular paradigms. The journal *Islam and the Modern Age* and the 'Islam and the Modern Age Society' reflected his larger intellectual concerns. *The Destiny of Indian Muslims*, published in 1965, was a well-conceived statement of a Muslim steeped in the nationalist values and traditions of Ajmal, Ansari and Azad. He dwelt on a common 'national culture' based on the secularism of the Indian state, and on 'religious awakening' and a 'spiritual renaissance' among Muslims. His concern was to prevent Muslims from "drifting away from the mainstream of national life" though the agenda he set for himself and the secular and religious leadership was simple enough: drastic changes in the curriculum of 'maktab' and 'madarsas', reforms in other Muslim institutions, and the exercise of 'ijtihad' to cope with the demands of the new age. He observed: "For the last hundred years things have changed and the modern ulama must give a fatwa

giving a new ijtihad to the provisions of the Muslim law".

Scholars at the Aligarh Muslim University, especially in the departments of history, geography, Islamic studies and Urdu, were also engaged in constructing the past in secular terms. This was a task undertaken by Mohammad Habib, brother of Mujeeb, and some of his fellow-historians. The tone was set by Zakir Husain, who departed from the Jamia Millia in 1948 to join the Aligarh Muslim University as its vice-chancellor. When he joined Aligarh an atmosphere of gloom and uncertainty prevailed because of the university's close identification with the Muslim League and the Pakistan movement. But he changed it all. Imbued with a mission "of great national significance", his task was "to build a united nation in a democratic secular State and the role and status of its forty million Muslim citizens within it", weld together diverse cultures into a harmonious whole and promote its growth "in such a manner that each culture shines and lends beauty and strength to the entire whole".

V

There were other visible signs of change on the horizon. Scholars debated the highly emotive and contentious issue of reforming Muslim family laws. What is there to reform in Muslim personal law? Is reform possible in Islam? Is the Islamic law a product of human intelligence and adaptation to social needs and therefore amenable to modifications and changes? Or, is it of divine inspiration and hence immutable? If so, what lessons should be drawn from the history of reforms in Muslim countries? Or, what weight should one attach to the views of Muslim thinkers in India such as Iqbal, who believed that Muslim liberals were perfectly justified in reinterpreting fundamental legal principles "in the light of their own experience and the altered conditions of modern life"?

There were no simple or straightforward answers. The key issues that figured, for example, at the International Congress of Orientalists in 1964 and at a seminar held also in Delhi five years later, related to the shariat's divine and sacrosanct character, the preservation of 'Muslim identity' and the fear of their social system being 'Hinduised'. Traditional or conservative opinion, articulated by the Jamaat-i Islami and the Jamiat al-ulama, was profoundly indignant at the prospect of a change or modification in personal law. Changing laws based on specific injunctions of the Quran or the hadith was 'unimaginable'. Attempts to persuade Muslims to substitute man-made laws for "the universal and faultless laws given by God is a waste of time". The

Quranic regulations were authoritative and final for all occasions, and for all epochs between the time of revelation and doomsday. Those wanting to tamper with them were enemies of Islam and its followers. Thus the Jamiat al-Islami leader, Maulana Asad Madani, viewed the plea for reforms as "a mask for the Jana Sangh's sinister designs to exterminate the Muslim community from India".

A section of the reformist ulama were not swayed by the rhetoric of their more diehard colleagues. Maulana Said Ahmad Akbarabadi, editor of *Burhan*, was one of them. He was educated at Deoband, served as principal of the Madarsa-i Aliya in Calcutta, and retired as professor of theology at the Aligarh Muslim University. He was one of those who made a distinction between those Quranic injunctions which are specific to Arab customary law of the time, and those applicable to Muslim and human societies in other times. He insisted, moreover, that the ulama take note of the changes taking place around them, to formulate their ideas in the light of modern thought. The fact that they did not do so was largely because they did not pay heed to the admonition of Deoband's illustrious co-founder, Maulana Qasim Nanotawi, that traditional education should always be combined with modern knowledge. And he rigorously argued that the concept of 'tauhid' (unity of god) implies the unity of all people and all nations. So also was divine revelation or divine guidance ('al-huda'): "It was not only Universal but one and the same also". He quoted Azad approvingly who had pointed out in the *Tarjuman al-Quran* that "the great emphasis that the Quran lays on this truth, the stronger has been the inclination on the part of the world to relegate it to the background".

A A A Fyzee, a well known scholar of jurisprudence, held the view that Islam had ceased to be dynamic, religious practices had become "soulless rituals", the spirit of the prophet's message was throttled by fanaticism, its theology was gagged by history, and its vitality was sapped by totalitarianism. He made a strong case for releasing the "spirit of joy, compassion, fraternity, tolerance and reasonableness". More importantly, he positioned himself against the traditional view that in Islam law and religion are coterminous, because law is a product of social evolution and must change with time and circumstances. He was convinced that "gradually all individual and personal laws, based upon ancient principles governing the social life of the community, will either be abolished or so modified as to bring them within a general scheme of laws applicable to all persons, regardless of religious differences". Such a development, he pointed out, will not

destroy the essential truth of the faith of Islam". To an independent Muslim observer, himself a Muslim, "it would seem that no one can change the fate of the Muslims of India, except the Muslims themselves".

Some of these ideas were inspired by Azad's *Tarjuman al-Quran* and his emphasis therein on the rudiments of religious pluralism, which constituted the basis of the Maulana's modernism. Fyzee regarded this as the only pragmatic solution for the Indian Muslims, and for the preservation and progress of Islam in a composite society. M H Beg, a distinguished jurist, boldly suggested that Muslim jurisprudence could contribute valuable ideas on formulating a uniform civil code of personal laws. Muslim jurisprudence "has acted and could still act as a part of that common stock of juristic ideas which have acted and reacted upon each other to produce a composite culture in this country which sustains the secular state".

There was, predictably, criticism of and strong opposition to the liberal and secular credo. In fact, some analysts pointed out that the Muslims after 1947 could neither come to terms with the 'newness' of the situation nor did they feel at home with the new creative upsurge of Indian construction: "Indian freedom they saw rather as the unchecked opportunities for their enemies to hold them down or indeed to crush them". He concluded that "only in very limited numbers did Muslims evaluate with true appreciation the ideals and announced objectives of the nation to which they belonged".

VI

Evidence marshalled in this paper leads to slightly different conclusions. There can be no doubt that individual Muslims felt weak, fearful, insecure; or that some sections were deeply concerned with their identity and the preservation of their religious and cultural heritage. Yet Islam in India was a living and vital religion, appealing to the hearts, minds and conscience of millions, setting them a standard by which to live honest, sober and god-fearing lives. There was no concerted attempt, despite the stridency of Hindu nationalist forces, to undermine their self-perceived interests as a 'community', though Muslim organisations were inclined to make much of the 'persecution' to which their followers were subjected.

Nehru's government, on the contrary, created a climate that was conducive to the political and economic integration of large numbers of Muslims. It could not have been any better. As a result, "the realisation is growing that they (Muslims) must sink or

swim, and the number of those who find swimming is not too difficult if one decides upon it is gradually increasing". The mood was summed up in 1960 by Maulana Ali Mian, the head of Lucknow's Nadwat al-ulama:

The clouds will disperse, as they are bound to be, and there will be sunshine again. The Muslims will regain the position in the country which is justly theirs. All the schemes for national reconstruction will remain incomplete if they are left to rot and decay.

With this frame of mind, large numbers of Muslims could look ahead with a degree of hope and optimism. "We must not despair of the future", admonished M C Chagla. With more education, with more industrialisation of India, with more social reform, the barriers between the two communities must inevitably break down". If such hopes were somewhat belied, the explanations would principally lie in the breakdown of the secular consensus in the post-Nehruvian era.

Contemporary politics in India is characterised by a preoccupation with communitarian identities, chauvinistic ideologies and movements that divide religious communities and exacerbate differences. Attention needs to be paid to ideologies and movements that have historically and contemporaneously tried to unite Hindus and Muslims and further the post-colonial agenda of social transformation.

A big question remains over the tenability of the approaches and interpretations of liberal and secular-minded Muslims. Doubts have been expressed over their reading of Indian Islam and their thesis on the nature of Hindu-Muslim interaction in the subcontinent. These doubts will stay as long as scholarship on Indian Islam, as also on its adherents, is confined to the realm of speculation and tied to a conventional but stereotyped framework.

What we need today, more than ever before, is to discover new schools of thought and interpretations among Muslims that placed Indian Islam more firmly in its specific Indian environment. I believe the creative intellectual energy, released in the first two decades after independence, was the outcome of a unique 'Indian Muslim' experience of living in a world that was neither Muslim, Hindu nor specifically western. These experiences and their consequences merit serious consideration, and not whether India was a 'dar al-Islam' (land of Islam) or a 'dar al-harb' (enemy territory), or whether pan-Islamism was an ideal or still a living force.

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Cost-Efficiency of Small Manufacturing Enterprises
Implications for Employment Policy
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REVIEW OF INDUSTRY ACTIVITIES

Cost-Efficiency of Small Manufacturing Enterprises

Implications for Employment Policy

Anuradha Seth

An analysis of the relative cost-efficiency of small manufacturing firms for three industries shows that small firms on average are not profitable units of production and have higher costs compared to larger firms. This article elaborates a framework to examine the cost-efficiency of small firms and analyses data for a sample of small and large firms in three industries: diesel engines, leather footwear and PVC pipes.

THE employment generating potential of small manufacturing firms has been the subject of considerable attention in recent years. Since small firms employ relatively labour-intensive techniques of production (compared to larger, more capital-intensive firms) they are seen as 'appropriate' units of production, especially for labour surplus economies. Hence, calls have been made over the last two decades from different quarters asking for development policy to promote and protect small firms [White 1978; Morawetz 1974; Westphal 1974; Bhalla 1981; Standing and Tokman 1991].

However, the relative labour intensity of small firms is not a sufficient condition for the generation of employment. The viability of small firms in the long run is also of critical importance. In this context, viability refers to the capacity of a firm to survive in the market.

The viability of small firms depends in large part on the nature of their linkages with the market. To the degree small firms act as subcontractors to larger firms, their viability depends in part on the performance of the parent company. In other instances, small firms can well be insulated from competition with other firms. For instance, government policies such as reservation of products for exclusive manufacture by small firms can insulate the latter from competition in which case the determinants of viability might depend on the effectiveness of state policies.

For small firms that are competing in the market, the ability to survive will fundamentally depend on their profitability. If a firm is continually making losses, then after a period of time it will not survive. In this case, employment will obviously be jeopardised.

On the other hand, if a firm is making profits but is not as profitable as other firms because it has relatively higher costs of production, then in the long run, it will not have the financial resources to keep up with investment. In the short run, it will not be able to concede price reductions to consumers and will lose its market share. In either case, its ability to generate employment will be more limited compared to other, more profitable firms.

Furthermore, if small firms have relatively higher costs of production, they will be under continual pressure to seek out ways by which to sustain profits. Costs of production are themselves determined by the technical conditions of production (such as capital-intensity) and by the prices of inputs. If small firms are relatively technically inefficient, they can offset some of this inefficiency by using cheaper inputs, paying very low wages, and by hiring casual and temporary labour.

Earlier we remarked on government policies that insulated small firms from competition. However, government cash subsidies can directly affect the firm's profitability either by diminishing losses or increasing profits. Therefore, it is important to note the degree to which government cash subsidies affect the viability of small firms.

This paper examines the relative cost-efficiency of small, manufacturing firms for three Indian industries. Cost data for this study were compiled from the profit and loss accounts of 32 firms. Our analysis shows that small firms on average are not profitable units of production and have higher costs of production compared to larger firms. Thus, they are relatively cost-inefficient in all three industries, although the degree of inefficiency varies across industries. Since unit costs of production are the measure of a firm's cost-efficiency and hence viability, disaggregating the elements of unit costs points to several important facts:

(1) Costs directly affected by production (wages, material, operating costs) are clearly more important than fixed costs in establishing the relative cost position of a firm.

(2) Of the costs affected directly by production, material costs are the most significant.

(3) Small firms appear to have lower labour productivity and pay lower wages compared to large firms. In fact, the low wages paid offsets to some degree the lower labour productivity of small firms. The ability of small firms to trade low wages for low productivity can affect their unit labour costs and hence their relative cost-efficiency.

As far as employment policy is concerned, wage differentials between small

and large firms should be of particular interest because it seems to suggest that small firms that are in a competitive struggle will have to pay lower wages precisely in order to stay competitive. Since an important determinant of productivity is the technology of production used by a firm, labour-intensive firms will generally have lower labour productivity. Given the necessity for small firms of keeping all costs low, small firms will mostly generate low-paying jobs.

The rest of this article is organised as follows: The first section develops a framework to examine the cost-efficiency of small firms and presents the data sample. Section II presents the data analysis. Finally, the conclusion examines implications of this analysis for employment policy.

I

Earlier we mentioned that a fundamental condition governing the viability of a firm is its profitability which in turn depends on its cost-efficiency in production. Therefore, cost-efficiency is an appropriate indicator of the viability of small, competitive firms [Shaikh 1980; Botwinick 1993:123-72].

The relative cost-efficiency of a firm can be measured by estimating its unit costs of production. Unit costs of production (C) are the sum of unit material, operating, labour, interest, depreciation and rental costs. Alternatively, unit costs can be decomposed into unit prime costs (K) (i.e., cost directly affected by production such as unit material, operating and labour costs) and unit fixed costs (F) (costs associated with the use of fixed capital such as depreciation, interest and rent). Decomposing unit costs allows us to see the relative importance of these two costs. Since unit labour costs are the sum of wages relative to value added, they can also be expressed as the ratio of the wage rate over labour productivity. In this context, the issue of how low wages might offset the low labour productivity of small firms, thereby affecting their relative cost-efficiency will be explored. Finally, our data show the extent to which cash subsidies received from the government can improve the profitability of small firms.

SAMPLE

The history of small firms in Indian industrial development has been examined by several authors [Tyabji 1989; Suri 1988; Sandesara 1988]. Usually, a distinction is made between small firms in the Khadi and Village Industries and small, modern firms. Modern, small-scale units are distinguished from traditional, home-based production units (also known as cottage industry units) on the basis of technology, forms of labour recruitment and markets supplied.

The distinction between these two types of small firms is reinforced by government policy which generally insulates traditional units from competition with large firms. It is by now officially recognised that small, traditional units are on the wane because they are unable to withstand the pressures of competition [Kashyap 1988:667]. On the other hand, modern, small manufacturing firms are the fastest growing set of small firms in Indian industry.¹

In terms of value added, investment and exports, the performance of units in modern, small-scale industry has outpaced the performance of units in traditional industries... handlooms form about 12 per cent of the total number of small units but its share in value added is just 1.5 per cent. At the other end of the spectrum, the share of auto ancillaries is 8 per cent while it constitutes less than 1 per cent of the total number of units [Nagaraj 1985: 1742].

Modern, small firms are also the ones that find themselves in competition with larger units more frequently than do cottage industry units. For this reason our analysis will focus on this set of firms.

Data for this sample was collected during field-work in India (1990-91). It covers 32 small and large firms in three industries, diesel engine, leather footwear and the polyvinylchloride (PVC) pipe industry.² The breakdown of small and large firms in each of the three industries is as follows:

	Small	Large
Diesel engine	9	3
Leather footwear	8	2
PVC pipes	7	3

The sample is not a random one since there is no all-India sampling frame from which a random sample of firms could be drawn, thus the conclusions should be read with caution. Various industry federations, government support agencies (e.g., Maharashtra Small-Scale Industries Development Corporation (MSSIDC), Leather Export Promotion Council, Indian Merchant of Chambers, National Small Industries Corporation, Small-Scale Leather Industries Federation) were contacted and

a list of firms producing the three products was obtained.

PRODUCT AND INDUSTRY CHARACTERISTICS

Diesel Engines: The small-scale diesel engine industry is concentrated in the state of Gujarat, particularly in and around the town of Rajkot. Other important centres of diesel engine manufacturing are the towns of Kolhapur and Agra. Rajkot occupies a place of prominence with an annual output of 3,00,000 engines. In Rajkot, there are around 145 small firms of which 85 manufacture engines bearing the Indian Standards Institute (ISI) mark. Most of the engines manufactured by small firms are used for agricultural purposes. The horsepower range for engines manufactured by small firms generally varies from 3-10 hp and these are mainly used for irrigation purposes (to pump water) by small farmers.

In India, there are three large-scale manufacturers of diesel engines. Although they also manufacture engines for agricultural use, the horsepower range of engines manufactured is much larger, lending themselves for multipurpose use.

Leather Footwear: The small-scale leather manufacturing industry has experienced rapid growth in India largely because of the opening up of export markets and the promotional policies of the state. Most of these units are semi-mechanised units not requiring large amounts of capital investment. Many of these firms are located in and around metropolitan cities like Bombay, Madras and Calcutta. The larger firms are new comers into the industry, having entered the industry after 1978. According to India's industrial policy, a large firm could only be set up if they exported at least 75 per cent of the total output. Many of the large firms are subsidiaries of multinational companies (Pond's, Wipro, Bata, Larsen and Toubro). All firms in this industry produce for the export market with one large firm targeting its output towards the upper end of the export market.

PVC Pipes: Most firms (small and large) manufacturing PVC pipes are located in the western region of India. In fact, this region accounts for 70 per cent of the total capacity for PVC pipes. Most of the firms (small and large) are based in and around the cities of Bombay, Jalgaon, Poona and Nagpur. PVC pipes are mainly used for agricultural purposes such as for irrigation.³

Some authors have argued that product design and quality differentiation can affect the viability of small firms by allowing them to establish a niche in the market. Our sample indicates that small firms in the diesel engine industry produce a lower hp range of engines and in the leather industry, small firms

sometimes produce lower quality shoes. This implies that large and small firms do not always compete with each other for the entirety of their product range and may explain some of the differences in their cost structures and profit margins. The limits of these strategies are however revealed by the fact that in our sample small firms are less profitable than larger ones.

II

Data Analysis

Since unit costs of production (C) are the sum of unit prime costs (K) and unit fixed costs (F), the analysis begins by presenting data on unit prime costs and then factoring in unit fixed costs.⁴ Table 1 presents the average unit prime costs of production for small and large firms. Unit prime costs (K) are the sum of unit material (M/Q), unit operating (O/Q), and unit labour (W/Q) costs.

$$K = (M + O + W)/Q$$

where Q = net sales, M = raw materials used in sales, O = operating costs of production (e.g., fuel, electricity, water charges, sales costs) and W = wage bill (inclusive of employee benefits).

Unit prime cost differentials between small and large firms show that small firms on average have relatively higher unit prime costs of production, although the extent of this differential is greatest in the leather footwear industry where small firms are making losses on average ($K > 1$).

Table 2 presents data on unit prime costs in disaggregated form for all three industries.

The disaggregated data point to the following:

(1) The high share of unit material costs in net sales, which is probably why so much attention has been paid by policy advocates to easing the raw material constraints faced by small firms. In India, in all three industries, special government agencies were set up to help SSE's gain access to raw materials at competitive prices.

In our sample, small firms in the diesel engine and PVC pipe industries have on average substantially higher unit material costs. As small firms operate with smaller amounts of working capital, they are unable to take advantage of buying in bulk when prices are relatively low.

(2) As far as unit operating costs are concerned, small firms on average have relatively lower unit costs of operation, except for the leather footwear units. Since small firms in this industry are producing for export

TABLE 1: UNIT PRIME COSTS OF PRODUCTION

	Small	Large
Diesels	0.98	0.92
Leather	1.07	0.95
PVC pipes	0.97	0.94

markets, they incur relatively high sales, marketing and advertising costs leading to higher operating costs compared to small firms in the other two industries.

(3) Unit labour costs present an interesting picture. Only large firms in the diesel engine industry have higher average unit labour costs as compared to their smaller competitors. In order to see what accounts for these results, unit labour costs can be decomposed into the relation between the wage rate and labour productivity (which is now defined in terms of value added). Thus, $(W/L)/(VA/L)$ where L = full-time equivalent number of employees.

$$(W/L) = \text{wage rate} = w$$

$$(VA/L) = \text{labour productivity} = q$$

Unit labour costs are therefore determined by wages and by labour productivity. Labour productivity generally tends to be affected by the technical characteristics of production (capital intensity of production). Earlier we argued that firms which were technically inefficient, had low labour productivity, could still be relatively cost-efficient if wages were very low. Tables 3 and 4 present the data on average wage rates and the average rates of labour productivity for small and large firms.

The data show that even though small firms have relatively lower wages and lower levels of labour productivity, it does not automatically imply they have relatively lower unit labour costs. This is because lower wages can sometimes only partially offset lower productivity. Examining this for the three industries, the data show:

Diesel Engines. Even though small firms are much less productive than larger firms (38 per cent as productive as large firms), their lower wage rates (small firms pay only 26 per cent of the wage rate paid by larger firms) more than compensate for productivity differentials. This is what accounts for their lower unit labour costs.

Leather Footwear. Small firms are much less productive than larger firms (they are only 26 per cent as productive as larger firms). However, their wage rate is 39 per cent of that paid by larger firms. Thus despite a substantial wage differential, the lower levels of labour productivity cannot be compensated for resulting in higher unit labour costs on average for small firms.

PVC Pipes. Small firms cannot compensate entirely for productivity differentials by paying lower wage rates, so that their actual unit labour costs are on average higher than those for larger firms. The data shows that the average level of labour productivity in small firms is only 20 per cent of that found in larger firms (which follows because small firms in this industry are also much less capital-intensive).⁶ However, small firms pay 80 per cent of the wage rate paid by larger firms. Incidentally large firms

in this industry also pay the lowest average wage rate of large firms in all three industries.

The point of this exercise was to show that larger firms in all three industries have higher levels of labour productivity that are generally associated with technical advantages such as, economies of scale. For small firms, lower wages become a necessity if they are to try to remain cost competitive. The logical implications of this have not been sufficiently developed in the literature because if competition is understood in a dynamic sense, then this analysis indicates that small firms will be under continual pressure to keep wage costs low if they are to remain competitive. In fact, the very process of competition will ensure the persistence of wage differentials even though the wage differential might not be sufficient to make small firms cost-efficient as is the case in our sample for the leather footwear and PVC pipe industries.

If wage differentials do allow small firms to be relatively cost-competitive, then large firms in a bid to retain their competitive position could also resort to the increasing use of casual and temporary labour, in order to lower labour costs (as casual labour does not receive employee benefits and are usually paid lower wage rates compared to 'permanently' hired workers). In fact, this trend by large firms has already been noted for Indian industry [Deshpande and Deshpande 1992: 2248-52].

Another point to remark is the extent to which costs directly associated with production already determine in the first instance the relative cost-efficiencies of firms.

Table 5 presents disaggregated data on the elements of unit fixed costs. Table 6 presents the average unit costs of production for small and large firms in the three industries.⁷

The data shows that small and large firms have more or less similar unit interest costs; there is no clear evidence of small firms facing relatively higher unit interest costs, as has been generally argued in the literature. As far as depreciation costs are concerned, small firms in the diesel engine industry have negligible depreciation costs because most small firms organise production by assembling components and therefore work with very little capital equipment.⁸

Data on average unit costs shows that small firms are incurring losses in the leather footwear and PVC pipe industries. Further, in all three industries small firms are on

average relatively cost-inefficient. While examining unit prime costs, we observed that small firms in all three industries were relatively cost-inefficient and now we find that factoring in the elements of fixed costs has aggravated the relative cost-inefficiency of small firms in the leather and PVC pipe industries.

If factoring in fixed costs results in small firms being relatively cost-inefficient, then how do we account for their continued existence in competitive markets? It is in this context that the role of government subsidies and incentives towards the small-scale sector becomes relevant.

Government Incentives. The array of incentives extended towards small, modern enterprises is complex to say the least.⁹ In part this is because the size and composition of incentives vary depending on the following factors: industry to which the firm belongs; location of the firm, whether located in officially designated 'industrially backward areas' or not; whether the unit is an export oriented unit or not; date of establishment and a host of other such considerations.

Another reason for the complexity of these incentives is due to frequent changes in government policy. Briefly summarised, it can be said that incentives fall under the following categories: (a) raw material supports; (b) marketing supports; (c) training facilities; (d) access to credit.

Most of the incentives listed above are designed to promote the competitiveness of these firms. On the other hand, protectionist policies like the reservation of products for exclusive manufacture by small units are aimed at insulating small firms from competition. Only those incentives that

TABLE 3. ACTUAL LABOUR PRODUCTIVITY (Full-time Employee Equivalent)

	Small (Rs)	Large (Rs)	S/L (Per Cent)
Diesels	57,871	1,49,508	0.38
Leather	28,594	1,08,027	0.26
PVC	52,077	2,48,991	0.20

TABLE 4. ACTUAL WAGE RATES (Full-time Employee Equivalent)

	Small (Rs)	Large (Rs)	S/L (Per Cent)
Diesels	25,035	92,831	0.26
Leather	11,695	29,273	0.39
PVC	21,958	27,275	0.80

TABLE 2. UNIT PRIME COSTS

	Unit Material		Unit Operating		Unit Labour	
	Small	Large	Small	Large	Small	Large
Diesels	0.87	0.66	0.07	0.16	0.03	0.18
Leather	0.70	0.71	0.24	0.19	0.12	0.07
PVC pipes	0.89	0.72	0.06	0.21	0.01	0.008

affected the cost-efficiencies of firms in our sample will be examined.

Leather Footwear Industry Since all the firms in the sample (small and large) were 100 per cent exporting units, they could avail of government export subsidies which amounted to approximately 20 per cent of the value of sales.¹¹

Table 7 shows the difference between stated profits and profits on production for firms in the leather footwear industry.¹² The difference is entirely due to subsidies. During field-work, many proprietors claimed that these subsidies constituted their profit margin and so it was crucial that they be continued by the government. Interestingly though, one of the large firms in the sample argued otherwise, claiming that they "were not in favour of any cash compensatory support as it does not help the manufacturer in the long-run to achieve global competitiveness".

It should be pointed out that with the New Economic Policy adopted by the Indian government in late 1991, all export subsidies were eliminated. The implications given our analysis should be quite obvious. We would expect to find a high rate of firm insolvency and closure in this industry, although the impact of rupee devaluation on exports would have to be taken into account. In addition, all export units were exempted from paying taxes on profit, and could avail of duty drawback and the replenishment licence.

PVC Pipe Industry. Some of the incentives that would affect the viability of small firms in this industry are the price purchase preference policies of the Indian government which give small firms a 15 per cent margin (advantage) in the pricing of their output compared to larger firms. Since the state is also a consumer of PVC pipes, a certain share of the output is reserved for purchase from the small-scale sector at prices that could be up to 15 per cent higher than those quoted by larger firms.

In addition, all small firms are exempt from paying sales tax (100 per cent tax free on sales and purchases up to the amount invested in fixed capital). Many proprietors of small firms claimed that exemption from sales tax allowed them to quote selling prices that were 2-8 per cent lower than what they would otherwise have been. Other incentives such as income tax exemption (which was 20 per cent for small units) also depended on whether the unit was located in an 'industrially backward' area. If it was, it could apply for a further 20 per cent exemption from income tax.

Other incentives that would affect the cost-efficiency of small firms were exemption from paying taxes on electricity.

Diesel Engine Industry: The most important incentive extended by the state is indirect. Since most engines produced by

small firms are used for agricultural purposes by small farmers, NABARD (the national agricultural bank) provides small farmers with loans at subsidised rates for the purchase of these engines. Since the loans are generally given for the purchase of engines up to 5 hp capacity, much of this output comes from the small scale sector. As one proprietor stated, "our business depends on government loans to the farmer".

In addition, small units get a 30 per cent subsidy on excise duty for electricity consumption, raw materials (pig iron, coal) at subsidised rates through government agencies, and there is a purchase price preference policy of 20 per cent of the job value.

Although these 'indirect' incentives are impossible to quantify, they are nonetheless 'hidden' in various corners of the accounts of firms (e.g. subsidised price of raw materials, protected market share, subsidised interest rates). Thus, the importance of these indirect subsidies as factors that affect the viability of small firms should not be underestimated.

III

Conclusion

The fundamental weakness of small-scale production stems from its small size, which prevents small firms from benefiting fully from economies of scale – technological and pecuniary. They are, therefore, cost inefficient, relative to large units. Further, the latter pass on at least a part of the benefits accruing to them from economies of scale, in the form of a cheaper price, so that in the market place small units are handicapped – especially where they have to compete with large units [Sandesara 1991:2425].

This paper found small firms to be relatively cost-inefficient in all three industries. Prime costs were found to be more significant than fixed costs. Curiously, the difference in fixed costs between small and large firms was not of much significance. Of the costs directly associated with production, material costs were quite a substantial element affecting the relative cost-efficiency of a firm.

The relative cost-efficiency of small firms also depended in part on their ability to trade productivity differentials with wage differentials. The data show that small firms were not even half as productive as large firms. Their technical inefficiency stems in large part from their technology of production and their inability to capture economies of scale. Small firms in the diesel and PVC pipe industries were not even 25 per cent as capital-intensive as large firms, and small leather firms were not even half as capital-intensive as compared to the larger firms in the industry.

In order to compensate for their technical inefficiencies, small firms paid very low wage rates. However, only small firms in the diesel industry succeeded in offsetting their low productivity by paying very low wage rates, which resulted in relatively lower unit labour costs.

We then pointed to the role of government incentives and subsidies, showing how they directly or indirectly affected the viability of small firms. In fact as far as the leather industry was concerned, both small and large firms remained viable on account of government subsidies. Even so, small firms were less profitable than large ones.

Despite considerable state subsidies, there is nonetheless widespread evidence of insolvency among small-scale enterprises and high mortality rates are characteristic of the small industries sector. "The number of sick small-scale industrial units increased from 1,18,000 units at the end of December 1985 to 1,46,000 units at the end of December 1986. By June 1987, there were a total number of 1,60,000 sick small-scale industrial units" [Government of India 1988].

Additionally, the outstanding bank dues of these units increased from Rs 1,071 crore

TABLE 5. UNIT FIXED COSTS

	Small	Large
Diesel engines		
Unit interest	0.02	0.02
Unit depreciation		0.02
Unit rent	0.0008	0.0009
Leather footwear		
Unit interest	0.04	0.04
Unit depreciation	0.04	0.01
Unit rent	0.009	0.0009
PVC pipes		
Unit interest	0.04	0.03
Unit depreciation	0.02	0.01
Unit rent	0.0009	0.0035

TABLE 6. ACTUAL UNIT COSTS OF PRODUCTION
(K + 1)/Q

	Small	Large
Diesels	1.00	0.96
Leather	1.15	1.00
PVC pipes	1.03	0.98

TABLE 7. LEATHER FOOTWEAR PROFITS ON PRODUCTION AND STATED PROFITS

Firm	Profits on Production (Rs)	Stated Profits (Rs)
a	7625227	3369352
c	-48000	111000
d	-901656	4281956
g	2951636	788320
h	9460	92204
i	11551079	6023402
K*	46470000	47960000

* These are profits for a large firm

in 1985 to Rs 1,306 crore in 1986. By June 1987, the outstanding bank dues amounted to Rs 5,737 crore [Government of India 1989-90].

This analysis has shown that to the degree modern, small firms are cost-inefficient, they will not be viable units of production unless they are subsidised either by the state or by the low wages of labour. The analysis further implies that if subsidies were eliminated, these firms would find it difficult to survive competitive markets in the long run. If they are not viable, the implications for employment are obvious.

If the wages paid to labour improve the cost-efficiency of small firms, then the following implications for income distribution policy need to be noted. Wage differentials between small and larger firms along with the massive 'reserve' of labour in the subcontinent implies that these could be a downward pressure on already low wage rates, as well as a pressure for larger firms to constrain increase in their wage rates if they are to remain competitive. To conclude, our analysis indicates that the employment generating potential of small firms needs to be questioned rather than assumed by the advocates of small firms.

Notes

- 1 At the time of this study (1990-91), a small-scale enterprise was defined as an industrial unit with investment in fixed assets in plant and machinery whether held on ownership terms or by lease or by hire-purchase not exceeding Rs 35 lakh. In the case of ancillary units investment in fixed assets could not exceed Rs 45 lakh.
- 2 The initial sample list contained 68 small and large firms. But, as has been frequently noted by others conducting field-work the difficulty of gathering cost data from firms should never be underestimated. Since the cost data was compiled by using firms' profit and loss accounts, balance sheets and a detailed questionnaire, we frequently encountered resistance from proprietors who were reluctant to divulge this information citing fear of tax authorities, competition, etc. Hence, complete cost data could only be collected for 32 firms. For the 'hazards' of conducting field-work, see also Sandesara (1982) and Mohanty (1986:19).
- 3 Product groups rather than industries were chosen to ensure product homogeneity (insofar as it is possible). This is a necessary condition if one is looking at the issue of competition within industry.
- 4 It is important to mention that another factor affecting unit costs of production are rates of capacity utilisation. Since, consistent data on installed capacity and actual capacity use were not available, we did not explicitly adjust for this factor.

However, the effect of capacity utilisation was minimised by adjusting material costs of production in that only material costs used in production were computed as opposed to materials purchased. Further, capacity utilisation affects unit fixed costs more significantly than unit prime costs, and our data show that unit fixed costs are not a substantial component of the unit costs of production.

- 5 The number of employees (L) was adjusted for firm-specific differences in number of days worked per year, number of shifts operated per day, length of shifts and the use of casual labour.
- 6 The average capital-intensity (K/L) for small and large firms is as follows:

	Rs Per Employee		S/L
	Small	Large	(Per Cent)
Diesel engines	8624	55825	0.14
Leather footwear	6423	14664	0.43
PVC pipes	90145	391857	0.23

- 7 "It is striking to note the way average earnings increase steadily as the size of enterprises becomes larger and larger. There may be various reasons for this. It may be a reflection of greater bargaining strength of workers, greater availability of capital and so on." Roy and Mukherjee [1989:2675]
- 8 All unit fixed costs are in terms of net sales.
- 9 Depreciation is computed at historical cost. In times of inflation, this method of estimating depreciation underestimates the actual cost of replacing equipment. On the other hand, firms will depreciate on the books as fast as tax laws allow them to which in turn would exaggerate depreciation as compared to what is economically warranted. So, in sum, it is not clear in which direction the bias is created when using the book value of depreciation that has been calculated at historical cost.
- 10 Since 1991, with the New Economic Policy, several changes have been made with respect to incentives offered to small firms.
- 11 The subsidies accounted for here were cash compensatory support which was 20 per cent of the FOB value at the time of the survey.
- 12 Only firms that recorded (in their accounts) the amount of subsidies actually received have been listed here. Since the leather footwear industry has been targeted as an export industry, at the time of the study all exporting firms regardless of size could avail of cash compensatory support and duty drawback which are both computed on the volume of sales and not on value added. Consequently, during field-work we observed a few firms who subcontracted production, did the finishing in their factories, sold the product and became eligible for subsidies, despite the fact that actual production had not been conducted in-house.

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Market and Non-Market Configurations in Rural West Bengal

Local Organisations and Silk Weaving

Debdas Banerjee

The current trend towards a diminished role of the state in third world economic activities including rural development has stimulated a 'new' paradigm which reasserts new opportunities for local organisations and institutions. This is a case study of silk production, a highly labour-intensive activity predominantly dependent on family labour in West Bengal. It examines the forms of organisation, the labour force, and various market and non-market configurations that determine the trend of development with particular reference to the role of local organisations and the state.

I

Introduction

THERE has been a steady growth of sericulture in developing countries since the mid-1970s. Silk production is a labour-intensive activity especially in its initial agricultural phase. Thus, sericulture has either disappeared or is on the wane in most developed countries, most recently being in South Korea, due to high opportunity cost of labour and simultaneously to price competition from low-wage silk producing countries. In recent times, the decline of the production particularly in Japan, has made India the second largest raw silk producer. Her exports increased from Rs 2,550 million in 1987/88 to Rs 7,891 million in 1993/94 (i.e., at the annual trend rate of growth of 17.01 per cent). The exports to the US alone constituted about 36 per cent of the aggregate value of Indian exports in 1993/94 while the US, the UK and Germany together consumed more than 63 per cent. West Bengal is the second largest producer of silk in India, and roughly about 30 per cent of its mulberry silk output is being exported abroad.

Agricultural productivity (particularly, of the major crop, i.e., rice) in the state has slowed down from the rate that it achieved during the 1980s.¹ The organised manufacturing has been experiencing stagnation [Banerjee 1982, Banerjee and Ghosh 1988]. Important rural industries like brass and bell-metal, products of conch-shell [Ghosh 1994; Dey, 1993] have also lost their potential to absorb a sizeable part of the growing rural workforce. Perhaps the trading in land-based commodities is the only area where additional employment is generated. The growth of the mulberry silk production thus assumes significance, apart from others, as part of the poverty alleviation programme.

Mulberry silk production in West Bengal has a long history. The colonial policy of free import of raw silk from China and Japan, and overlooking the domestic industry

that eventually resulted in a 'seed'-borne and generic disease called 'pebrine', almost wiped out its production in the state, by the beginning of the 20th century. War-time demand during the second world war marginally saved the industry while noticeable improvement began only in the early 1970s.

Silk is produced, in the countryside and in rural towns, in several stages – mulberry cultivation, silkworm rearing, reeling and spinning of cocoons (yarn production), twisting of the yarn and ultimately weaving. All these are predominantly family-based domestic activities, and the traditional methods applied in different branches of production are labour-intensive. The districts in which the rearing and reeling activities are mainly located, have a comparatively high percentage of wage-labour to the aggregate rural workforce. Moreover, these two branches of silk production are largely dominated by 'backward' castes who together constitute the bulk of the jobless people in the state. The 'crop' schedule (usually, five seasons in a year) does not overlap with the schedule of the staple foodcrops, in the state. Thus, apparently, the availability of wage-labour in mulberry cultivation, rearing or reeling activity is not a constraining factor. On the other hand, the rate of return per unit of land is found to be highest in mulberry cultivation (along with rearing) among the major crops grown in the state. Yet, the growth of the sector remained practically stagnant [Banerjee 1990]. The rate of diffusion of improved technology in any branch of production is extremely low. Moreover, upward mobility is restricted; there are only a very few instances of household enterprises getting transformed into an establishment.

The Central Silk Board, government of India, assisted with an International Development Agency (IDA) credit of SDR 113.8 million (US \$ 147 million, which was subsequently enhanced) and a Swiss Development Co-operation grant of SwF 40

million (US \$ 25 million), has been implementing, in addition to the routine programmes, a sericulture development programme in five key states in India including West Bengal, since 1989. There are public R and D institutions entrusted with the job of technological improvements in the sector, and a few government-sponsored autonomous marketing agencies for the weavers' products. Yet, commercialisation has failed to acquire marked traits in silk production as a whole, in West Bengal.

The earlier Gandhian ideology of giving support to the rural craftsman towards the desired goal of *swaraj* [for discussions of Gandhi's ideas as they relate to economics, see Datta, 1978] was later integrated to the development strategy that came with the Second Five-Year Plan. The content of the small industries policy in the post-independence period, however, reveals that the spirit of Gandhism was abandoned [Tyabji 1989]: the ideal of clothing village population with khadi (briefly, the outputs of rural craftsmen in traditional looms) has been replaced by production of commercial khadi. The khadi and village industries are supported by substantial allocation of Plan funds which included, until recently, interest-free loans, subsidies and rebates, and grants for a larger administrative, supervisory and technical personnel. And, the actual implementation of the development work at the grass-roots level is carried out by the registered societies.

The current trend towards a diminished role of the state in third world economic activities including rural development activities has stimulated the 'new' paradigm of development economics that reasserts new opportunities for local organisations and institutions (LOIs) [see, e.g., Nugent 1993; de Janvry et al, 1993a; Thorbecke 1993; Uphoff 1993]. The LOIs are being considered, in the literature, as potential substitutes for either state or market failures. In fact, many traditional LOIs for production, marketing or for both,

historically originated where the state was virtually non-existent and markets were imperfect and incomplete. But, was it patchy state intervention, and/or lack of market adjustment, or the internal organisation of production itself, which contributed to their failure in a later period?

Hardin's (1968) 'tragedy of the commons' states that, in the case of commonly owned resources, each individual has the incentive to overuse the resources, regardless of what others do, thereby leading to the destruction of these resources. Only strong and appropriate intervention by the state, according to Hardin, could save the situation. The neo-institutional analysis of LOIs attempts to dismiss Hardin's contention using game theory, but has yet to come out with a definite solution. In these models, monitoring is still crucial. If mutual monitoring is not possible, the monitoring should be by agents accountable to the members. And, as the size and heterogeneity of LOI membership grow greater hierarchy may be necessary [Nugent 1993]. A norm of fairness which allows the actions to be sequential and everyone to adopt the behaviour taken by others, however, would have been the acceptable rule of the game in a Chayanovian economy [Chayanov 1987]. One perhaps cannot rule out the rise of the 'economic man'. And that renders mutual monitoring, or a fair monitoring by an agent, accountable to the members of the LOI, archaic, particularly after the globalisation of the domestic 'traditional' economy.

Our case study is primarily based on data gathered from the survey of the three most important weaving centres, viz, Bishnupur (in the district of Bankura), Mirzapur and Chawk-Islampur (both in the district of Murshidabad), during 1993-94. The outputs of these three centres include almost all of the varieties, known as the 'Bengal varieties', available in the market. However, each centre has its own distinguishing characteristics particularly in regard to the organisation of production and the output-mix. The produced silk materials can broadly be classified into high, medium and low-valued items. Bishnupur is famous for its high valued (HG) designed sarees known as 'baluchari'. Mirzapur's products are usually medium valued (MG) and typically stand for the popular 'Murshidabad silk'. And, Chawk-Islampur specialises in relatively standardised low valued (LG) reeled silk fabrics; of late, it has become a growth centre of spun, and spun plus reeled silk fabrics which has been experiencing growing markets at home and abroad. In the next section we analyse the forms of organisation, the labour force and various market and non-market configurations that determine the trend of development. The

final section summarises the conclusions of the paper.

II The Weaving

The HG silk materials viz, 'baluchari' sarees, famous for its brocaded designs and richly coloured borders are produced on the relatively high-efficient Jacquard looms¹ (throw shuttle type). Most of them are of 19th century vintage from Manchester, but are still in operation. To note, the loom is predecessor to the computing machines in a big way, and is accomplished with weaving designs simultaneously. On the other hand, almost all of the MG and LG materials are produced on the ordinary traditional wooden looms, excepting for a very few cases of Jacquard loom use. The technological superiority of the latter loom to the ordinary country looms are: first, the ordinary loom is capable of producing only indelicate designs. Second, the motion required to be imparted to the heald by means of a treadle (the 'shedding motion') being operated by the movement of the legs inside the pit is less frequent in Jacquard as compared to that in an ordinary loom, and which reduces the labour-time of the weaver. Whereas 10-12 treadles in an ordinary loom are used for developing designs on silk materials the Jacquard use one or two treadles for the same purpose. Third, the Jacquard minimises costs on account of loom-setting (warping) since a particular type of fabric is produced in relatively larger volumes. An ordinary loom, on the other hand, remains inoperative for a couple of days in-between the completion of a 'batch' and the beginning of the next 'batch'. The warping for a batch of production is quite labour-intensive. And the Jacquard has the advantage that it can be set with such a volume of warp that enables the weaver to a continuous operation for about six months.

However, besides machine costs, the high initial capital requirement in Jacquard restricts its uses to HG which at present have a stable market. The costs of design-making, transferring the designs on to the cards by the system of punching, manually and by a crude punching instrument, and the costs on loom-setting (warping, shedding,⁴ etc) with a huge volume of yarn make it quite prohibitive for the common weavers. Even those who could afford that usually use the same design for a very long time (generally for five to six years), in order to bring down the per unit cost of production. The common weavers, however, produce varieties of MG and LG fabrics from the complicated designs to the plain, on ordinary looms. Interestingly, there is a discernible trend of spatial concentration of production of different 'grades' of materials, and corresponding

pattern of production organisations, wages and labour utilisation, etc.

There are broadly two types of entrepreneurs, apart from independent weavers, in silk weaving, viz, (a) those who undertake weaving only, and (b) those who own reeling/spinning units and also put out work to domestic weavers. The former comprises the societies, and the local private silk merchants (PSMs) while the latter only the societies. In other words, the local PSMs have not usually developed vertical integration. The societies are not, strictly speaking, weavers' guilds. There are two types of societies, (a) the co-operative which are formed by the members who are equity holders, and where the net profit shall be distributed among its members, and (b) the charitable societies which are formed by seven or more individuals. To note, most of the latter type of societies engaged in weaving and/or reeling are found to have been floated with members who are closely related and thus largely constitute family-based business organisations, as opposed to the co-operative societies. All these societies are certified by either the Khadi and Village Industries Commission (KVIC), government of India, or the Khadi and Village Industries Board (KVIB) in respective states in India. Under the stipulation, all the KVIC/KVIB societies are supposed to organise the backward linkages – reeling/spinning – under their own umbrellas, and only in exceptional cases are they entitled to buy yarn from outside but that too from the certified societies. At present, there are only 18 co-operative (silk producing) societies as against 247 charitable societies, in West Bengal.

The production organisation of the PSMs, on the other hand, may appear as that of a master and weaver unit. In fact, it is a merchant's organisation based on putting-out system. Unlike the weavers under the societies (who are entitled to different schemes of Artisan Welfare Fund (AWF)), the weavers under these private putters-out do not enjoy any kind of social security benefits. The investment portfolio of the PSM changes quite frequently depending upon the market conditions. Although they carry out trading in silk yarn and finished materials, and also assume direct role in the production of silk materials, the share of the respective activities changes quite frequently. By dint of the system of putting out they are able to change the output mix according to market signals.

On the other hand, the majority of the silk weavers work on their own looms in their own houses, using materials obtained from the society, or the PSM. And, they use to receive piece-rate wages from the putters-out. Thus, in this type of production organisation the key role is being played by the agent who actually put-out the work to

the individual weaver. There is no powerloom in the state. Moreover, such phenomenon as that a master-weaver having a number of looms, employing journeymen and apprentices is nondescript, except in the HG producing Bishnupur. The head of the family is normally responsible for the execution of the work obtained from the putter-out, and the 'subordinate' members of the family, i.e. the women, children and old people are being organised by the 'head' in an informal manner to ensure the completion of the work. For the subordinate members, however, this is a domestic by-occupation; the other adult male members also take part in weaving. Most of the jobs of processing of the yarn (degumming, bleaching, colouring for the coloured fabrics, and winding the welt) are normally being done by other members including the children. The weaver, however, by dint of his ownership of tools is not an 'independent manufacturer', any more like an agricultural labourer who owns a sickle. The 'independence' of the weaver who owns a loom and also work with owned raw materials (i.e. yarn, etc) is largely subjected to the conditions of the output market. It is the silk merchants who provide marketing channels for most of the outputs by otherwise independent weavers. Accordingly, the weavers would be stratified in order of their specific entitlement to income. The socio-economic conditions of the weavers, as a whole, have become more vulnerable since generally they are divorced from agriculture. The joint-production of agriculture and the domestic 'industrial' goods seems to have negative impact upon productivity, yet how far de-peasantisation turns out to be worthwhile is interesting to study.

The HG silk materials have been experiencing brisk demand from mainly urban elite consumers for about last ten years. As a result there is large scale switch-over from other types of silk goods to this particular line of production in Bishnupur. There are altogether one charitable and three co-operative societies. However, few of the weavers are found to be associated with them. The participation of the PSMs, on the other hand, is virtually limited to trading in finished products. The independent weavers overwhelmingly depend upon these PSMs. There are a few master-weavers who own a number of Jacquard looms and operate these with the journeymen and apprentices. They, too depend on the PSMs for outlets of the products. Moreover, the transactions are wholly made on credit, which put the otherwise independent weavers on the receiving end.

The distinguishing characteristics of HG production is that the labour-time required for pre-weaving processing (yarn processing, winding, warping, denting, healding,

drafting, etc) is almost two-and-a-half times greater than that in actual weaving. Added to these is the considerable period of time required for fixing a 'design' (on punch-cards) to the Jacquard loom. But since the same design is reproduced on a large number of sarees for a couple of years, the apportionment per saree becomes negligible. Most of the jobs of pre-weaving processing, apart from loom setting, are done by either unpaid family members mainly women, or under-paid (as compared to agricultural wage rate) hired labourers. The current steady demand for the outputs, in turn, has generated a steady number of person-days of employment and resulting in the availability of hired workers at relatively lower wages, in pre-weaving processing, in particular. Baluchari is primarily a non-traded commodity. And in the domestic market, though it fetches a premium for its exotic variety and, up to a certain range, the price-elasticity is low, the market is undoubtedly volatile. The output market, as envisaged by many who are directly related to the sector, is perhaps approaching the demand saturation level unless the products are differentiated. But the latter would imply a hike in the cost of production unless the technological conditions are changed. For instance, computer aided design (CAD) would not only accelerate the process of designing but would also greatly reduce the card-punching time. As the cards could be easily duplicated, the aggregate cost of developing designs would be shared by the weavers. The steady market, notwithstanding the weavers' income, on an average, is not much above the subsistence level, and that tends to reduce the flexibility of the system of production. The lack of flexibility makes it prone to high risk and uncertainty during external shocks. It is not that the weavers are not aware of the risks and uncertainty. But the kind of entrepreneurship that would have brought them out of the low level equilibrium is not there, not simply because they are poor but also due to the lack of supporting financial infrastructure. Their dependence on the private moneylenders for working capital who most of the time turn out to be the PSMs, 'tie' them in a contractual bondage which appears to be quite unfavourable to increasing the productivity.

The MG and LG materials, on the other hand, are largely traded goods and together constitute the bulk of the aggregate production in West Bengal. The overwhelming majority of the weavers in these lines of production work under the putting-out silk merchants and/or, the societies. There is a relative dominance of the PSMs in MG production (in Mirzapur), and of the societies in LG. The societies are neither unable nor unwilling to produce MG varieties. In fact, the quality of materials being produced by

the society is usually superior to that of the PSMs, since the quality of yarn, particularly the welt, supplied by the PSMs to the weavers is inferior to that of the society. Moreover, the amount of yarn used per unit of fabrics varies. Usually, the amount of yarn in the PSM produced fabric is less than that of the society's. The PSMs reduce the volume of yarn per unit of fabric further as soon as the yarn price goes up to manipulate the costs of production of the relatively higher price-elastic fabrics. Besides, the wages paid by the silk merchants are also comparatively low while the society pays, say Rs 400 for a piece of 'pandani', or Rs 406 for a 'kanal' the silk merchants pay Rs 225-300, and Rs 273, respectively. Moreover, unlike the PSMs, the society reimburses the costs incurred by the weaver on bleaching and colouring materials. The PSMs also enjoys an additional advantage of flexible wages, unlike the society whose wage rates are fixed by the apex body. The PSM usually does not increase wages when the market prices of the fabrics increase but a rising cost of yarn is otherwise generally being counterbalanced by a reduction in the wage rate. Finally, weavers under the PSM are not covered under any social security scheme. Yet, the PSMs dominate the sizeable part of weaving largely by dint of their easier access to loan funds, which provide short-term consumption loans at free of interest to the weavers.

As compared to LG, the MG fabrics contain more yarn and more labour-time, as well. The societies, particularly the co-operatives, with their limited volumes of working capital in relation to the numbers of artisans under their fold rather prefer to have more frequent circulation of the available capital than on concentrating in the longer 'gestation' areas, even if the profitability is higher. The drawbacks of the society further get accentuated due to the fact that the PSMs put out warp, at a time, in quantities which are required for at least nine to 10 standard lengths of fabrics. Mainly to manoeuvre the weavers, the societies also have to put out similar quantities of yarn, at a time, to a single weaver while due to resource crunch they may not be able to provide adequate person-days of employment to all the members. Thus, elements of discrimination and discontent breed in the co-operative organisation, leading to disintegration. The reason closely follows Hardin's hypothesis (1968). The demand for, the commonly owned resources, i.e. the yarn, by each member-household is determined by the number of looms owned while, in the short-run, the supply capacity of the society is restricted by the access to working capital. The greater the numbers of looms owned by individual households the quicker is the turnover, and hence relative overuse of

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resources by them. The cost burden of collective action thereby falls more disproportionately on the poorer households having fewer looms, leading to income inequalities. The relatively skilled weavers, those who are in search of stable employment or a longer periods of time, have naturally mobilised around the PSMs despite comparatively low wage rates and the absence of social security.

We have tried to estimate the monthly wage income per loom on the basis of full-capacity supply of yarn and the human-capacity of the weaver (i.e. the normal working hours per day, usually from dawn to dusk). The volume of labour varies with the variety of fabric. Yet, on an average, the full-capacity monthly wage income per household under the society turns out to be about Rs 1,200 while that under the PSM does not exceed Rs 900. In fact, the monthly income per loom is found to be even less, largely because of the output-nix of individual households. Increase in the number of looms to enhance household incomes may seem feasible but not viable, in most of the cases. The average family size of the household is found to be six. While the adult male members operate on the loom others are engaged in unpaid pre-weaving processing jobs. The latter alone takes about 32-48 hours per piece of standard sized cloth, depending on the variety of fabric, while the weaving consumes 27-78 hours of about (paid). And, on an average, the subordinate members spend about five hours in a day on the pre-weaving processing work. This informal intra-familial division of labour is the support-base of this particular production process. The weaving capacity is, thus, strictly restricted by the supporting hands. When the per loom monthly income of the weaver households hovers around the poverty line² the hiring of wage labour does not seem to be economically viable. Hiring of weaver also means subsidising the wage out of the family income since the pre-weaving processing required for the additional loom does not get paid. The low wage notwithstanding they have no effective union against their masters reflecting their weak bargaining position. Because of their poverty they feel little temptation to migrate, also. The additional advantage in the handloom weaving industry is that it serves largely to occupy part of the family for part of the time; father, mother and children could all share in the work which would be earned on in the home itself. However, their current plight if seen as the sacrifice of current consumption for a better future is hardly likely to be redressed since the PSM's competitive advantage over the society's is not based on superior technology. If the output market was non-discriminatory, PSM products would have been considered as

distinctly different from that of the society's. In fact, inferior products from the PSM's competitive advantage as against the society is not based on superior technology. It is very likely that the inferior products from the PSMs would slowly render the otherwise traded goods as non-traded ones.

The societies, on the other hand, have concentrated in the production of more or less standardised and relatively low-valued plain silk cloth. The place named Chawk-Islampur is a case in point where about one-fourth of the state's aggregate annual production of raw silk is being consumed. Most of the weavers there are dependent upon the five co-operatives and 27 charitable societies. The co-operatives are relatively large in size, the smallest one with a membership strength of 118 while the largest one, 403 weavers. Charitable societies are smaller with the number of artisans varying from 15 to 25. The production in Chawk-Islampur consists of cloth of both, exclusively reeled and spun silk yarn, and of various mix of the two types of yarn.

The relative advantage of the societies in LG production are: (a) fewer labour-hours are required for weaving as compared to HG or MG, and hence shorter 'gestation'; (b) the raw material costs are also significantly lower than for MG production; and (c) the wage cost per piece of cloth is also much lower. All these put them in a relatively better financial position and enable them to provide relatively more person-days of employment per weaver. Thus, it has become very difficult for the PSMs, with lower wages and no social security scheme, to penetrate. But what matters is that the charitable

societies almost work like the PSMs, and the operation of the co-operative societies are not always transparent.

There is a definite swing in favour of the production of mixed (spun plus spun, or reeled plus spun) yarn fabrics which now find a growing export market. The reasons being, first the average aggregate cost of production as a ratio of retail price in mixed yarn fabrics tends to be much lower than the 'pure' silk fabrics (Table I). Secondly, the retail price less the costs (i.e. value of yarn, weaving wage including AWF and ex-gratia, and the cost of design printing), that is, the surplus produced per hour of labour is far greater in the case of mixed fabrics than that in pure reeled, or pure spun silk fabrics, number of reeds remaining the same. The 'quick' turnover and involvement of less amount of working capital per unit make the mixed fabrics production relatively profitable to the otherwise capital scarce societies.

However, the rising demand for spun yarn has not resulted in the rise of relative price of spun as compared to the reeled yarn. The co-operative/charitable societies are supposed to produce spun yarn on their own with the members/employing local labour force. However, almost all of the spinners are found to be self-employed incidentally, almost all of them are women. And, the difference between the stipulated costs at which the societies are supposed to produce and the prices at which the self-employed spinners sell their yarn in the local market or indirectly to the societies, is as high as Rs 80-120 per kg (depending on the counts of yarn). The oligopsonist societies and the 'unauthorised' buying agents of those

TABLE I. PRODUCTION ORGANISATION AND PROFITABILITY:
Average

Fabric	Organisation	P/C ¹ P = Y (Per Cent)	X (Per Cent) ²	Wage Cost Per Hour of Weaving (Rs/hr)	Surplus (P-C) Per Hour of Weaving (Rs/hr)
HG	Society	25.97	36.59	16.20	14.61
	Master weaver	11.74 ³	35.59	12.20	3.97
MG ⁴	Society	26.17	50.73	4.73	6.80
	PSM	13.85	38.61	2.93	7.30
LG	Society				
Pure silk		10.80	65.56	3.59	3.30
Mixed ⁵		40.64	49.06	4.00	14.74

Notes:

$$Y = \frac{[\text{Factory Fabric Price (P)} - \text{Cost of Production (C)}]}{P} \text{ (per cent)}$$

$$X = \frac{\text{Yarn cost}}{P} \text{ (per cent)}$$

The ratios should be considered as indicative since only the average of the prices of yarn used as well fabrics produced are computed.

1 The cost of production includes yarn value, weaving wage including AWF ex-gratia (wherever applicable), and the cost of design printing (wherever applicable). And excludes unpaid pre-weaving processing.

2 This is a shadow price and includes the high initial expenditure on yarn processing and setting the Jacquard loom with specific design.

3 Including the costs of pre-weaving processing.

4 Not in Jacquard loom.

5 Mulberry reeled silk plus 'matka' (phool), either as warp or weft.

societies in local markets collude and effectively keep the price depressed. The huge margin between the official regulated price and the local market price is an attractive source of income to the charitable societies (who are not supposed to distribute the profits), and also to the co-operative societies (to whom it accrues in the form of 'unaccounted income'). Thus, there is little inducement on the part of the society to invest in spinning operation apart from that required for window-dressing. And the technology remains at the primitive stage – manual operation of ordinary country 'takli' (spinning wheel). The spinning of finer yarn of more than 50s generally requires skill of a high order in the takli, but that remains perennially under-paid. Naturally the local spinning is concentrated overwhelmingly in lower counts (coarser) yarn.

The production of mixed yarn fabrics is, however, largely restricted by the availability of raw materials, a large part of which is actually the by-product of mulberry silk yarn production. Thus the aggregate supply of spun yarn would constitute about one-tenth of that of reeled silk yarn. The societies thus have only a very narrow space of financial adjustment. After the supply of low-valued spun yarn gets exhausted, the societies have to fall back upon the two to three times costlier mulberry reeled silk yarn. It is found that the majority of the single loom owned weaver households have a monthly wage income around Rs. 300-400 while the 'full-capacity' loomage would have fetched something more than double the amount. The expansion of the domestic unit by adding more looms to the existing 'stock' only marginally improves family incomes, when the society constitutes the only source of supply of yarn. The weavers, of course, are free to mobilise yarn from the market and undertake independent weaving. In fact, they are able to procure yarn from the reelers on-credit. But since the societies do not buy the silk materials from the independent weavers they have to depend on the PSMs who claim unusually substantial share in value added.

SUMMARY STATISTICS

The 'primitive' household organisations do not act atomistically. Rather, they are organised under oligopolistic inter-dependence. There is varying uncertainty regarding the long-run demand schedule – high for HG and low for relatively standardised LG. Advertising for sales promotion is practically non-existent. The average-cost pricing thus secures the working of the market. Different organisations of production, however, have widely different costs (Table 1), and pricing on the basis of average costs by each unit independently is

expected to result in market instability and price wars. But, even if the demand schedule is unpredictable what a producer certainly expects is that above a price the demand would be highly elastic while below that price it is less elastic (a 'kinked' demand curve). The stability is provided by the usual fact that a price increase by any particular unit or a group of units entering into collusive agreement would not be followed by others and thus she or the group would face demand shrinkage while a price-cut would be generally followed by others. Thus, the prices are fairly sticky despite changes in demand and costs. The price leadership, for the 'orderly co-ordination' and functioning of the industry, is given by the society who is, however, not the least cost producing organisation. The PSMs with average cost lower than the society thus yield a wide space of operation in the non-collusive oligopolistic market.

There is no effective trade union of the weavers, and individual weavers have very weak bargaining power. The supply of labour to the individual unit in the industry is perfectly elastic: the unit can employ (hire) any amount of labour it wants at the same wage. The wage-level ($W = S_L$) is usually that which is being fixed by the apex body of the societies, and the PSMs operate at a level below that. In other words, the PSMs' competitiveness is largely a contribution of the captive labour force. The other element of competitiveness of the PSMs is their access to yarn at a relatively cheaper price. Few of the societies have captive in-house yarn production and they are linked to the yarn 'market' via the 'unauthorised' commission agents. The PSMs thus have a greater degree of flexibility in input-mix as compared to that of the society. Yet, the PSMs are known for their 'cheaper/inferior' variety of a particular product being produced

by the society. And that provides the society with a distinct market share despite price disadvantage. To the extent the consumers possess 'information' on quality.

Table 1 shows the profitability across fabrics and organisations. To note, the HG materials which experiences a relatively 'volatile' market yields lower rate of profit than MG. The more generalised/standardised LG pure silk materials yields a nominal 10.8 per cent whereas the mixed fabrics production gives a much higher rate of return. Production organisation-wise, the profitability is highest for the PSMs (i.e. 43.85 per cent).

In aggregate, the profitability $\{(P-C)/P = Y$ (per cent)] is well explained by paid labour-hours per fabric (X_1) and the proportion of yarn cost to value (X_2) (Table 2A). However, for the society alone, while the coefficient of multiple determination shows a strong association between Y and X_1 ($b_1 = -0.3011$), X_2 ($b_2 = -0.8036$) the partial correlation is found to be significant only for X_2 . On the

TABLE 2B · CORRELATION COEFFICIENTS

	Y →	X_1	X_2	X_3
Aggregate	1.0000	-0.1808	-0.4721* · 0.3768	
			-0.4394* 0.7273**	
				-0.5682**
Society	1.0000	-0.0979	-0.5366* · 0.2626	
			-0.4496 0.6910**	
				-0.5964*
PSM	1.0000	-0.3424	-0.7097 · 0.3650	
			-0.3369 0.8912*	
				-0.3968
Master-weaver	1.0000	0.7699	0.5505 · 0.0454	
			-0.1089 0.6725	
				-0.8090
Society Mixed fabrics	1.0000	0.7991 · 0.9977*	0.2959	
			-0.8381 0.8031	
				-0.3605

Notes: Y , X_1 and X_2 as in Table 2A
 X_3 = Wage cost/P (per cent)
 1 – tailed Significance * = 0.01,
 ** = 0.001.

TABLE 2A · SUMMARY STATISTICS FOR SELECTED VARIABLES

Aggregate	Y =	85.6871	- 0.3718 X_1 (SE = 0.1272)	- 0.8329 X_2 (0.2006)	(N=30)
	R_{y12} =		0.64008,	F =	9.36996**
	R_{y12} =		-0.49030,	t =	-2.923**
	R_{y21} =		-0.62431,	t =	-4.153**
Society	Y =	80.7115	- 0.3011 X_1 (SE = 0.1494)	- 0.8036 X_2 (0.2329)	(N=19)
	R_{y12} =		0.65737,	F =	6.08709*
	R_{y12} =		-0.44999,	t =	-2.016
	R_{y21} =		-0.65318,	t =	-3.450**
PSM	Y =	92.8572	- 0.2845 X_1 (SE = 0.0698)	- 0.9173 X_2 (0.1586)	(N=8)
	R_{y12} =		0.94085,	F =	19.27636**
	R_{y12} =		-0.87674,	t =	-4.076**
	R_{y21} =		-0.93271,	t =	-5.783**

Notes: Y , X_1 as in Table 1.

X_2 = Labour hours (paid).

* Denotes significant at 5 per cent; ** Denotes significant at 1 per cent.

other hand, for the PSM, both X_1 and X_2 are found to have significant negative correlation with the rate of profit. In other words, the better the fabric (since the fabric quality is largely determined by the labour-hours required for weaving), the lower is the profitability. It shows that the PSMs' high profitability rests on 'average' quality of the fabrics.

The widely varying 'mark up' gives a weak linear association between costs and prices in the industry. Further, no significant linear relationship between (paid) labour-hour and the profitability of a particular fabric is observed in a bivariate distribution (Table 2B). The average-cost rule of pricing predicts the behaviour of setting low mark-ups for products with close substitutes and high mark-ups for commodities with few substitutes. This may explain high mark-up by the society for HG materials with few substitutes. But, for MG, the PSMs and the societies although produce close substitutes the mark-ups are high, particularly by the former. Thus, it seems difficult to relate profit margin with the demand elasticities. Rather, using Joan Robinson's (1933) concept of monopolistic exploitation, it can be argued that the labour is paid a price which is less than the value of its marginal product. And this situation amply leads to less than full-employment level of operation in the industry. The substantial volume of unpaid labour actually consolidates the problem; and, the orthodox economics of 'reserve army' fails to gain ground.

III

Concluding Remarks

The value (at current prices) of the silk produced by the societies in West Bengal increased from Rs 224.4 million in 1990-91 to Rs 260.5 million in 1992-93 (KVIC, Eastern Zonal Certification Committee). Of these, 18 co-operatives together contributed 35-39 per cent. In fact, the share of the co-operatives in the aggregate of societies' outputs declined over the years. Most of the subsidies and 'soft' loans provided to the societies by the government through KVIC have gone to the charitable societies who, performance-wise, in so many ways, are indistinguishable from the local PSMs. They have alternative means of incomes which, unlike in the co-operatives, are not distributed. Yet, like the PSMs, the charitable societies are not found to be endowed with any discernible dynamic element.

The general understanding is that the cost of production is high when specialisation and division of labour are limited. However, in a labour surplus economy the unpaid proportion of labour, which is nothing but self-exploitation, congealed in the com-

modity produced is generally considerably high. This renders the household organisation of production cost effective from the point of view of the market. Our exercise on profitability, in fact, may also indicate the household organisation's space to absorb external shocks. However, its capacity is severely constrained by the distribution of initial endowments. The weavers hardly generate any surplus beside subsistence. Moreover, they by no means possess any marketable collateral asset which would have yielded the entitlement to seek institutional finance. Since their capacity (loom and labour) to produce remain grossly underutilised under the society they might attempt to replenish that with borrowings from private credit market. But, since the nominal monthly rate of interest, without collateral, being at least 8 per cent and the rate of return on utilisation of the fund (in weaving) normally does not exceed that rate (more because the independent weavers are practically having no direct access to the retail market) the borrowers are likely to be trapped.

The state, on the other hand, has not been quite active in penetrating the market apart from (a) giving legal recognition to the society organisations, and (b) occasional distribution of monetary benefits to the societies. Even within the narrow boundaries of action the lackadaisical attitude of the state to this industrial outlook has been quite pronounced. For instance, following the government notifications, the societies allow 'festival discounts' (rebates) on their products which are supposed to be readily reimbursed by the apex body. However, the latter, particularly the KVIB, West Bengal owes a huge sum of money to its affiliated societies on that account which has accumulated over last couple of years resulting in resource crunch of the societies. The public financial institutions, on the other hand, are very reluctant to extend credit to the societies while the apex organisation (KVIC), under the guidelines of the new economic policy, has stopped flowing credit directly to the societies. Consequently, the system of transaction on-credit in the weaving as well as upstream production lines has precipitated with more strength.

In 1968, the committee that was appointed to assess the progress of khadi and village industries recommended that emphasis in future expansion of khadi programme should be increasingly on organising production in such a way that the element of subsidies either direct or in the form of management grants and free weaving facilities is reduced to the minimum possible. This would involve adoption of better techniques of spinning and weaving, and reduction of overhead expenses of the organisation [GOI 1968: Chapter VIII]. Further, the committee noted

that the emphasis in future "should increasingly be on the 'positive' rather than the protective aspects of development assistance" (ibid p 93). In this connection, it pointed out the need to check the disproportionate increase in the administrative staff of KVIC and KVIB in order to reduce the huge expenditure on administration of khadi programme.

The Eighth Plan states the necessity to reorient the khadi programme in order to create additional employment opportunities [GOI, Planning Commission 1992, Vol II, p 135]. However, the reorientation of the current programme in desirable directions seems to be quite a difficult task since only very limited 'information' on the detailed working of the khadi societies are available to the otherwise huge sized apex organisations. "The state of affairs in technical education in the textile colleges also calls for a review, although handlooms predominate weaving in West Bengal the curricula hardly reflects that. Further, when intervention in the credit market seems to be socially desirable, it by no means constitutes the agenda of the state. On the whole, the power of representation of the artisans being far too weak the sector has failed to evoke more active intervention by the state. And, the post-colonial urban-biased development strategy of the state has, in fact, consolidated the persistent duality in the domestic economy. The khadi programme, like many other 'pro-poor' programmes of the government, in fact, has been bent by the powerful agents of the rural elites to their advantage. On the other hand, the dominant market forces have adjusted with too many non-formal 'ties'. What seems to be needed is to cull lessons from, in particular, the Chinese experience of massive development of rural industries in the 1980s, the growth of the atomistic units have been directly supported by the trade corporations under active government supervision [Wall and Fukasaku 1994].

Notes

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1 I primarily rely on my own field-survey data. For the debate on agricultural productivity in the state and the reliability of data in the *Economic Review* published by the government of West Bengal, see Datta Ray (1994 and 1994b).

- ² A figured fabric in which the figure is developed by floating the warp thread, the weft or both and bound in a more or less irregular order. The ground is usually formed in a weave of simple character.
- ³ In 1805 Joseph Marie Jacquard a silk loom designer invented a way of controlling the warp and weft threads automatically. He recorded each pattern by punching holes in a string of pasteboard cards.
- ⁴ The division of warp thread into two layers to form a shed for the interlacement of longitudinal and transverse threads in a fabric.
- ⁵ The Planning Commission (GOI) defines the poverty line as the monthly per capita total expenditure of Rs. 49.09 for rural areas (at 1973-74 prices) at the national level (GOI Planning Commission 1993). Taking into account the state specific consumer price index (food and non food index combined) for agricultural labourers (GoWB *Economic Review* Statistical Appendix 1997), the poverty line in 1997-93 in rural West Bengal was not less than Rs. 400 (at current prices).
- ⁶ The use of mulberry reeled silk yarn and the pure silk yarn from pierced tasar cocoons (called katar yarn) from pierced mulberry cocoons (called marka yarn) from tasar cocoonpunches (called bhalka yarn) and from reeling silkwaste (called phoot yarn) in various combinations bring out wide varieties of fabrics.
- ⁷ In the case of mixed fabrics (e.g. silk marka silk phoot or marka phoot) the rate of return is higher and also since spinning yarn is cheaper the initial capital requirements are lower than pure silk fabrics. Hence the weavers do borrow from private lenders.
- ⁸ That is the grants for training, research and technical advice and assistance and loans for working capital.
- ⁹ Even on the numbers of operating societies, let alone others, the information available to the two organisations differ considerably.

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In the Shadow of 'Kotris'

An Analysis of Wool Markets of Rajasthan

Sunil Ray

The marketing of raw wool in Rajasthan is embedded in multiple exchange relations. Conventions, contractual interlinkages and asymmetry of information are the rules which dictate the process of price formation of raw wool. This continues to happen in spite of government interventions which sought to make changes in the exchange structure by means of controlling the behaviour in the market place.

MARKETING is conventionally understood to be an autonomous price-making institution [Harriss 1991]. The voluntary movement of goods from the producers to the consumers via the market presumably ensures allocative efficiency of resources. However, what is generally observed is that all markets actually fall short of the efficiency and utility maximising standards in relation to which they are evaluated [Harriss 1991]. In a partially developed or an underdeveloped market, various implicit or informal contracts, through personalised interchanges, become a method of circumventing the problem of imperfect information during production and exchange [Jagannathan 1987]. It is in this context, that it is necessary to understand the constitution of the market, analyse various exchange relations that exist at all levels and then seek the relevance of theory.

The marketing of raw wool in Rajasthan is embedded in multiple exchange relations, in that the constitution of the market continues to be old and, hence, the forces that determine exchange relations are yet to undergo a meaningful change. Exchange relations are simple at the point at which raw wool is purchased from the sheep rearers. It, however, tends to become more complicated as the raw wool passes through the chain of intermediaries to the commission agents, and finally, to the raw wool processors.

The process of price formation is such that it could hardly fit in the orthodox single commodity-single sector evaluation. Conventions, contractual interlinkages and asymmetry of information are the rules that dictate the process of price formation of raw wool. This continues to happen in spite of government intervention, whereby changes are sought in the exchange structure, by means of controlling the behaviour in the market place. This article evaluates the process through which the wool market operates in the state, examines the forces that determine prices of raw wool and shows how the benefits of the trade are distributed between the wool producers, the middlemen and the commission agents.

I

Wool Market: The Real Market

Alca'ntra writes in his introduction to *Markets in Principle and Practice*, "...a great many rural people around the globe are only tenuously integrated into wider markets of any kind". Subsequently, in the same paper, he observes, "over large areas of the world, however, the survival of rural people depends on long standing and rigid relations of subordination, whether in the context of feudal society or within a structure of mercantile power which stands between a local peasantry and the wider economic and political system" [Alca'ntra 1993]. Wool markets in Rajasthan, where merchants occupy the commanding position in the sphere of exchange almost resemble what is observed by Alca'ntra. The raw wool producers, the sheep rearers who hail from remote areas, hardly come themselves to sell their produce in the market. Those, who come to sell directly, constitute a small minority while a majority of the sellers are what is locally known as 'bicholiya' (middleman). Middlemen are of two varieties - the one who operates within the age old interlocked system and the other who does not.

Exchange relations between the middlemen and wool merchants and the wool producers and the middlemen in many cases, are determined by the interlinkages between the wool and the credit markets. Credit is provided by the middleman or commission agent for two purposes, viz. (i) to earn interest and (ii) to ensure easy supply of raw wool at almost no risk and uncertainty. The interest rate may be as high as having the components of monopoly profit [Lipton 1977; Michie 1978] but it varies, depending upon the relations that exist in the sphere of exchange. In some cases, however, no interest is charged.

PRODUCERS, MIDDLEMEN AND COMMISSION AGENTS

One of the features of the interlinkages at the bottom (sheep rearers and middlemen), which is slightly different from the landlord-

tenant relationship [Bhaduri 1973] is that middlemen, in some cases [including those who hail from the Muslim community, provide credit without charging interest. They provide it only to ensure uninterrupted supply of wool from the sheep rearers who get bonded to the middleman. So much so the rearers cannot sell wool to anybody else without the permission of the middleman to whom they are bonded. Although they do not pay interest, they are left without any choice. The middleman takes advantage of it. The restriction imposed informally on the freedom of the wool producer to sell his produce at whatever rate he chooses, obviously entails a cost which may be equivalent to paying interest or more than that.

Of course, there are wool producers who do not operate within the framework of interlinkages, but they are vulnerable to it and the chances of getting bonded are high. The scale of their choice is limited by the spatial and dispersed locational characteristics of wool production, migration, weak, communication and transport. This is exacerbated by the uncertainty about the lifting of their wool stock, since they do not know who will be coming to buy and when, and the risk of prices falling.

The middlemen go even to the places where the rearers migrate. In many cases, the rearers receive clothes, grocery, etc., instead of money in exchange for the wool they 'sell' to the middleman. Even if the rearers could know about the ongoing rate in the market, and the rate happens to be higher, they may not be able to bargain for a higher price in such situations. Of course, those who have not horrowed can bargain better, but they cannot hold their produce for a long time in order to gain more profit. This happens not only because of price uncertainty, but also because they need money as early as possible. Raw wool is sold either on a per sheep basis or by weight.

All these factors together push the rearers to the fringe of the market and keep them there constantly, while the income which the market generates from the rearers' wool, is shared by the middlemen and the wool merchants. The rearers live on the fringes

of markets and seem to have been caught up in a very chaotic and contradictory process of incorporation into the developing political and economic system [Alcañtra 1993].

The exchange relations between the middleman (variety I) and the commission agent is informal, but seems to be very strong and stable. Middlemen are tied down with advances of money, which are offered by the commission agent. They accept the advance, based on an informal understanding that the commission agent will not sell wool below a certain rate. Normally, such advances are given a little before the shearing season begins. Apart from fixing the minimum price, the total quantity of wool the middleman is supposed to bring in for sale is also fixed within a certain range. However, only 50 to 60 per cent of the expected sale value is given to him in advance. The rest of the sale value is given only when the full quantity of wool, as agreed upon, is brought to the agent. At the time of final payment, interest and other possible deductions (shown later) are taken care of by the agent. How does the agent gain in the process? Apart from earning interest, he earns through manipulation of the wool price (as discussed later). The middleman, who appears to lose in the process, shifts the burden of such loss to the sheep rearsers, again through his stable and informal contract with the latter.

Almost the same sort of exchange relationship is found to exist between the independent middleman (middleman variety II) and the commission agent. However, the only difference is that he does not receive any advance before he brings wool to the market. He may be entitled to obtain loans from the commission agent against the wool which he brings to him for sale. He brings and stores wool in the agent's godown and is entitled to get a loan to the extent of 50 to 60 per cent of the expected sale value of the wool. Sometimes, the percentage of loan is hiked to 80 per cent to ensure that the person does not run away from him but continues to sell wool through him. Here also, the scope for manipulating the price of wool and cornering the benefits of the trade by the agent is wide. It happens specially when the middleman sells wool through secret trade 'under the cover' method practised by the wool merchants.

II

Basic Features of Markets

In order to provide for 'orderly' marketing of agricultural produce, market committees known as Krishi Upaj Mandi Samitis (KUMS) were constituted with the following primary objectives [Yadav 1993]: (1) Effective regulations of the sale and purchase of agricultural produce; and (2) Establishment of market-yards for marketing of agricultural

produce so as to save the farmers from the exploitation by middleman, and to enable the purchaser to get quality commodities at 'competitive prices'.

Since raw wool is treated as an agricultural commodity, the regulations stipulated are all equally applicable to it. However, wool markets, by and large, stay beyond the enforcement of such regulations and are found to retain the traditional mode of trading in the market place. There may be a few exceptions, but they are not significant. Informal transaction is the predominant feature of the traditional trading behaviour. The regulatory provisions seem to have been flouted in many respects in order to retain the mode of transaction at the informal level.

In this context it is imperative to understand some of the basic features of wool market in the market place and explore ways and means through which the merchants derive income from wool trade. The basic features of the four major wool markets of Rajasthan are shown in Table 1. Wool markets are located elsewhere too in the state. However, they are smaller in size as compared to the markets taken into consideration here. The features as shown in Table 1 are informal but established norms that dictate market practices in reality. In market places both sellers and buyers congregate but the competitive spirit of the market is subdued

by the mercantile power. How some of the practices are operationalised are explained below.

There is, by and large, no competition between the commission agents while buying raw wool. An informal, but stable arrangement seems to exist between the wool sellers, the buyers and the commission agents. Each commission agent appears to have sufficient number of middlemen (sub-agents) who are the main sources of raw wool supply. The Kekri market is an exception in this regard since open auction (spot pricing) takes place here.

It is, however, difficult to discern why the number of commission agents in all markets, except Bikaner, is relatively small. According to KUMS officials, as such there is no restriction on the distribution of trade licences. However, those who apply for licences come only from the same family circles. In this way, wool trading in the market has become the business of a few families. There may be people outside such family circles in taking interest in doing this business, but, their number is insignificant. What is also important to note in this context is that the traders' lobby is very strong so much so they defy market regulatory provisions of the state in many respects. It is true that market yards are constructed in all major wool markets in the state. But

TABLE 1. BASIC FEATURES OF WOOL MARKETS IN RAJASTHAN

	Jodhpur	Beawar	Kekri	Bikaner
Price fixation under the cover method	Yes	Yes	No	Yes
Commission charged on the seller's wool (per cent)	2.50	2	2	2.50
Commission charged to the wool buyers (per cent)	1.75	1.75	1.75	1.75
Interest paid by the wool seller to the commission agent on the advance taken (per cent per annum)	18	18 to 24	18	16.8
Interest paid by the wool buyers at payment for wool is not made within 15 days (per cent per annum)	18	18 to 24	18	16.8
Rent charged by the agent from the wool seller for storing wool	Rs 3 per quintal per month	Rs 5 per quintal per month	Rs 5 per quintal per month	Rs 3 per quintal per month
Weighing wool as a source of extraction	Yes	Yes	No	No
Standard deduction from the wool sold	2 kg per 40 kg	2 kg per 40 kg	1 kg per 40 kg for scoured wool - 1 kg to 5 kg for unscoured wool	1 kg per 40 kg for scoured wool - 3 kg per 40 kg for unscoured wool
Weighing charge	Rs 2.50 per quintal	Rs 5 per quintal	Rs 4 per quintal	Rs 3 per quintal
Market tax paid by the commission agent (per cent)	1.6	1.6	1.6	1.6

trading of wool hardly takes place in the market yards in all markets. It, however, continues to take place in what is locally called 'kotri' in Bikaner and Jodhpur.¹

Market yards were constructed by the KUMS of Bikaner for wool traders almost 10 years ago (in early 1980) and provisions were made for 96 traders to trade in wool. However, only two years ago (earlier to 1993 when the survey was conducted) a notification was served by the government on the traders to occupy the yards. One does not see any reason why issuing of the notification was postponed for such a long time. Of course, shops and godowns were allotted to those who regularly paid market tax. While issuing the notification, traders were warned that, in case they did not move from kotris to the allotted yards and began their business, their trade licences would be seized. However, the number of yards allotted was less than the number of traders who had applied for them. Those, who were not allotted yards, filed a suit in the high court and brought a stay to the allotment.

Although a few traders moved to the market yard and began their trading activities during October 1992, they failed to continue as it went against the interests of the kotri. The traders seem to be reluctant to move to the market yards because they fear that they may not be able to continue with the traditional kotri trade practices on the one hand, and flout the regulatory provisions, which might involve certain risks on the other. Both these together might eventually reduce their trade margins. Kotri trading practice even in Jodhpur is so stringent that it appears to be virtually impossible to force the traders to trade in the market yards. However, one does not know whether trading would be fair, if the traders shifted from kotris to the market yards. For instance, it is only the market yards of Beawar, where trading takes place under the gaze of the KUMS administration, and yet, almost every unfair trade practice takes place there and it is in no way different from kotris.

One of the unfair means of wool trade extensively used by the commission agents, and which goes against the market regulations, is the secret trade practice of 'under the cover' method. This is practised without any inhibition in all markets except Kekri. The code of this practice is known only to the commission agents and the wool buyers, while the wool sellers are kept in the dark.

The process is as follows. Let us suppose that a buyer is prepared to buy wool at Rs 40 per kg. He indicates it to the commission agent with his fingers under a cover, so that the seller is not able to know what price the buyer is offering. The code of the fingers is known only to the agent and the wool buyer. Hence, the rate of Rs 40 per kg is

known only to the agent. The agent, in turn, communicates the seller the rate; but, it is not Rs 40 per kg. He communicates a rate which is less by Rs 5 to Rs 6, or more depending upon the quantity and quality of the wool the seller has brought to sell. The agent tells the seller that his wool can be sold at, say Rs 35 per kg. Once the seller accepts the deal and the wool is sold out at this rate, the balance in price is shared between the commission agent and the buyer at a proportion depending upon the strength of their relations.

If there are more buyers, it is again the commission agent who holds the key. Only he knows the competitive margin between the buyers, and accordingly manipulates the deal in his favour. In Jodhpur market, this practice is prevalent in an acute form. The only exception is the Kekri market, where wool is sold by auction. An auctioneer, who is an employee of KUMS, supervises the auction and records the final rate at which the wool is sold, the name of the agent to whom it is sold and the total quantity.

As shown in Table 1, the system of weighing wool is another source of extraction from the wool seller especially in the Jodhpur and Beawar markets. The man who does the weighing is paid by the wool seller but he appears to have an informal contract with the agents not to weigh wool properly and illegally procure more wool from the sellers. For instance, if one quintal of wool is weighed in ten instalments, the chances of losing wool will be more than if it were weighed in two or three. However, it is again in the Kekri and Bikaner markets that relatively better care is taken to weigh the wool accurately.

Impurities, dirt, etc. are found to be the pretext, based on which, a certain quantity of raw wool is earmarked for deduction in each market, as can be seen from Table 1. From the total quantity of wool brought by the seller the rate at which deductions are to be made is standardised in each market. It is in the sense that each seller has to give an extra quantity of wool to the commission agent, for which payment is not made, no matter even if the wool is scoured. Of course, for scoured wool, the extra quantity given is less as compared to unscoured wool. For instance, if the seller brings 40 kg of unscoured wool, he will be paid for only 36 or 37 kg of wool. One can understand if the seller is being paid a low price for inferior quality wool. But, here, the seller is paid not only a low price for his wool but also gives an extra quantity for which he is not paid at all. In this way, the commission agents are able to acquire a considerable quantity of wool which they get cleaned and sell at a higher price. Besides, commission agents purchase wool at a low price, get it cleaned and sell it at a higher price.

III

Distribution of Gains of Trade

As has been mentioned elsewhere, only a limited number of sheep rearers come on their own to the market to sell their produce. Hence, the largest number of wool seller are middlemen. In any case, wool sellers of all types bear the transaction cost almost to the same extent, except, in those cases where the seller sells through 'under the cover' system. In order to gauge how gains of trade are distributed, two cases are presented below, one of an independent rearer who remains outside the interlocked system and sells wool independently in the market where secret trade practice 'under the cover' is absent. However, the second case shows the return of a middleman seller who operates in the interlocked system.

Case I. A seller who is a rearer himself, came from village Kakin of Ajmer district to sell his produce in the Kekri market. His village is 60 km from the market. The size of his flock is 200. He came to sell 90 kg scoured wool. If he had sold his produce in his own village, he would have had to sell at the rate of Rs 15 per sheep. It means that he would have earned $200 \times \text{Rs } 15 = 3,000$. The rate per kg of wool can then be estimated to be Rs 33. Instead of selling in the village, he sells at Kekri market at the rate of Rs 47 per kg, a difference of Rs 14 per kg. Now, let us see how much of that Rs 14 per kg finally accrues to him. The gross value of his produce is $\text{Rs } 47 \times 90 \text{ kg} = \text{Rs } 4,230$. However, he bears transaction costs to the tune of Rs 680.75 as shown in Table 2.

Hence, he could earn Rs 3,549.25 (i.e., $\text{Rs } 4,230 - \text{Rs } 680.75$) from the sale of his produce in the market directly. The extra amount he could earn, as compared to selling in his village, is Rs 549. The difference between the returns selling in the village and in the market is $\text{Rs } 4,230 - \text{Rs } 3,000 = \text{Rs } 1,230$ which is shared between the rearer and the transaction cost he pays for taking

TABLE 2. MARKETING COSTS OF THE INDEPENDENT SHEEP REARER

Item	Expenditure (Rs)
Cost of shearing* @ Rs 1.50 per sheep	300.00
Octroi charge paid	3.00
Transport cost up to the selling point	148.00
Own expenses towards food, etc.	35.00
Commission paid @ 2 per cent	85.00
Standard deduction @ 1 kg per 40 kg	105.75
So, in this case, it is 2 kg and 250 grams	
Weighing charge	4.00
Total	680.75

* Cost of shearing being borne by the rearer is included here to compare with the village situation where the middleman offers Rs 15 per sheep that includes the cost of shearing.

Excerpts from the speech by Shri K. L. Chugh, Chairman, I.T.C. Limited, at the 84th Annual General Meeting held on 28th September, 1995.

This is the last time I address you as the Chairman. At ITC we dreamt to position each one of your Businesses in a leadership position — growing and becoming internationally competitive. We dared to dream of growing ITC into one of India's Multinationals.

It is in the last year of this engagement, growth opportunities. I took out the essence of my decision to retire with effect from 1st December 1995 — twenty months ahead of my planned retirement. This decision, though, was motivated by only one concern — the desire that all of us in ITC share should not become a victim to issues of individuals and forces of institutions.

With the Special Audit Committee of the Board and the Board of Directors rejecting the fallacious allegations contained in the Special Audit Report, both against the Company, senior Directors and managers and me personally, I felt it would be in the interest of ITC that I announce my decision immediately thereafter.

ITC'S BEST KEPT SECRET

Today I will share ITC's best kept secret. In fact, it is an unsung achievement to which, today, I will attempt to pay its just tribute — the quality of ITC's human resource and human resource management.

Today, all thinking and action in ITC is more business-process oriented than functional in nature. In serving the consumer, the Company organises itself more holistically than before. In addition to nurturing and making our brands come alive, in addition to creating excitement in the market, we also re-oriented our posturing on many other business processes. Greater emphasis on management of technology and profits through manufacturing were our key sources of satisfaction. Bringing the overall standards of manufacturing towards international levels was part of this effort.

DISCOVERING LEADERSHIP CHALLENGES

So complex is the nature of issues at times to come, that the choice before ITC's people and its leadership will not be in a few dimensions.

In my opinion, and through my experience, the leadership of tomorrow

will have to focus on wisdom more than intelligence.

The leadership of tomorrow will have to focus on courage. There will be many testing times and many intelligent rationalisations. Without courage, it is difficult to stand with only knowledge. It is difficult to win people's commitment.

The leadership of tomorrow will have to be in absolute harmony with society.

OUR RESULTS

In the past four years, building further on the solid foundations I inherited from my worthy predecessors, both your Company and Group have grown enormously. In ITC the Gross Income has grown two times (Rs. 2316 crores to Rs. 4709 crores), Net Income 2.5 times (Rs. 1014 crores to Rs. 2540 crores), PBT by 3.3 times (Rs. 121 crores to Rs. 402 crores), PAT by 3.4 times (Rs. 78 crores to Rs. 262 crores), Net Assets employed by 2.9 times (Rs. 562 crores to Rs. 1640 crores), Net Worth by 3.3 times (Rs. 258 crores to Rs. 855 crores) & Dividend distribution by 3.7 times (Rs. 36 crores to Rs. 131 crores).

In terms of the ITC Group, our position is even stronger. Over the past four years the Gross Income has grown 2.6 times (Rs. 2689 crores to Rs. 7084 crores), Net Income 3.5 times (Rs. 1369 crores to Rs. 4859 crores), Net Worth 1.9 times (Rs. 345 crores to Rs. 1700 crores), Dividend 4 times (Rs. 43 crores to Rs. 188 crores).

CIGARETTES & TOBACCO

Four years back we had a declining cigarette market. Today, we have a growing market. The market has grown from 79 billion to 94 billion this year and is continuing to grow at the rate of 10% per annum. And yet this represents a less than 1% growth in the share of all tobacco products.

Four years back we had a 55% volume share. This has grown to 63%. Our value



share also stands improved from 60% four years back to nearly 70% this year.

Not only are we selling more cigarettes from 5.7 billion cigarettes a month four years ago to 5 billion cigarettes a month now, the quality of our products is now internationally competitive.

Product design, product development, applied research and market research helps us deliver new product launches to satisfy consumer needs. Ten new brands have been successfully launched.

ITC's volume of small length cigarettes has grown from less than 5 million a month to over 100 million a month in March 95.

The kingsize cigarette has also grown by 18%.

Exports are increasing. The newly launched brands in the USA and Russia are doing well. Contract Manufacture continues to improve and shows signs of becoming a very major activity.

Keeping in view the future demand, we have planned a major investment programme to invest over Rs. 550 crores to modernise our factories and establish a new, large, sophisticated factory in Bangalore, just outside the city limits.

The plants at Chirala and Anaparti have become the first leaf processing units in the world to earn the ISO 9002 certification.

All this would not have been possible without our carrying conviction with the Policy makers that excise is a cost and a more reasonable approach would be beneficial for revenue, consumer, tobacco growers and the industry. I am grateful to the government that it appreciated our logic. The results are obvious. Market has started expanding, consumer price increases are lower than inflation and I am confident that the Company's control

"The leadership of tomorrow will have to focus on wisdom more than intelligence."

"ITC's best kept secret is the quality of its human resource and human resource management."

bution in terms of excise duty payments will be up by at least 17% up to September, 1995, well above the 7% increase in excise duties this year.

Four years back I had said that Tobacco is a sunrise industry in India. The sun has just begun to rise. After all, cigarettes are less than 20% of tobacco consumed in India.

FINANCIAL SERVICES

Financial services is one of ITC's key thrust areas with immense opportunity for growth. ITC's Group Company, ITC Classic Finance Limited, is not just an acknowledged leader in funds mobilisation and asset financing but to meet emerging needs of the investor has diversified into investment and merchant banking, real estate finance, finance, stock broking and advisory services to NRIs on investment.

HOTELS & TOURISM

With the restructuring of the Hotels business during the year, ITC Hotels -- a 71% subsidiary -- has been made responsible for the growth of this business. ITC Hotels can now invite wider public participation to mobilise resources and can grow much more rapidly than hitherto. Grand Kakatiya, Hyderabad has just had its soft opening. This will consolidate our position in the Golden Triangle of the South -- Bangalore, Madras, Hyderabad.

Our Group Company, International Travel House, from being a sick company just four years back, is today healthy, vibrant with a market capitalisation of Rs. 100 crores and is actively participating in the growth of tourism and development of golf courses.

AGRI-BUSINESSES

Agri-Businesses were redefined and restructured. The Edible Oil Business is being consolidated under the group associate ITC Agro Tech, with all activities including marketing, which was hitherto undertaken by ITC, coming under its fold. The oilseed business has been restructured and consolidated under ITC Zeneca, a 50:50 Joint Venture with Zeneca plc UK.

PAPER BUSINESS

Tribeni Tissues, the Paper division of your Company, has just completed its programme of expansion and modernisation. The installed capacity of the mill has now been increased to 33,000 tonnes per annum from its earlier level of 13,500 tonnes per annum. The investments have been made just in time when the cigarette market is doing well.

ITC's paper business flagship -- ITC Bhadrachalam Paperboards Limited -- has well consolidated its position in the Paper Industry in India and has emerged as one of the largest units in the country, its profits having trebled during the last four years.

INTERNATIONAL BUSINESS

The Company had embarked upon international business in 1991, the year in which the country's balance of trade position touched the lowest ever figure of US \$ 8.1 billion. A major thrust on exports through setting up the International Business Division

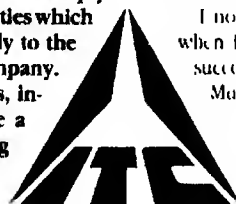
was your Company's response as a responsible corporate citizen to the national need of augmenting foreign exchange reserves, at a very quick pace.

The foreign exchange earnings of your Company in the last five years were of the order of Rs. 3000 crores. ITC continues to remain one of the largest foreign exchange earners of the country.

With success we have also had our share of problems. Perhaps, we went into far too many products too soon. There were a few wrong trade deals including export of rice to Sri Lanka at prices considerably higher than international prices. All these

while adding to the turnover of foreign exchange earnings of your Company, also led to high export receivables. After the committee's knowledge throughout the whole of 1991-95, the focus was to control the damage and recover the export receivables, as well as to rationalise, restructure and refocus the business. Despite efforts, a significant quantum of receivables are uncertain of recovery leading to provisions in 1991-95 accounts. These provisions should be viewed as few human errors in the process of generating Rs. 3000 crores of exports for the country.

I believe our emphasis on exports has added value to ITC as an enterprise deeply concerned with national priorities which in turn has added substantially to the growth and standing of the Company. With our learning and actions, international trade can become a viable business for ITC, adding value to the foreign exchange reserves of the country.



ITC Limited

Tobacco • Cigarettes • Financial Services • Hotels

Paper & Paperboard • Packaging & Printing • Agri & International Businesses

This does not purport to be a report of the proceedings of the 84th Annual General Meeting

AUDIT AND FINANCIAL IRREGULARITIES

The issue of financial irregularities and Special Audit in the International Business Division has attracted much attention in the recent past. The Special Audit Report had alleged corrupt trade and FERA violation, as also preferential pricing on some exports.

On the basis of hard data and expert legal counsel, the Special Committee of the Board consisting only of the Non-Executive Directors has rejected these allegations. It has also concluded that I, as the Chairman of the Company, was in no way responsible, even constructively, for the controversial trade deal of the International Business Division.

ONE LAST WORD: GRATITUDE

With its size, its resources, its people, its business, its understanding of the context and its consistent commitment to achieving results, ITC is deemed to play its due role in the India of tomorrow. This is my competent hands. For my part, I would like to state that the one word that springs to my mind at the end of my innings is gratitude. I am indebted to the lakhs of individual shareholders. I must mention with great respect the role and support of the institutional shareholders. In the face of many compulsions, they chose to be on the side of conviction and supported our beliefs.

Since the pioneering days in Bhadrachalam when I first came in contact with BAI, I have enjoyed a great relationship with BAI as shareholders and friends. I am thankful for the support I have received during the years.

I would like to extend warm thanks to all the people in the government, industry, associations and other fora with whom I have interacted. I must thank my colleagues on the Executive Board without whose support ITC would not have been what it is today -- at the leading edge of corporate India.

Last, I would like to convey my utmost gratitude and admiration to the people within ITC. I can surely say that the ITC family is the best family in the world to be in.

I now look forward to the proud day when ITC meets its trust with destiny to successfully emerge as one of India's Multinationals.

But when one dares to dream and discover, there is no looking back. The voyage must continue.

his wool to the market. As shown in Table 2, he incurs transaction cost to the tune of Rs 680.75. Hence, Rs 549.25 out of the Rs 1,230 is left with him as his share or Rs 6 out of Rs 14 per kg of wool. In other words, he spends 55 per cent of his income that he earns in the market in order to earn 45 per cent of the income generated. If middleman had been there, the amount would have been shared by him also. In that case, agent's share would have gone down.

The agent, however, finally earns on this wool to the tune of Rs 194.75 (items 5+6+7 of Table 2) + Rs 74.02 (1.75 per cent commission charged to the buyer) + Rs 190.35 [interest charged to the buyer for three months² = Rs 459.12. If we add the income of the commission agent, then the said quantity of wool finally generates gross income to the tune of Rs 4,494.37 (4,230 + Rs 74.02 + Rs 190.35). Hence, the difference in income between the village and market is Rs 1,494 (Rs 4,494.37 - Rs 3,000) which is distributed between the agent, the rearer and transport cost and others.

It is estimated that the agent earns to the tune of Rs 459 (31 per cent), rearers Rs 549 (37 per cent) and transport cost and others Rs 486 (32 per cent). This is estimated at the price, commission agent purchases wool from the rearer. However, he sells the same obviously at a higher price to the processors. In that case, the same quantity of wool would generate more income than what is shown here. Rearer's share of the income finally generated would then be further lower. If the rearer had sold through the credit system, he would have paid interest and the percentage of the agent's earning would have been more. Since, 'under the cover' practice is absent in the Kekri market, and weighing is done accurately there and the agent's income is relatively less there as compared to other markets. However, in markets like Beawar and Jodhpur, the agent earns much more from the independent seller than what is shown in respect of the Kekri market.

Case 2: The case of a middleman. He hails from Disha of Gujarat state. He came to Jodhpur market to sell wool which he had purchased from the migratory flock owners of Marwari sheep. He paid Rs 12.50 to buy wool on per sheep basis and purchased 4 quintals of scoured wool from 1,050 sheep. The total investment he made was Rs 13,125 (Rs 12.50 x 1,050 sheep = Rs 13,125). In other words, the rate at which he bought the wool can be estimated to be at Rs 32.81 per kg, say Rs 33 per kg. However, he sold at Rs 45 per kg in the Jodhpur market. Hence, the gross value of his wool is 4,500 x 4 = Rs 18,000. Now, let us examine how much he has earned from the trade. Shearing cost is borne by the rearers. The items on which cost is borne by him are shown in Table 3.

The gross return received by the middleman is Rs 18,000 - Rs 13,125 = Rs 4,875. Net return = Rs 4,875 - Rs 2,053 = Rs 2,822. Let us suppose that the middleman does not store the wool in the agent's godown and does not borrow money and intends selling the wool within one or two days. Even in such a case, he has to pay a certain amount to the commission agent, since the wool will be sold through 'under the cover' system and a dishonest weighing system. The reason why most of the sellers prefer to sell through the credit system is because it apparently involves less risk and uncertainty for them than selling the wool through 'under the cover' system. Besides, the way the system of marketing has evolved tends to bring the seller more and more under the contractual system which eventually widens the scope for the commission agents to make more profits. For instance, as and when wool is brought to the market, a buyer may not be readily available. The seller faces uncertainty and, finally, he accepts the compulsion of taking an advance against the wool which he deposits in the agent's custody to be sold later.

The commission agent earns through item number (5), (6), (7) and (9) of Table 3 and by way of charging commission, as per the government stipulation from the buyer and earning interest from him. Hence, the gross return of the commission agent can be estimated as follows:

	(Rupees)
Earnings through items (5)+(6)+(7)+(9) of Table 3	1,524
Interest charged to the buyer [@ 1.5 per cent per month for three months (assuming that the wool is finally sold at Rs 18,000)]	810
Commission charged to the buyer (@ 1.75 per cent)	315
Total	2,649

Thus, the commission agent makes first round of income equal to Rs 1,524 from the seller and the second round from the buyer to the tune of Rs 1,125. It appears that the seller adds more to his return than the buyer. If we include the commission agent's income (from the commission he charges to the wool buyer (Rs 315) and the interest charged from the wool buyer (Rs 810) then, the income finally generated by four quintals of wool would be equivalent to Rs 19,125 (Rs 18,000 which is paid to the middleman + Rs 315 + Rs 810).³

Hence, the difference is Rs 6,000 (Rs 19,125 - Rs 13,125 paid to the sheep rearer) which is distributed between the middleman, the commission agent and transport and other costs. This is shown in Table 4. The point to be noted is that the middleman has to bear the transaction cost (including transport, etc) altogether to the

tune of Rs 2,053 as shown in Table 3 to earn Rs 2,822. It appears that the middleman earns 47.03 per cent of the value generated by the wool sold as shown in Table 4, by incurring the transaction cost to the tune of 34.22 per cent. His margin is higher than what is his transaction cost because he paid low price to the rearer for scoured wool. One has to bear in mind that the return of the middleman and the commission agent is estimated on the basis of the price at which wool is purchased from the middleman by the agent. The agent, however, sells the same at a higher price to the processor. In that case margin left to the middleman of the income finally generated will be lower while it will be higher for the commission agent. It is difficult to know at what rate wool is finally sold, although a bill is prepared quoting the rate at which payment is made to the wool seller.

The actual price at which it is finally sold to the buyer may be higher (which is normally the case) than the price paid to the seller. In that case, the rate of return per quintal of wool would be more than what is shown above. Those few sheep rearers who sell on cash payment basis do not borrow and pay interest. But, they are subject to 'extraction' in two ways: viz, through weight manipulation and 'under the cover' system. It is difficult to compare the relative rate of return that accrue to the commission agents from the credit system and the system of direct selling. Since wool trade takes place mostly through the credit system, it can be said that there is wide scope of the commission agent for earning a higher rate of return. This is why it continues to perpetuate as the dominant trading behaviour in the market place. The scope for increasing the return of the agent is certainly better, but he does not appear to make use of that scope by manoeuvring the system in a way that could inflict damage on his informal contract.

TABLE 3. MARKETING COST OF THE MIDDLEMAN

Item	Expenditure (Rs)
1 Transport cost	325
2 Octroi (per quintal Rs 6.50 x 4)	26
3 Unloading charge (Rs 7 per quintal)	28
4 Weighing charge (Rs 2.50 per quintal)	10
5 Commission (@ 2.50 per cent)	450
6 Interest (Rs 1.50 per cent per month for one month on 60 per cent of the value of Rs 10,800)	162
7 Standard deduction at 2 kg per 40 kg (200 kg)	900
8 Transport cost (from main road to Kotri) (@ Rs 10 per quintal)	40
9 Godown charge (@ Rs 3 per quintal per month)	12
10 Expenses incurred on food and other things for two days	100
Total	2053

with the middleman. He cannot afford to take the risk of losing him.

SHEEP REARER'S NET RETURN

The net return only from the sale of wool can be estimated based on the cost incurred towards the production of wool alone. This is, however, impossible to estimate because the rearer spends money towards the maintenance cost of sheep, not for wool production or mutton purpose alone but for both at a time. The sheep rearers earn from sheep by selling (i) wool fibre, (ii) animal (sheep), and (iii) night folding, while cost incurred towards maintenance of sheep and imputed cost of family labour are the same for all. Since net return of the respective source cannot be estimated, rearer's position may be examined in terms of net aggregate return.

Of all eight sheep breeds of Rajasthan, Magra and Pugal sheep generate maximum balance per flock size, say, of 130 to 150 sheep to the tune of Rs 9,000 to Rs 10,000 per year. This is the balance received by the rearer when only maintenance cost of the flock is taken into consideration. The maintenance cost includes paid out cost on account of feed, medication, transport, etc. To include the imputed cost of family labour, the amount family labour required to maintain the flock is considered. Total manhours required is estimated to be equivalent to the employment of three persons round the year. Even if the minimum wage, as stipulated by the government for agricultural labourer, is considered while estimating the imputed wage cost of three family labour for the year and are added to the maintenance cost, the position of sheep rearers in terms of net return would appear to be precarious.

It is in this context wool market assumes great importance since income earned by the sheep rearers through the sale of wool fibre is low. As such, productivity of sheep in terms of wool has gone down considerably in recent years. In such a situation, if the wool market continues to expropriate the value added that deserves to be shared by the sheep rearers and compensatory income from the sale of sheep does not rise, sheep husbandry is likely to turn out to be 'distress adaptation'. It would eventually fail to provide forward linkages to the processing sector.

IV

Lessons

The wool market of Rajasthan provides a few insightful lessons, which appear to have much in common with the markets of many agricultural products of the third world countries, including India [Harris 1984, 1991; Alcañtra 1993; Janakarajan 1993].

All these studies have analysed market relations, identified the factors that determine such relations and showed how the real producers are being constantly deprived of the actual value of their produce. Wool markets of Rajasthan are not exception to this.

To eliminate imperfections and ensure fair trade, the Rajasthan Agricultural Produce Market Rules were framed in 1964. In order to implement these rules, as has been mentioned earlier, Krishi Upaj Mandi Samiti was formed. Subsequently, Rajasthan State Agricultural Marketing Board was established in 1974 under section-22A of the Rajasthan Agricultural Produce Market Act, 1961, in order to bring more efficiency into the regulatory work, as well as to implement the provisions of the Act effectively [Yadav 1993]. Further, the Directorate of Agricultural Marketing came into being in 1980, on the recommendation of the National Commission on Agriculture (1976), to ensure proper functioning of the regulatory mechanisms, grading, quality, control, etc. Over three decades or so, there has been considerable change in the organisational aspects, for the state to intervene to ensure market regulations for fair trade to take place. But, in the 'real market' situation no such change has been induced. It has, however, been induced in the Keri market in certain respects. The government, otherwise, is mainly concerned with the collection of market tax. Market regulations are flouted to perpetuate the merchants' own internal regulations, in that the same sources of extraction continue, resulting in higher transaction cost to the wool seller while wool merchants are able to gain substantially. Merchants, and not the state, being in a commanding position in the sphere of exchange, appear to have been able to make the state serve their mercantile interests.

The state also has the history of direct participation in wool trade in order to free the wool producers from the middleman-commission agent nexus and the unfair trade practices. Way back in 1964, the state used to purchase wool directly from the wool producers through the sheep and wool department. Subsequently, it was felt that Breeders' Co-operative Societies, through which trading could be operationalised at

the village level, should be formed. With this end in view, the Rajasthan State Co-operative Sheep and Wool Marketing Federation came into being and began to function in 1978. As many as 545 co-operative societies were constituted in the rural areas [Singhvi 1993]. Sheep breeders were reported to have benefited considerably in this endeavour of the state. However, after a few years of operations, they were discontinued due to reasons best known to the government. Consequently almost all the breeders' societies became defunct [Ray 1992]. Attempt was made again, after a lapse of nearly a decade to revive the organisation in order to participate directly in the wool trade and pass on the benefit of the trade to the breeders. Nobody knows where such an attempt would lead when market relation is determined by power or coercion and control.

Coercion and control are forces that mainly determine the market relations in the wool market. They operate at both levels of wool marketing, viz. the wool merchants and middlemen and middlemen and wool producers, in that the former in both cases, exercise control and coercion over the latter. Of course, those wool producers who keep themselves away from such forces and trade independently might gain more but their number and the extent to which they gain are too small to account for. The forces of coercion and control stem from the power, which the commission agent exercises over the sellers, including middlemen, by means of manipulating prices and information through secret trade practices, forming a lobby of their own associational power [White 1993] and contractual designing. These forces limit the scale of choice of wool seller either in the market or in the countryside and exercise their power subtly through the market practices which have been standardised. Here, it is 'power-theoretic framework' [White 1993] that appears to be more relevant than 'choice-theoretic framework' in analysing the process of marketing and exchange. The wool merchants' lobby is so strong that, even in auctions initiated by the government agency, bidders join together and form a cartel leading to pre-decided price bidding [Singhvi 1993].

TABLE 4. DISTRIBUTION OF GAINS OF TRADE BETWEEN COMMISSION AGENT, MIDDLEMAN AND OTHERS

		Return (Rs)	Per Cent
Middleman	(Value at which wool is sold in the market)		
Commission agent	(value paid to the sheep rearers) + (transaction cost) items of Table 3) (5) + (6) + (7) + (9) + commission and interest charged to the buyer	2822	47.03
Transport and other costs	items of Table 3) (1) + (2) + (3) + (4) + (8)	2649	44.15
Total		529	8.81
		6000	99.99

Trading of wool is absolutely private but operates within the framework of interlinkages and, as explained above, leaving little or no room for choice especially of information, an important instrument of power in economic transactions [Baland and Platteau 1993], of which secret trade practice is the main part. All these speak of the market that exists in reality but differs in its essence from the conventional free market models in which supply and demand forces are impersonal and are supposed to allocate the resources in an optimally efficient manner.

The increasing demand for local wool of superior quality hardly raises its relative price due to 'oligopolistic-monopsonistic' market forces. Hence, what the World Bank suggests [World Bank 1981, 1986] that relative prices, through the process of automatic adjustment, would expand the opportunities of the rural people, especially in largely agrarian societies and finally revive the economies and, therefore, government regulations are to be removed, do not seem to have relevance to the actual operations of the market. The case of the wool market clearly shows this.

V

Conclusions

In the wake of deregularisation of private trade under the liberalisation and structural adjustment programme, the wool market in Rajasthan continues to remain imperfect, although it has virtually been deregularised. Since it limits the livelihood provisioning and opportunities of lakhs of wool producers living in the rural area, consumption linkages which have the potential to revive the economy get restricted. This leads us to suggest 'reform' of the wool market in an effective manner without leaving any scope for it to fall in line again with the mercantile interests. The market needs to be extricated from the shadow of kotris. In the face of gradual intensifications of the conflicts in the production conditions of raw wool, if deprivation of the actual wool producers though depressed value of their produce continues, it will push rural households towards giving up sheep husbandry. The state should not ignore the market relations in which the poor are embedded and the non-poor thrive and should 'reform' the relations, as a part of the anti-poverty strategy.

Notes

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Maxwell for their valuable comments. Thanks are also due to Jagdish Prasad Sharina and Gopal Singh Rathore for their assistance.]

- 1 It is spacious house, a portion (preferably ground floor) of which is used for conducting wool trade while the trader and his family live in the other portions of the house. In Bikaner and Jodhpur markets, wool is traded in these houses which are, by and large, designed in traditional pattern. Here, the term kotri is used to symbolise traditional practice of wool trade, trader's lobby and market leakages - all that largely serve mercantile interest through the forces of coercion and control of the merchants.
- 2 Wool merchants may earn interest by investing the same amount of money somewhere else. The interest rate may vary, however. The main concern here is to comprehend what the wool merchant earns, including interest, while he invests in the wool trade. The time taken by the wool buyer to make full payment to the merchant may vary and hence, the amount of interest income.

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The Race between Ford and Toyota

Struggle for World Dominance

Peter Custers

This paper provides a description and analysis of Japanisation/Toyotism and draws comparisons with the Fordist system of mass production which emerged in the US in the early part of this century. The Japanese regime, and its application by multinationals worldwide, has already heralded a new phase in the process of capital accumulation.

The serial production of mass commodities is not abolished in a Japanised structure; on the contrary. The Japanese automobile and electronic companies - like just their American competitors - aim at standardised manufacture of mass products on the largest possible scale. But in order to reach this goal, the internal, hierarchical relations within enterprises, and external relations, are being profoundly restructured. For the trade union movement of industrial workers, including in third world countries like Mexico, Brazil and India as well, Japanisation has far-reaching consequences.

IS Fordism "a new mechanism of accumulation and distribution of finance capital, based directly on industrial production"? Does Americanism then constitute a distinct phase, a new epoch, in the history of capitalist production? These questions the Italian revolutionary thinker Antonio Gramsci posed himself, when, suffering from prolonged detention under fascism, he wrote his world famous *Prison Notebooks*. At the time when Gramsci wrote down his views, the new American production methods - the workers enchained to the assembly line, and the stopwatch as means to closely regulate his movements - were rapidly gaining prominence. Outside the prison walls, these methods formed the object of fierce debate between intellectuals belonging to various streams. Ultrarightist Italian intellectuals, for instance, discussed how Fordism could be adapted to Italian conditions; they propagated a marriage between American style, organised mass production and the corporatist state.

Gramsci's views, formulated in the desolation of his prison cell, eloquently testify to his extraordinary sharpness of mind. They do not merely prove that he was a keen observer of social trends in his own days. In fact, some of his views retain the value even today, 60 years later. Gramsci, for instance dwelled on the dilemma which the introduction of the conveyor belt posed for entrepreneurs. The capitalist, so he argued, can mechanise the physical movements of the labourer, but this does not prevent the latter from using his brains. "One walks automatically, and at the same time thinks about whatever one chooses."¹ American industrialists according to Gramsci were conscious of this 'dialectic' underlying the mechanised mode of production. Notwithstanding the spread of Fordism, assembly line workers in the US and western Europe have continued putting

up resistance against the despotism of the factory system. Yet, more recently, Japanese companies appear to have discovered a more effective answer to the question of how to obtain absolute control over the factory workers' thinking processes, namely, through instituting 'quality circles'.

Roughly 80 years have passed since the American company owner Ford introduced the conveyor belt system and concomitant management techniques (derived from Taylor) in his automobile factories. These methods enabled Ford and other American enterprises to temporarily gain hegemony within the world economy. Today, a new production model is rising to prominence - a model which stipulates 'quality circles' and 'subcontracting' as key concepts. The model is closely identified with one Japanese corporation, Toyota - like Ford a giant company belonging to the automobile sector. Throughout the industrialised north, as well as in third world countries like India, multinationals and minor capitalist gods are frantically studying the Japanese model. They are bound to re-adapt the organisational structure of their companies in the worldwide rush for superprofits.²

Analogous to Gramsci's initial conceptualisation of the previous phase of world capitalism, Japanisation is understood as a new phase in the history of capitalism. The present phase is not just distinct from the period when the views of Ford and Taylor held sway, it invites a re-examination of the fundamental critique of the capitalist system. For, today's developments should encourage us to critically re-assess the relevance of the views put forward by capitalism's most powerful critic, Karl Marx. In order to grasp the international trend towards Japanisation, we need to adopt a non-orthodox, Marxist approach.

I

Japanese Capital: Commercial to Industrial Subcontracting

To start, let us briefly highlight an important aspect in the history of Japanese industrialisation: the more or less direct transition from commercial subcontracting to vertically organised, industrial subcontracting, as was imposed by fascism. In the middle of the 19th century Japanese society, as is well known, was still largely characterised by feudal relations. True, there existed a rising commercial bourgeoisie. This class was composed of intermediaries, called 'tonyas', who increasingly operated as entrepreneurs, since they had started regulating craftsmen's production work. The tonyas distributed raw materials, and sometimes equipment, to self-employed craftsmen and homeworkers, and they brought the final products to the market. Under these conditions of infant capitalism, the Meiji restoration was launched from the year 1868. The process of the modernisation of society was facilitated, because it was favoured by members of the traditional elite, Samurai warriors. Delegations were sent to Europe and the US 'to learn from foreign countries'. Machinery and expertise were imported so as to prepare the founding of the first silk-spinneries and textile factories. Thus, from the later part of the 19th century onwards, the factory system of production rapidly superseded craft production dominated by the tonyas.³

Yet, it would be wrong to believe that the Meiji restoration ended the role of home-based industries and of traditional intermediaries. They were only partly superseded by the factory system. Many small producers adapted to the new conditions, by installing electric motors in their own workshops - mechanisation reached the drawing room of the craftsmen

and by taking to the manufacturing of modern goods like bulbs, rubber products, western umbrellas etc. In the footsteps of the Samurai, the tonyos too transformed themselves. Instead of continuing to function as the link between craftsmen and the market, they now became supply line businessmen. They henceforth chose to fulfil the task of subcontracting for industrial enterprises to act as intermediary between homeworkers and the factory. It is only when the fascist regime enforced rationalisation of production, during the 1930s that their role came under serious threat. Those tonyos who failed to provide technological guidance to the small producers were eliminated under the joint pressure of the fascist government and monopoly companies.

During this period, from 1935 to 1945, the system of subcontracting was developed which more recently has helped Japan build up a strong reputation amongst entrepreneurs worldwide. Partly in consequence of the brutal wars fought, the country suffered from a severe lack of raw materials. The government introduced a system of rationing industrial raw materials and imposed price regulation upon intermediaries. Most interesting was the government's attempt to unify the subcontractors of major companies via horizontal co-operation. When the desired result was not obtained, corporate enterprises themselves streamlined the structure of subcontracting. They selected the most efficient clients and brought them under corporate control. Small supplier firms were rationalised through instructors and by providing them with instruments to improve product quality. Moreover, mutual division of labour was promoted between the subcontractors. Thus arose the typically Japanese pyramid shaped structure of production.

The period after the second world war merely brought a further refining in methods of control over subcontractors, when the transfer of knowledge regarding financial accounting and that regarding management techniques were added to the regulatory mechanisms. The proportion of production which is sub contracted has greatly expanded during recent decades. This is true in particular for the automobile sector, where the share of production that is sub contracted amounts to 70 per cent at least. In short, and contrary to Marx's expectation, the factory system of production has not completely replaced the network of small producers, but has rather subordinated them, has adapted this network to the needs of corporate capital.

Before discussing the effects of this elaborate system of subcontracting on labour, I wish first to comment on the second central aspect of Japanese style company management, the labour groups or quality circles. Once more a historical review is helpful. For Japanese companies have employed the idea of labour groups for the purpose of enhancing productivity for long decades. Examples can be traced to reports regarding working conditions in textile factories, the spinneries and weaving mills, where women a century ago worked to lay the foundations of Japan's industrialisation. Thus groups of female labourers employed in textile companies and organised along district lines in the beginning of the 20th century engaged in sports competition initiated by management. The same groups were encouraged to undertake production competition by offering them little prizes in reward. As early as then entrepreneurs tried to devise clever means to influence the thought processes of the overwhelmingly female workforce.

Today the system of labour groups, now baptised quality circles, has become a common phenomenon in almost all Japanese factories. They are to be found in the large enterprises of key industrial sectors such as automobiles and electronics, but also in the smaller sub contracted firms. During my visit to Japan in 1990, a woman employed in a company producing temperature regulators for Toyota trucks described how the women workers during off time are forced to jointly ponder over possibilities for raising productivity. For individual women there simply is no escape, the company manager does not just own the wage slaves' labour time but a part of their free time as well. And when visiting the multinational chips producer Fujitsu Electronics, managers in blue uniforms self confidently stated to us that the factory's labour groups provide a guarantee for production without an undue number of errors. Thanks to the quality circles the workers are perfectly disciplined. In other words, the ideal of the trained gorilla, which American corporations earlier tried to reach through the use of the stopwatch has to a tripling extent been realised in contemporary Japan.

In western countries the discussion about labour groups is not completely new either, as is evident e.g. from the postscript to Benjamin Coriat's book on the history and significance of Fordism, *The Workshop and the Stopwatch*. In many enterprises such groups were introduced in the late 1970s or

early 1980s in name of 'the humanisation of labour'. The significance of the system according to the mentioned postscript is as follows: Place him, or the migrant worker or the female labourer in a team or collective which itself decides on speed and working rhythm. Time and motion experts with their stopwatches in their pockets are no longer required, nor are foremen who watch you, the worker, from behind. You yourself can decide how you want to work and how fast. In other words, the formation of labour groups eliminates the need for detailed supervision. Contrary to the Fordist/Taylorist approach, the individual is no longer the basis of the labour process, it is the group that is considered its foundation. Moreover, since the income of the team, i.e. of all its individual members, is dependent on the productivity of each separate member, there is little chance that the group will show benevolence towards a lazy worker. The structure of the quality circles ensures strict self discipline on the part of the exploited workers.

The new method which Japanese companies are teaching to their competitors, however, consists of more than the above sketched trend towards (what can schematically be termed) internal decentralisation. At issue is a phenomenon on the borderline between internal and external decentralisation: extensive competences are transferred to smaller production units within the factory complex. Such units tend to be granted a close to independent status. Responsibilities are delegated, flexibility is promoted while profits continue to flow towards the corporation itself. The extent of influence the model has developed internationally can be illustrated by citing the example of the Dutch steel foundry Hoogovens. The territorial size of this foundry's complex, its production structure, until recently, was an integrated one - is equal to a whole town. According to the masterplan formulated by 'Hoogovens' management, the factory complex is to be restructured along the model of the Japanese company Nippon Steel, the granting of far-reaching autonomy for the various sections/departments and the devolution of tasks even with regard to marketing and the sale of steel products.

The key question remains of course whether such decentralisation really leads to 'the humanisation' of labour relations. According to a trade union researcher whom I interviewed in 1990 about the consequences of the trend described - the splitting-up of production into smaller units aspired to by

many Dutch companies outside the steel sector leads to the sidetracking of trade unions. Relations between management and trade unions become increasingly nebulous. It becomes more and more nuclear at which level negotiations about labour conditions should take place, which trade union a specific group of workers should join, etcetera. In short – the major danger being posed is decreasing solidarity, 'desolidarisation', between the workers and the further weakening of their collective power.

Above I have already given an outline of the historical evolution of Japanese subcontracting: the elimination of traditional middlemen and the vertical integration of subcontractors under the modern, industrial corporation. The corporation's relation with small supplier firms presently is primarily regulated via the principle of 'kanban', i.e. delivery of components or product parts just-in-time. This principle, can be wholly understood within the framework of classical, Marxist economic theory. What I wish to elaborate on first are the immediate social and economic consequences of subcontracting organised on Japanese lines. We should realise above all that a large degree of dependence is consequenced by the system. In the typical Japanese company, the so-called 'keiretsu', only the first line of subcontractors is directly owned by the mother company. Smaller supplier firms, on the contrary, are formally independent. Yet since in practice they generally are up to 100 per cent dependent on the orders of one particular corporation, they are virtually subject to the latter's arbitrary rule.

Subcontracting of product components in essence means that the Japanese automobile corporations and electronic companies are exempted from the fluctuations of the domestic and international market. Because small subcontractors are independent, the corporations are in a position to transfer market risks: in times of crisis not they, but the smaller fry are made to suffer. Thus, many Japanese industrial enterprises during the oil crisis of the 1970s demanded delivery on credit from supplier firms, by simply delaying the payment of components obtained. And when the yen suddenly rose in value in relation to other currencies, raising the price of crucial Japanese export products like automobiles and electronic gadgets – a price reduction was imposed upon the dependent and rather powerless firms supplying components. In the Tokyo area a reported 45 per cent of all firms were made to face these consequence of the 'yen-spiral'."

Yet the ultimate victims, having to face the brunt, are the male and female labourers

employed in the subcontracted firms. They are forced to make many hours of overtime, and in times of crisis are the first to be threatened with lay-offs. The secondary status faced by the majority of the Japanese labour force is well-illustrated by the working conditions applying to part-time labourers in Japan. From interviews taken of women workers in Japan it clearly emerges that many subcontracting companies, employing 100 persons or less, make extensive use of 'part-time labourers': women performing wage labour up to 7 1/2 hours per day (!), who earn wages calculated on an hourly basis, and who are paid less than half the amount earned by male employees in fixed service; then rate is 500 to 600 yen per hour at most. Many middle aged women in particular belong to this vast labour reserve. Since they can be dismissed at any time, they are termed 'throw-away-articles' in the Japanese press – analogous to the throw-away snacks used by Japanese consumers to take their meals."

Both the Japanese government, the major corporations and the right-wing trade unions actively work to maintain these deplorable labouring conditions in subcontracted firms. They jointly ensure that the method of transferring risks to the workers remains firmly entrenched. The corporations themselves transmit knowledge about the labour groups, i.e. the quality circles, and they put pressure on the 'independent' suppliers to ban any trade union activities. The government contributes its share by issuing laws in favour of part-time work, and by promoting the growth of a system of 'manpower agencies'. Similarly, the powerful trade union federation Rengo has implicitly accepted the prohibition on trade union work in small supplier firms. Such is proven by functionaries representing Rengo. A regional secretary whom I spoke to in Japan defended the fact that Rengo only protects the interests of the relatively privileged layer of fixed employees by citing as argument that the undertaking of organisational work in subcontracted firms would lead to the loss of orders for such firms. In other words: the decentralisation of production and the silencing of most severely exploited groups in society are part and parcel of the very same Japanese 'model'."

FROM AMERICANISM TO JAPANISATION

During the 1960s and 1970s, progressive authors ardently studied and analysed the Taylorist/Fordist system, the management methods which as explained above were

introduced in the early part of this century in order to promote the mass production of commodities. The French author Benjamin Coriat for instance has given a lively description of the features and advantages (to capital) of the Fordist/Taylorist system. One of the key advantages he ascribes to the assembly line and the stopwatch is the "breakdown of the independent knowledge of the trained craftsmen over the production process." In the very period of capitalism's ascendancy, entrepreneurs realised that the independent knowledge of the workers over their own production provided them with considerable power. This power limited, Coriat argues, the control entrepreneurs could exercise in the historical, first phase of capitalist production. It made them dependent on the physical presence, in the locality of their operation, of people knowing the ins and outs of the given trade."

This dependence on the craftsmen's knowledge forms the background to the struggle waged in England during the 19th century over the (proposed) lifting of the ban on emigrations. Many skilled cotton workers in the Lancashire region wished to leave in the second half of the century, since they were tarnished due to (temporary) unemployment. Their impending exodus was fiercely resisted by manufacturers, and triggered a debate in the British Lower House – a debate which was won by proponents of maintenance of the emigration ban. The manufacturers outspokenly stated their interests, "Could one imagine a more disastrous plan for all classes of the country than to weaken the Nation by exporting its best labourers?" "The owners of British textile factories could not dispense with a skilled workforce. The presence of many unskilled workers in the US, on the other hand, facilitated the introduction of the methods propagated by Taylor and Ford – the chronometer and the assembly line. During the period 1885-1915 alone, 15 million people migrated to the US – most of them semi- or unskilled workers. Thus, American entrepreneurs could rather easily launch an offensive against skilled workers who temporarily tried to defend their jobs by relying on the principle of the exclusive workshops ('closed shops'), and on labels which in name guaranteed the quality of the commodities ('blue labels')."

The Taylorist phase of mass production caused fragmentation of production tasks and an accompanying breakdown of skills – changes which enhanced the power of entrepreneurs over the whole production process. According to Coriat, the time and motion studies of experts used to discipline

the workforce were explicitly aimed at facilitating the massive integration of unskilled immigrants into the industrial production process. They were aimed at making craft-workers superfluous. The system, however, was not bereft of disadvantages. Its main drawback was that the remaining knowledge possessed by the workers, their creativity, could not be optimally used. 'Japanisation' in my view signifies that a solution has been found to this drawback of Fordism. Male and female workers organised in labour groups, both in the large corporations and in subcontracted companies, are obliged to wreck their head over production problems. They are forced to constantly think about how to increase production efficiency. It is often said in Japan that workers, employed by Toyota, think 24 hours a day about production. Japanisation thus signifies the effective appropriation of the remaining knowledge and insights of the workers. 'Their knowledge is permanently tapped'.

Since both Taylorism/Fordism and Japanisation are crucially concerned with the effective use of and control over human knowledge, it is useful to further elaborate on this theme. Harry Braverman, the American author of a classical study regarding the work processes under monopoly capitalism, has analysed the evolution of technical knowledge and its application by capitalist corporations up to the 1970s of this century. Just like the Frenchman Coriat, he stresses that at the dawn of capitalism the skilled worker was the repository of human techniques required in the labour process of his/her particular branch. 'The craftsman/woman – the potter, the tanner, the smith, etc. – combined in mind and body "the concepts and physical dexterities of the speciality", and his/her technique was "the predecessor and progenitor of science"'.

Now, the history of the conquest of technical knowledge, its appropriation by the capitalist from the skilled worker, has long been blurred by modern science. Yet the aim of this conquest, and the methods to achieve it, were quite explicitly stated by Frederick Taylor. Taylor's crusade was aimed at convincing the American entrepreneurs of his day that they should develop a complete 'monopoly' over knowledge, so as to "control each step of the labour process and its mode of execution". He advised that, first, the managers should "assume the burden of gathering together all of the traditional knowledge which in the past had been possessed by the workmen", and, second, that "all possible brain work should be

removed from the shop and centred in the planning and pay-out department."¹¹ Indeed, Gramsci's interpretation, referred to in the introduction was very precise: the purpose of Americanism was to break up the old psycho-physical nexus of qualified, professional work.¹²

The separation between conception and execution, proclaimed by Taylor as a cardinal principle of capitalist control, has historically given rise to the creation of a new profession, the profession of the technical engineer. In the US, as Braverman records, there existed as few as 30 engineers or quasi-engineers in the year 1816. The first census which mentioned the profession as a distinct one showed a number of about 2,000 engineers, "few of whom had gained their titles through academic training, and most of whom were engaged in canal and railroad construction". It is only in the last two decades of the 19th century that the number of engineers rapidly expanded, only in the 20th century did they become a mass occupation: there were some 1.2 million technical engineers bearing responsibility for conceptualisation and planning of production in the year 1970.¹³

Seen against this background it is more than ironic that in the last quarter of the 20th century, monopoly capitalist corporations have abandoned Taylor's insistence on the strict separation between conception and execution, his open advocacy of dehumanised labour. Whereas on the one hand the engineering profession is being undermined partly by the development of computer technology and the growth of an army of data-workers, engaged, like engineers, in the task of conception and planning – on the other hand Japanese companies have commonly instituted 'quality control circles' of shopworkers engaged in studying work processes and potential improvements in work methods. Yet before concluding, as monopoly capital would like us to, that what is at stake is the 'humanisation of labour', let us have a closer look at the functioning of Japanese quality circles.

The spread of the quality control circles – a system that has greatly contributed to the superiority of Japanese automobile concerns and other multinationals over their European and American competitors – is a rather recent development. It is true, as argued above, that 'labour groups' engaged in production competition, have existed in Japan since the founding period of industrialisation. In the late 19th and early 20th century textile companies organised speed-up campaigns, i.e. they sought to intensify exploitation through competition between groups of women workers. Yet the

idea of quality control, in the form of zero defect drives, has reportedly originated in the US missile industry. It was brought to Japan in the late 1950s by the Japan Productivity Centre. According to Muto Ichio who has specialised in Japanese industrial relations since the second world war, the idea was 'wedded' to the pre-existing 'small group concept'.¹⁴

As Ichio and other sources confirm, the quality control circles mushroomed during the 1960s and 1970s. In 1962, there existed just 23 such circles. By 1980 the number had increased to well over 100 thousand.¹⁵ The Japan Productivity Centre held a survey in 1976 which brought out that 71 per cent of the country's companies had instituted quality control circles. In big enterprises, employing 10,000 workers or more, the figure reportedly was as high as 91.3 per cent. One sector where quality control circles gained early ascendance was the sector of steel: the Kawasaki plant of Nippon Kokan Steel implemented quality control drives already in 1963. By the 1980s, the same plant, then reportedly employing 8,000 persons, counted 1,320 quality control circles, indicating that the company's whole workforce had been mobilised to participate.¹⁶

Through the quality circles Japanese companies have in a sense broken with the tradition of Taylorism which had hoped to reduce workers to virtual animal extensions of the machine. To a very limited extent, and in a distorted manner, Japanese companies have restored the nexus between the workers' physical and mental activity: once again, as in pre-Taylorist days, workers are permitted to hold some knowledge over their immediate labour process. Still, it would be very wrong to conclude that capitalism is bent on restoring the workers' original craft knowledge, for the workers' domain of knowledge is carefully delineated by the enterprise. It remains confined to his dehumanising, fragmentary production activity. And whereas the quality circles are forced to provide management with scores of suggestions on how to cut production costs, on how to reduce production errors to the barest minimum – the power to decide, to use the workers' bits of knowledge, remains entirely management's.

Lastly, let us note the following contradiction between the ideology and the practice of Japanisation. Proponents of Japanese management styles argue that the quality control circles represent a form of "participation by the workers in management", a form of 'self-management' ('Jishu Kanri'). The stark reality is that the quality circles help to further undermine

whatever workers' autonomy formerly had existed in Japan. The groups are instructed to convene and discuss problems of production-efficiency after the official working times. In general, the labourers are not paid any overtime for participating in the groups. In other words, the quality circles represent an unpaid extension of the labour day, a form of intensification of exploitation. Most alarming is, as Muto Ichiyo notes, that the quality control circles have usurped the role of workers' activism. "There is no room left for union activity to intervene, since all available time and energy of workers are absorbed by the company."¹⁶

One purpose of the Fordist/Taylorist system was to ensure workers' loyalty to large corporations by paying them relatively high wages, by introducing pensions, a social security system, etc. Ford, owner of the American automobile company, was an outspoken proponent of making economic concessions – to a select group of workers – in order to suppress the tendency towards resistance in key sectors of the capitalist system. The striving to build a labour aristocracy has been consciously pursued since the beginning of the century. Coriat concretely depicts how Ford conceived of his 'high wages' – idea. In 1915 he announced a big increment in the nominal level of wages; the pay rise involved no less than a doubling of wage-rates, up to 5 dollars per day (hence the slogan of the 'Five Dollar Day'). The immediate background to this step was a huge turnover in workers at Ford and other companies in the automobile city of Detroit. In 1913 alone 53,000 persons were recruited to fill a number of 15,000 jobs. Moreover, the city was beset with a mood of rebelliousness which Ford decided to counter by increasing the level of wages.

This last mentioned motive of Ford's was well understood by Gramsci in the loneliness of his prison cell. In *Prison Notebook* he amongst others discusses the Fordist 'ideology of high wages'. He argues that the American companies could only pay their high wages because they held a position of monopoly, which was not to last for ever, high wages besides were not being paid to all American workers, but only to those belonging to the 'labour aristocracy'; and the high wages were paid with the sole motive of keeping the workers in line. Though the entrepreneurs according to Gramsci purposely strived to transform the workers into 'trained gorillas', i.e. 'without workers' consciousness, they nevertheless continued functioning as thinking human beings, which the entrepreneurs understood.

"And not only does the worker think, but the fact that he gets no immediate satisfaction from his work and realises that they are trying to reduce him to a trained gorilla can lead him into a train of thought that is far from conformist."¹⁷

In a 'Japanised' production structure the need for a labour aristocracy remains. Thus, there exists as said in Japan a sharp divide between the male workers in lifelong employment, and the mass of 'throw-away' female labourers. However, in a structure with extensive subcontracting relations the individual responsibility of industrialists to maintain a reasonable standard of living is greatly reduced. The payment of a 'high wage' after all only applies to a very select group of fixed workers who undertake final assembly tasks in the main factory hall. All remaining categories of workers, in particular female workers, are paid low wages, and like the automobile workers in Detroit at the beginning of this century, they can be laid off at any time. Ford added numerous conditions to his spectacular wage offer. Toyota and other mammoth corporations in Japan have ensured that the financial concessions they need to make to the working class remain confined within narrow limits.¹⁸

One of the advantages of Ford's system of the assembly line which is frequently overlooked, is that in such a system the turnover time of capital is accelerated. Surely, an entrepreneur's chances of reaping superprofits are enhanced by the speed with which his money is re-invested. Marx had underlined the importance of the theme of the 'turnover time of capital' by devoting a whole series of chapters to this theme in *Capital*.¹⁹ In connection with capital's turnover time he first makes a distinction between production and working time: the first one is generally longer than the second (see Appendix). If wood for instance first needs to be laid to dry before being used, or in case the production time comprises a period of fermentation of grapes, it means that a part of capital is temporarily stored and that the turnover time of capital is extended. A similar phenomenon I observed in Japan when visiting a tobacco company, in 1990. We passed huge cauldrons in which tobacco leaves, as we were told, remained stored for one year before being considered suitable for the production of cigarettes. A part of the company's capital thus was 'stored' in the form of tobacco leaves.

Like the production process, the circulation time of capital – the time required for the purchasing of raw materials and for sale of the commodities produced – can pose complications for the entrepreneur. The more

time there be required to find buyers for the goods, the more expenses are incurred in consequence of the storage of these goods after the completion of production. Marx calls the period of sale the decisive part of the circulation time. On the other hand – the entrepreneur may require extra financial resources since certain raw materials are auctioned only few times per year. What is involved here is the lengthening of the purchasing time, the starting period of capital. Entrepreneurs in industrialised countries wage a perennial struggle to reduce the turnover time of their capital, to accelerate capital's circulation: hence the anti-social phrase 'time is money'. Not coincidentally, Fordism and Toyotism are both systems in which workers are under constant pressure, in which there is a continuous effort to speed up production.

However, in the two systems the acceleration in the turnover time realised differently. Let's once again refer to the French author Coriat. "Ford introduced the production without stocks", he wished to "counter the loading of production materials", through a well-regulated supply and conveyance of all necessary materials. Ford himself is reported to have used the image of the river and its branches: the assembly line in his view served to promote a 'well-coordinated flow' of goods in the process of being produced. He was concerned primarily with reducing 'losses' in terms of money, capital, as a consequence of storage in-between various phase of production. By adopting his system of the conveyor belt many costs in connection with transport-labour were eliminated, as well as expenses made for storage of products, i.e. the maintenance of stocks of goods in between the various phases of production in the factory.²⁰

The same aim of reducing storage costs is also pursued in the Japanese structure of decentralised production. Here, however, the reduction/savings are not realised by pressing down the costs of storage during the production process itself, but by cutting down on expenses for holding stocks before and after the whole production time in the factory. The target of Toyotism is precisely the circulation time of capital. A concept which is wholly identified with the Japanese style of management is 'kanban', deliverance just-in-time. Since it is demanded from supplier firms that they deliver precisely on the minute, the second, stipulated by the company providing the order, the corporation is no longer burdened with the necessity of maintaining stocks of product components. And 'kanban' is a concept belonging entirely

to the era of the computer and the telefax, which means of communication serve capital in the very same manner by accelerating its turnover time. In short, kanban is a contemporary Japanese concept that can easily be understood on the basis of Marx's classical *Capital*¹.

CONCLUSION

The era of Japanisation forces leftwing activists to seriously re-analyse the capitalist system. It even compels us to re-appraise our fundamental understanding of the social system. In *Capital* Marx presumed that industrial entrepreneurs would unwittingly dig their own grave by bringing together thousands of workers under one roof in one factory complex. Marx argued as well known that capitalism created the collective worker who more or less spontaneously would strive to overthrow the capitalist system and build a socialist society. Marx did not hesitate to equate the very gathering together of workers in one and the same building or space with the new mode of production. A greater number of labourers working together at the same time in one place (or, if you will, in the same field of labour) in order to produce the same sort of commodity under the mastership of one capitalist constitutes both historically and logically the starting point of capitalist production.²

Yet in the modern Japanese model which has heralded a new phase in late capitalism, the number of workers corresponding to Marx's ideal the collective worker is brought back to a minority of the working class, to a minority also of the industrial labourers. Moreover, the shrewd Japanese capitalists have upset Marx's very conceptualisation of stages in capitalist production. Marx, it may be recalled, conceptualised three stages. The historical phase of home industries with its small independent producers working under the putting out system was followed by the phase of manufacturing in which specialised craftworkers under the leadership of one boss would labour in the same workshop. This system of manufacturing according to Marx would be replaced by the industrial system where workers would be reduced to mere extension of the machinery. True, Marx realised that home industries and manufacturing would not be immediately abolished by the capitalist system, would temporarily survive. Thus the production of clothing in England was characterised by a medley of transitional forms. Yet history would favour the factory—the variety of transitional forms, however, does not conceal

the tendency to conversion into the factory system proper.³

Today's reality, i.e. conditions more than hundred years later, do not support the schematic view propounded by Marx. Home industries and mini enterprises have not disappeared in the economically most powerful over industrialised country of the world. Japan in fact the continued existence of small subcontractors is purposefully aimed at by this country's large corporations. And although the mode of production in subcontracted firms admittedly cannot be equated with the one that prevailed in sweatshops in the earliest phase of industrial development, any profound understanding of Japanisation cannot be acquired without analysing the comprehensive network of subcontractors which is profitably maintained by Japanese and other multinational companies. It indeed is a crucial task for political economists today.

Should one then conclude that Marx is outdated, that his understanding of capitalism was wrong? Surely, the tendency to reject Marxist economics is great at a time when arrogant, elitist western press reports proclaim the death of Marxism. Anybody who continues to be infected with such ideas is simply branded an anachronist. I nevertheless hold that the outright rejection of Marxism merely leads to intellectual disarmament, it leads to subjection to a system producing trimmed portillas and throw-away labourers—instead of producing liberated human beings. As illustrated through the above cited example of Marx's analysis of the turnover time of capital, his conceptualisation provides essential attributes for grasping recent developments in world capitalism. In fact, we can apply to the system of subcontracting the same analytical approach as I have done in my book regarding women's labour, in order to fill blind spots in Marxism the inheritance of Marxism should be expanded.⁴

Above I have tried to provide a description and analysis of Japanisation/Toyotism and have drawn comparisons with the Fordist system of mass production which emerged in the US in the early part of this century. I have argued that the Japanese style of management possesses two decisive characteristics: the quality circles of male and female labourers, intended to mentally subject them to the corporation's rule and the structure of subcontracting which entails the transfer of production risks to the manufacturers of product components and the workforce employed by them. Those two elements are just as characteristic for Toyotism as were the conveyor belt and the

stopwatch for Fordism/Taylorism.

A comparison with Fordism further teaches that some 'bottlenecks' which entrepreneurs have been trying to solve ever since the industrial revolution under the system of Toyotism are solved in an original manner. Ford and Taylor hoped to once and for all do away with the rebelliousness, the spirit of resistance of the working class, through introduction of the chronometer and the assembly line. They were out to regulate factory production in a way that would help uproot from the factory the struggle against capital, the struggle for a human world. They succeeded only partly—witness for instance the wave of socialist inspired class struggle which engulfed western European countries like France and Italy during the 1960s and 1970s. Hence the force of attraction of Japan's style of management, the physical expulsion of the bulk of the male/female labourers from the factory halls and the splitting up of the collective workers in numerous small geographically separated units.

The Japanese regime, and its application by multinationals worldwide, has already heralded a new phase in the process of capital accumulation. For the future of the struggle for a viable world it is of crucial importance that this be fully recognised. The serial production of mass commodities is not abolished in a Japanised structure, on the contrary. The Japanese automobile and electronic companies—like just their American competitors—aim at standardised manufacture of mass products on the largest possible scale.⁵ But in order to reach this goal the internal hierarchical relations within enterprises and external relations are being profoundly restructured. The terrible strength of Fordism, Benjamin Conant wrote, "lies in its enormous speed". In companies that are ruled by the norms of 'kanban', speed and inhuman pressure are raised to unprecedented levels.

For the trade union movement of industrial workers—and here I not only have in mind the over industrialised countries, but third world countries like Mexico, Brazil and India as well—Japanisation has far reaching consequences. "Trade unions could be completely outmanoeuvred". An exclusive orientation towards the labour aristocracy or the collective worker, as trade unions, including progressive ones, have traditionally done, is not only incorrect from an ethical point of view. In such a strategy, the interests of only the most privileged section of male employees in fixed service are defended, while those of seasonal labourers, of temporary workers, and in particular of world's largest industrial reserve army

women remain structurally neglected. This strategy is moreover self-defeating, or through external decentralisation entrepreneurs succeed in undermining the power of the whole working class. In short, the capitalist strategy of 'kanban', of quality circles and subcontracting poses the need to fundamentally reconsider trade union strategies.

Appendix

MARX'S *GRUNDRISS* AND ANALYSIS OF TURNOVER TIME OF CAPITAL

In this Appendix, I wish to underline the extraordinary actual relevance of Marx's analysis regarding the problem of the turnover time of capital. When preparing for his theoretical and practical analysis regarding the capitalist system which he was to present in his *magnum opus*, *Das Kapital*, Marx during the winter of 1857-58 wrote a series of notebooks for self-clarification. These notebooks were to be published only a century later. They are now known as the *Grundrisse*. They have justly been termed a 'sourcebook of inestimable value for the study of Marx's method of inquiry' (See the Foreword by Martin Nicolaus to Marx's *Grundrisse*, op cit, p 7).

Two of the notebooks comprising the *Grundrisse* (Notebook V and Notebook VI) contain extensive passages on the theme of the turnover time of capital. First let us explain the meaning of the terminology. For Marx, the turnover time of capital refers to the whole cycle which capital completes: it refers to the composite of production time and circulation time, i.e. to the various phases capital passes through before, during and after the end of the production of a commodity (see pp 520/521 and p 618/619). Preceding the initiation of production (e.g. raw materials have to be procured, and after the commodity has been realised it has to be brought to the market). The time to cover these steps belongs to the circulation time of capital.

Now, the key question which Marx asks himself is the following: 'What influence does circulation time exert on the creation of value?' The question which interests us here is this: 'Does a moment of value determination enter *independent of labour*, not arising directly from it, but originating in circulation itself?' (p 519³). Marx's answer is squarely positive: 'circulation time does exert an independent influence, and in order to illustrate the point, Marx draws a comparison. If a value four times smaller realises itself as capital four times in the same period in which a four times greater

value realises itself as capital only once, then the smaller capital's gain – production of surplus value – is at least as great as the larger's (p 519). It can even be greater. Marx says, because the surplus value can itself again be employed as surplus capital.

Thus, the calculation of circulation time proper, and of the total turnover time of capital, requires specific analysis. In order to understand an entrepreneur's capacity to accumulate, it does not suffice to know the rate of exploitation of his workforce, the surplus time extracted from his male and female labourers. We also need to take a look at the turnover time of his capital. The sum total of values produced or the total realisation of capital in a given epoch is determined not simply by the surplus time realised in the production process, but rather by this surplus time (surplus value) multiplied by the number which expresses how often the production process of capital can be repeated within a given period of time (p 544).

Marx further discusses whether circulation time is a positive or negative value-creating element. Given that a moment enters into value determination – circulation time, which does not come out of the direct relation of labour to capital (p 538) – what influence precisely does circulation time exert? Marx considers circulation time a *neutral barrier*: it is a time of 'devaluation'. The more the circulation of capital can be speeded up, the larger the speed with which the production process can be repeated, the better this is for the owner of capital. In other words, 'circulation time in itself is not a productive force of capital. All that can happen through the acceleration and abbreviation of circulation time – of the circulation process – is the reduction of the barrier posited by the nature of capital' (p 545).

The above helps explain several major contemporary trends of international capital, i.e. the specific mode of operation of Japanese companies ('kanban') and capitalism's drive to further develop the means of communication. The time needed to maintain stocks of commodities produced (for instance) is influenced by the time required to transmit orders. Whereas originally these needed to be conveyed by couriers or letters, with a transmission time of several days, the invention of the telegraphic system and more recently the fax system have brought the transmission time down to nearly zero. Thus, the development of telecommunications serves capital's need to reduce circulation time to the barest minimum. To once more quote Marx himself: 'Capital by its nature drives

beyond spatial barriers. Thus the creation of the physical conditions of exchange – of the means of communication and transport – the minimisation of space by time – becomes an extraordinary necessity for it' (524).

Marx's analysis surely helps us understand the enormous popularity – among entrepreneurs – of the Japanese principle of 'kanban'. Capital is interested in limiting to a minimum both the time capital lies 'idle' before the start of production, in the form of raw material and product components, and in limiting the period that stocks of commodities have to be held after they have been fulfilled. One of the ways in which the circulation of capital can be speeded up is precisely that of forcing subcontracted firms to deliver components strict on time. For the managers of Japanese corporations, and their international competitors, know fully well that the time needed for circulation of commodities exerts an influence on the mass of value they can produce. 'Kanban' serves to eliminate barriers to the realisation of capital, at least for those who can impose the rule. Here is in the case of the development of communications, capital's target – to bring down circulation time to the nearest possible to zero.

Notes

1. Cited from Antonio Gramsci, *Arbitrariness and Freedom of Man*, p 303.

2. A striking instance of the application of the Japanese model of subcontracting is the company Hindu Tan Levee in India, which is controlled by the British 'Omich Industries Corporation'. In a recent Hinduistan Levee newspaper article on subcontracting, partly as a reaction to factory workers' resistance, S. Chakrabarti, the academic investigator, mentions, in a firm manner, 'Subcontracting and Inequality: The Case of Hindu Tan Levee in India' (The Outlook Company), op cit.

3. The globalisation of Japanese management methods is briefly described in the seminar paper published by the Transnational Information Exchange, op cit, p 2. On the international market, North American and European multinational began to feel the squeeze of the Japanese, and others, using these organisational principles. At the beginning of the 1980s, Toyotism brought Toyotism to the US with their 'train plants'. At the same time, American companies, impressed with Japanese efficiency and competitiveness, started to introduce elements of Toyotism. By the end of the 1980s, Toyotism had become the dominant new management philosophy all over the world.

4. A good description of the historic transition from commercial to industrial subcontracting in Japan is provided by Annayaphula ICB in his article 'Japanese Subcontracting Systems', op cit, p M 23.

- 5 Quoted from the postscript by Hugo Kijne, Graham Locke and Hans Venema, in the Dutch edition of Benjamin Coriat's book, *The Workshop and the Stopwatch - On Taylorism, Fordism and Mass Production*, op cit, p 115
- 6 See Annavajhula JCB, 'Japanese Sub-contracting Systems', op cit, p M-19
- 7 The position of women part-time labourers as 'industrial reserve army of labour' in the Japanese economy is described in my essay, 'Women's Labour in the Japanese Economy', op cit
- 8 It may be noted at this point that my interpretation of Japan's success story differs significantly from the analysis provided by Paul Sweezy at a time when the globalisation of Japanese management techniques was just starting. In his essay 'Japan in Perspective' (1980, op cit), Sweezy discusses factors like the effect of the Korean War (1950-1953) on the recovery of the Japanese economy, and the massive growth in both Department I (the sector producing means of production) and Department II (producing means of consumption), but does not address the specific Japanese methodology of industrial exploitation.
- 9 For further details regarding the destruction of the craft knowledge of the workers and the rise of Fordism, see in particular chapter one of Benjamin Coriat's book *The Workshop and the Stopwatch*, op cit, pp 18-32
- 10 See Harry Braverman, *Labour and Monopoly Capital*, op cit, p 109. It may be noted that Marx in his *Grundrisse* discussed the appropriation of the workers' knowledge as the absorption of this knowledge in the instruments of production, in machinery. Thus: "The development of the means of labour into machinery is not an accidental moment of capital, but rather the historical reshaping of the traditional, inherited means of labour into a form adequate to capital. The accumulation of knowledge and of skill, of the general productive forces of the social brain, is thus absorbed into capital, as opposed to labour, and hence appears as an attribute of capital, and more specifically of fixed capital, insofar as it enters into the production process as a means of production proper" (op cit, p 694)
- 11 See Harry Braverman, op cit, p 112-13
- 12 As Antonio Gramsci stated the point in 'Americanism and Fordism' "Taylor is in fact expressing with brutal cynicism the purpose of American Society - developing in the worker to the highest degree automatic and mechanical attitudes, breaking up the old psycho-physical nexus of qualified professional work, which demands a certain active participation of intelligence, fantasy and initiative on the part of the worker, and reducing productive operations exclusively to the mechanical, physical aspect" (op cit, p 302).
- 13 See Harry Braverman, *Labour and Monopoly Capital*, op cit, p 241.
- 14 See Muto Ichiyo, *Class Struggle and Technological Innovation in Japan since 1945*, op cit, p 35
- 15 Figures regarding the quantitative increase in the number of quality control circles are mentioned in Jacob Mankidy, *Human Resource Management*, op cit, p M-57.
- 16 Quoted from Muto Ichiyo, op cit, p 36. The Seminar paper of Transnational Information Exchange notes as 'the fundamental contradiction of Toyotism' that workers on the one hand are involved in thinking about production structures and processes, but on the other hand are refused 'the right to true self-determination' (op cit, p 9)
- 17 Quoted from Antonio Gramsci, 'Americanism and Fordism', op cit, p 310. In his essay, Gramsci devotes a specific section to the theme of 'High Wages' (pp 310-13)
- 18 The seminar paper of the Transnational Information Exchange notes that the introduction of Japanese management techniques is often accompanied by factory closures, the dismissal of trade union activists, and a reduction in wages. Examples discussed are those of New United Motor Manufacturing (NUMMI), a joint venture between General Motors and Toyota in Fremont California, which 'became a model for other companies worldwide', and the Ford-Cuautitlan factory near Mexico city (op cit, pp 3-4)
- 19 A major part of the second volume of Marx's *Capital* is devoted to the theme of the turnover time of capital (op cit, p 156).
- 20 The point is noted, amongst others, by Benjamin Coriat in *The Workplace and the Stopwatch*, op cit, p 57
- 21 See Karl Marx, *Capital*, Volume I, Chapter XIII on 'Co operation', op cit, p 305
- 22 See the section 'Passage of Modern Manufacture, and Domestic Industry into Modern Mechanical Industry. The Hastening of This Revolution by the Application of the Factory Acts to Those Industries', *Capital*, Volume I, op cit, p 442
- 23 See my overview of the theoretical debate in the women's movement regarding women's labour, *The Debate on Women's Labour - Historical and Theoretical Perspective*, published in Bengali by Shilpa Sahitya, Calcutta, 1992.
- 24 For a lively account of the intense pressure experienced by Japanese workers employed to work on the assembly-line, see the diary of the Toyota-worker Satoshi Kamata, *Japan on the Passing Lane*. As the author notes, the system of assembly line production is extended to the subcontracted firms, and the system of 'kanban' provides the connecting link: "The assembly lines in the supplying firms are synchronised with the assembly lines in the Toyota-factories. This 'kanban'-method which has been hailed in the media, is actually intended to ensure the deliverance in time by the subcontracted firms. It forms a further proof of the increasing synchronisation in industry. Even the streets between the supplying firms and the Toyota factories are considered to be assembly lines which connect the actual assembly lines in the factories with each other" (op cit, p 142). This quote well illustrates the close interconnection between Fordist reduction of stocks and Toyotist reduction of stocks.
- 25 The history of Fordism indicates that the victory of Toyotism over the trade union movement may well be temporary. As the seminar paper of the Transnational Information Exchange states, it took several decades for American unions to catch up with Fordism: "Until the sit-in-strike at General Motor's Flint car plant in 1937 (during which the United Automobile Workers Union was born), it was thought impossible to organise the deskilled and semi-skilled assembly line workers into a union" (op cit, p 4)

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Ethics and the Indian Manager

R C Sekhar

Organisations caught up in the tough world of competitive survival have found it difficult to make their ethical missions congruent with the traditional systems of management controls. The IIMs in India do not have as yet compulsory courses in ethics. This article makes a case for ethics in business, not just as a rhetoric but as a socially useful basis for action.

THERE is an unmistakable surge the world over in the demand for managers who are trained in ethical thinking; business ethics cannot in the circumstances continue to remain a mere rhetoric for long. Stark (1993) estimates that there are 500 courses in the US, 25 textbooks and three academic journals all devoted to business ethics. Harvard starts pounding its students on ethics right from the first semester. And if ethical philosophy of business had any innate tendency to get stuck to its rhetorical moorings, Stark shows how it could, and selectively has, learnt to become a very relevant and practical area of management education. But, he basically assesses the viability of an educational tool in the classroom and not its impact in the field. More recent reactions from the field indicate that there is still much to achieve. Organisations caught up in the tough world of competitive survival have found it difficult to make their ethical missions congruent with the traditional systems of management controls applicable to first line operational managers. The newly ethically educated MBAs, usually at the middle levels, are bravely trying to cope with and resolve the apparent conflict of priorities bobbing up all the time.

There have been stirrings in India also, not just in imitation but from equally deep anguish. The pioneer in this field is SK Chakroborthy (1986, 1991, 1993, 1995) of the Indian Institute of Management, Calcutta. The IIMs however do not as yet have a compulsory course in ethics; it is taught only as an optional at IIM Calcutta. Two or three other premier institutions of management in India, and the TA Pai Institute of Management is one of them, have compulsory courses on ethics in business. Each one of them has its own framework for teaching. We are now at the brink of a public debate as to how to ensure that all this passion is just not rhetoric but socially useful basis for action. The good intentions behind all of these frameworks being accepted, they have nevertheless to be tested carefully and pragmatically.

The expression 'rhetoric' is used in the sense of a high-sounding declamation which is intended to impress but is of no use for practical action towards achieving its explicitly stated objectives. It could also mean that its unsaid objectives are at variance with its stated objectives and the declamation is really an attempt to divert the attention

of the listener. Here are typical examples of rhetoric in ethical declamations made to students of management or practising managers. 'There is only one way we can bring ethics to the world and that is by the overthrow of capitalism', or 'bringing in the raja-rishi concept in our lives discovered by ancient Vedic India', or 'cleansing the mind by Integral Yoga', or 'preserve the purity of teachings of the Quran', or 'apply the teachings of the Buddha, Gandhi or Christ to humanity', or 'ensure free markets so that profits motivate people', or 'make the minimum number of laws for ensuring uniform rules of the game in a free market and penalise sharply anyone breaking the laws', etc.

Every one of the above statements is frequently made by some or the other school of thought of ethical and economic philosophy. But on their own, they fail to give any practical meaning to a choice of managerial action. They have, however, usually provided a convenient alibi for the manager to act so as to be able to indulge in his/her own wants and desires. This is legitimised by saying that till the world changes to the creed declaimed, it is certain one can do nothing more than 'follow the crowd'. Stark (1993) shows that no sooner extensive teaching ethics to managers became a reality, those who were teaching them were confronted with the stark lack of relevance of such an approach to the real issues faced by managers in their work. Arun Monappa (1987) of IIM, Ahmedabad showed that much of religious preaching in the country by institutional religions was perceived as totally irrelevant by the business community and business managers. Eight years later, today, the situation in India has not changed; as shown from field studies reported later in the article.

Statements such as the above would not be a 'rhetoric' if made in some other circumstances by policy-makers, social reformers or activists. For example, when young revolutionaries threw themselves against the barricades and declared themselves for liberty, equality and fraternity or when Marx and Engels wrote the Communist Manifesto or Lenin went across in a sealed train to take charge of the Russian revolution, or when a Naxalite charges against the government, or when the Americans declared independence and followed it up by adopting a Bill of Rights,

or India evolved the Indian Constitution or when the Buddhist monks and Ashoka preached peace. These would have been directly relevant for action. But that is not the role we seek for the average manager.

Again, if now such preaching is done to gain votes for anyone or give the strident declaimers a perpetual prominence in public affairs trading on peoples frustrations, it would be a detestable way of using 'rhetoric'. Having cleared some of the definitional issues by descriptive illustrations, we would now proceed with the basic substance of the paper.

The nature of alternatives needing the working out of ethical trade-offs in business organisations are varied: (i) product choices, (ii) pricing policies, (iii) process choices, (iv) environmental issues, (v) employment practices, (vi) career advancement decisions, (vii) customer policies, (viii) purchase decisions, etc.

One may view these issues from the slightly differing perspectives of the ethical role of the decision maker. The roles one may assume are, firstly, harmonising oneself with the organisation; secondly, taking policy decisions as the final authority; thirdly, setting the organisations ethically right, or fourthly, setting social norms as leaders of society. There is undue emphasis on the second role with reducing importance to the third role and the fourth role in that order in the current western literature. Current Indian literature has on the other hand a greater emphasis on the fourth role. But the first aspect, namely, the need for harmonising is more ubiquitous for the managers. As Solomon (1994) mentions, "Policy disagreements are irrelevant... most employees do not make policy... moral dissensions with implied policies is the more appropriate concern of business ethics", i.e., the problem of most modern managers is not to lay down the 'dharma' but to cope with the tensions with the laid down dharma. But contrary to the situation of Arjuna of the *Gita*, the present-day manager has not only to take decisions in a dilemma but carry his team along.

Further, there are limits to ethical choice by the circumstances of one's birth. In strongly caricatured style William Fredrick (1986) describes the situation and criticises the approach of normative ethics:

Now enter the philosophic ethicist, speaking the sweet voice of reason and urging adoption of abstractly attractive ethical principles and

categories ethical analysis (has to deal with) the reality the observed fact of value conditioning within socio cultural context not with wishfulness the focus of ethical systems that drive individuals organisations and societies along certain pathways are according to certain culturally and genetically induced principles [quoted in Bowie 1986:358]

Fredrick Nicolt against excessive reliance on ethics of ought with little consideration for what is shifts the focus from ethics as a finished product to an ethical discourse as an ongoing process

Thus a typical manager no doubt has several ethical choices which need education to select from But they are all hemmed in by the circumstances and the antecedent history of the organisation and society This contextual character of ethical processes of managers or my others is well appreciated by philosophers of vastly differing and even contrary inspirations Thus David Hume who is the father of modern scientific rationalism and *Bhavadat Gita* which invokes divine inspiration both recognise this

ETHICAL PERNASIM

If ethical training for a manager must have a close nexus with what is it becomes imperative that a very important part of ethical education must be an understanding of reality the economic institutions social institutions the norms of law and most of all the basic nature and extent of socialisation Are the people in this country fatalists or at the other extreme profit maximisers? Are they deeply imbued with respect for institution of religion and fundamentalism or do they have greater respect for symbols of emerging institutions in the country which have common features of the international traditions of democracy and free choice? Do they believe in duties as the basis of ethics or rights? Are they lone wolves or have they cultivated a sense of bonhomie? Are they consumerists too ready to be corrupted by the global markets or are they guided by more basic values?

One may not be able to give a firm answer to any of these questions but one can broadly see if the dramatised versions of depravity and corruption religious mania and hatred which is trending the air today are truly representative of the people The criminalisation described in the Vohta Committee, or the picture thrown up by the great Indian bank scam are no doubt aspects of Indian reality But how common is this depravity that an ethical manager would have to constantly and continuously battle with it all the time? Should this vision of India colour, distort and damage their outlook of optimism and trust?

A quieter and less demonstrative method of objective field inquiry by the students

of the TA Pat management institute (see Appendix) shows that the reality may be much more hopeful and the future of ethical processes could well be much more in the great humanist tradition which unfolded itself with the French revolution, the American revolution, the Russian revolution and the Indian Constitution their aberrations notwithstanding This market systems of exchange of goods and services are considered more likely to offer systemic ethicality as was the hope of Tom Paine the great and fiery philosopher of individual liberty and liberalism [Paine 1792], but very significantly 'organised workers thought otherwise The surprising evidence of bonhomie and compassion among the Indian people and their rugged ethical base was a learning experience for the students The disenchantment of the Indian people with institutionalised religion as ethical aid came out boldly Also is evident their greater faith in the symbols of modern outlook e.g. teachers were ranked far higher than religious leaders as role models Modern means of watching ethical accountability are valued e.g. activism law and journalism in that order Prayer and religious exhortation and formal religious beliefs are considered to be totally weak methods of society regulating its ethics Not praying is considered no sin at all but not caring for the aged a cardinal sin even more than taking bribes Professional backgrounds affect one's faith in ethics but never to damage it totally Indian MBAs are far more unwilling to sacrifice ethics for achievement than Indian engineers or US MBAs But unfortunately they are somewhat self-righteous and feel that the others (i.e. other than themselves) are more easy in bending over backward in ethics to succeed in life In summary the ethical climate is one of ensuring a fair balance by assertion

and legitimisation of rights rather than a plea for duties, this has an exception when it typically comes to duty to the aged and women in which the appeal to duty is made There are live implications of this for ethical education of the managers

Firstly, the universalised model of the economic man who only works for maximising his profits is a myth Though this assumption may be useful for broad economic analysis, it would fail as a cornerstone of social control Amitai Etzioni (1988) has also made this point in his writings Reality is closer to the more rounded understanding that man is a mixture of greed and bonhomie and the quality which predominates is a structural consequence Therefore structures are as important in ethical hope as the individual Bhartrihari also implies this in his writings Secondly there is an underlying appreciation of ethicality in the social psyche and unethical behaviour is likely to cause cognitive dissonance Any person who is boldly ethical is likely to get a positive response in the long run This feature was highlighted to the author by Amol Karnad the MD of Alacrity Foundation the well known company of ethical builders who demonstrated that ethics can also pay

Thirdly the mutual distrust in the Indian psyche could have important repercussions on the ethical processes of a manager In an interesting study Stephelo Galbraith and Grim (1994) have shown that in the US the perceptions of unethicality of others trigger unethicality of the perceivers This would mean that a major step in ensuring that cynicism does not play havoc on the manager is a process of building trust in people Fourthly, paternalism is not the ethical expectation of the day but respect for democratic choice is Therefore an ability

TABLE 1 DEONTOLOGICAL AND TELEOLOGICAL SCORES OF SAMPLE POPULATION

Occupations	Deontological Scores	Teleological Scores	Average Age
Group I Realists			
1 Shopkeeper/workers	2.23	2.95	36
2 Senior executives	2.44	2.06	46
3 Engineering students	1.88	1.87	21
Total Group I	2.24	2.80	37
Group II Pious Duty Bound			
4 Blue collar workers	2.81	2.31	40
5 Manual workers	2.89	3.00	34
Total Group II	2.85	2.68	37
Group III Aggressive Moralists and Idealists			
6 Housewives	3.10	1.90	41
7 Medical students/doctors	3.38	2.61	26
8 Non professional college students	3.00	2.56	21
9 Delhi MBA students not yet initiated to ethics	5.00	1.00	22
Total Group III	4.63	1.66	26
Total all groups	3.24	2.05	34
10 Perception of Delhi MBA students of others	0.00	4.00	

Notes: Differences within groups not statistically significant except in the case of the Delhi MBAs (item 9) Difference between groups on account of occupation unlike in age is statistically significant at 96 per cent confidence level

to understand and work for mutual self-fulfilment has to be a profound feature of ethical abilities. Fifthly, ethical expectations have multi-dimensional features and have subtle nuances which aggregation and oversimplification would fail to capture.

The fourth and fifth needs of ethical learning of the previous paragraph would clearly point to the compulsive requirement of a pluralist approach to ethics. Pluralism could be defined as a rejection of the destructive quest for some *summum bonum* and recognises that the legitimate ends of life are many and there are wide varieties of good and moral lives and that there need be no blueprint for heaven. It was typical of Indian philosophy that it developed a model somewhat like that in the realm of religion and philosophy.⁴ But very importantly, there is some, but very much less, evidence of pluralism in ethics, compared to religion and metaphysics. The ethical pluralism of India is not pluralism by choice but a relativistic plural ethic thrust upon persons.

Marxist analysts like Kosambi (1964:209, 114), have been unable to comprehend this autonomous growth of pluralism in philosophy. Their analytical frameworks worked on the assumption of a one-to-one correspondence between ethics on the one hand and metaphysics and religion on the other, between 'relationships of production' on the one hand and 'the superstructure' on the other. Perhaps we have only to look towards modern Indian authors, for some fresh air on ethical pluralism.

In more practical terms what would pursuit of pluralism mean? It could mean the extensive use of three concepts: minimalism, meliorism and public discourse.

Firstly, in applying the concept of minimalism we could use three typical operational instruments and one attitudinal back-drop. We would put the minimum number of don'ts of ethics in our criminal legislation. The choice of these is based roughly on an understanding of the 'stochastic probability' of socially undesirable action of the members, without the law and if there were a law. Waddington's (1967) concept of ethics of stochastic processes is described by Hardin (1988) in the overall context. These changes in 'probability' could guide the formulation of the law. We would put the minimum conditions to ensure fair rules of the game in our civil legislation. We would provide maximum flexibility in application in our procedural law, administrative law and case law.

Secondly, as an attitudinal back-drop we would cultivate a strong approach of meliorism in our educational systems. Meliorism can be defined as an aspect of pragmatic ethics [McDermitt 1986] owing much to the American philosopher, John

Dewey. Modest but deep pragmatic morality calls upon us to a life of 'meliorism', a life in which we effect no ultimate solutions, yet stress to make things a little better. The consequences of a 'total solution' may create still more problems. It hovers dangerously between ethical absolutism and ethical expediency. Indian meliorism took the shape of tolerance towards frailty or overwhelming importance of love in ethics (depending on the way one looks at it), typically embodied in the Krishna legends, this exasperated humourless Marxists like Kosambi [Kosambi 1964, 115]. A very perceptive and sensitive understanding of this is available in a recent book of deep teutonic scholarship by Hardy (1995).

Thirdly, there is a need for transparent open discussions by a multiplicity of spontaneously formed publics [Habermas 1979, 1989, Craig 1993]. Habermas, a neo-Marxist, sees this desirable condition of democratic discourse, existing nowhere in the world, in capitalist or in socialist countries, the west or the east. But that is no reason we should revert to an elitism in ethical dispensation which is implicit in some of the variants of "back to the Hindu roots" [Chakroborthy 1995]. Pluralism does not necessarily mean a

cynical and pessimistic acceptance of a dismal status quo.

We could close this discussion on pluralism by referring to its tendency to gravitate towards a minimalist ethics of don'ts and leave the do's to individual decision. Chakroborthy, however, argues forcefully that this turning back from paternalism, however controlled and well-intentioned it may be, could be extremely psychologically destructive. It could also overdo the ethics of rights and neglect the ethics of duties. [Chakroborthy 1986, 1991]. Thus, he says, is extremely harmful to society. Needless to say that a maturity of understanding could guide one towards a 'middle-path'.

'MIDDLE-PATH' OF ETHICS

Moral philosophers of the free market economy would say that the cheapest way of 'doing the greatest good to the greatest number' is allowing individuals to define what is good for themselves. The magic formula of 'market prices' would determine how people would value each other's goods and services and make it the basis of exchange. This would enable the society as a whole to move towards optimal allocation of resources and ensure maximum efficiency of operations. It could even allow the

TABLE 2 BELIEFS REGARDING HUMAN BEINGS AMONG SAMPLE POPULATION

Statement	Score (1 to 3)	Significant Patterns
1. Human beings are selfish and need compulsion to be ethical	2.00	Significant diff. between occupations (93 per cent Confidence). Shopkeepers/engineers agree. Housewives/doctors disagree. Correlates with deontological scores in Table 1.
2. Human beings are victims of socio-pol pressures turing unethical behaviour	2.00	Significant difference between occupations (99 per cent Confidence). Correlates with deontological score in Table 1.
3. Religious leaders can settle (a) domestic problems (b) ethical business problems	2.36 (a) 2.30 (b)	Differences between occupations and ages and (a) and (b) parts statistically insignificant.

Note: Scores 1: totally agree, 3: totally disagree and 2: intermediate position.

TABLE 3 ETHICAL ROLE MODEL FOR SAMPLE POPULATION

Role Model	Score	Rank	Significant Patterns
Group I Highly Regarded			
Teachers	1.89	1	Very high for housewives and shopkeepers, very poor for engineering students and manual workers. Statistically significant. Uniform over occupation and age.
Doctors	2.33	2	
Group II Medium Regard			
Priests	2.94	3	Very poorly regarded by housewives and manual workers. Other differences insignificant.
Group III Poorly Regarded			
Businessman	4.05	4	Uniformly poor including shopkeepers themselves.
Government servant	4.30	5	Diff.
Politician	5.47	6	Diff. except blue collar workers' significantly high regard.

Note: Differences within groups are significant at 90 per cent to 99 per cent. Differences between groups significant at 100 per cent level.

and by taking to the manufacturing of modern goods like bulbs, rubber products, western umbrellas, etc. In the footsteps of the Samurai the *tonyas* too transformed themselves. Instead of continuing to function as the link between craftsmen and the market, they now became supply line businessmen. They henceforth chose to fulfil the task of subcontracting for industrial enterprises to act as intermediary between homeworkers and the factory. It is only when the fascist regime enforced rationalisation of production, during the 1930s that their role came under serious threat. Those *tonyas* who failed to provide technological aid and to the small producers were eliminated under the joint pressure of the fascist government and monopoly companies.

During this period from 1935 to 1945 the system of subcontracting was developed which more recently has helped Japan build up a strong reputation amongst entrepreneurs worldwide. Partly in consequence of the brutal wars fought, the country suffered from a severe lack of raw materials. The government introduced a system of rationing industrial raw materials and imposed price regulation upon intermediaries. Most far reaching was the government's attempt to unify the subcontractors of major companies via horizontal co-operation. When the desired result was not obtained, corporate enterprises themselves streamlined the structure of subcontracting: they selected the most efficient clients and brought them under corporate control. Small supplier firms were patronised through instructors and by providing them with instruments to improve product quality. Moreover, a mutual division of labour was promoted between the subcontractors. Thus arose the typically Japanese pyramid-shaped structure of production.

The period after the second world war merely brought a further refining in methods of control over subcontractors, when the transfer of knowledge regarding financial accounting and that regarding management techniques were added to the regulatory mechanisms. The proportion of production which is sub-contracted has greatly expanded during recent decades. This is true in particular for the automobile sector, where the share of production that is subcontracted amounts to 70 per cent at least. In short, and contrary to Marx's expectation, the factory system of production has not completely replaced the network of small producers, but has rather subordinated them, has adapted this network to the needs of corporate capital.

Before discussing the effects of this elaborate system of subcontracting on labour, I wish first to comment on the second central aspect of Japanese style company management: the labour groups or 'quality circles'. Once more a historical review is helpful. For Japanese companies have employed the idea of labour groups for the purpose of enhancing productivity for long decades. Examples can be traced to reports regarding working conditions in textile factories, the spinning and weaving mills, where women a century ago worked to lay the foundations of Japan's industrialisation. Thus, groups of female labourers, employed in textile companies and organised along district lines, in the beginning of the 20th century engaged in sports competition initiated by management. The same groups were encouraged to undertake production competition by offering them little prizes in reward. As early as then entrepreneurs tried to devise clever means to influence the thought processes of the overwhelmingly female workforce.

Today the system of labour groups, now baptised 'quality circles', has become a common phenomenon in almost all Japanese factories. They are to be found in the large enterprises of key industrial sectors, such as automobiles and electronics, but also in the smaller subcontracted firms. During my visit to Japan in 1990, a woman employed in a company producing temperature regulators for Toyota trucks, described how the women workers during off time are forced to jointly ponder over possibilities for raising productivity. For individual women there simply is no escape: the company manager does not just own the wage slaves' labour time, but a part of their free time as well. And when visiting the multinational chips producer Fujitsu Electronics, managers in blue uniforms self-confidently stated to us that the factory's labour groups provide a guarantee for production without in undue number of errors. Thanks to the quality circles the workers are perfectly disciplined. In other words, the ideal of the tamed gorilla, which American corporations earlier tried to reach through the use of the stopwatch, has to a frightening extent been realised in contemporary Japan.

In western countries, the discussion about labour groups is not completely new either, as is evident, e.g. from the postscript to Benjamin Coriat's book on the history and significance of Fordism: *The Workshop and the Stopwatch*. In many enterprises such groups were introduced in the late 1970s or

early 1980s, in name of 'the humanisation of labour'. The significance of the system according to the mentioned postscript is as follows: "Place him, or the migrant worker or the female labourer, in a team or 'collective' which itself decides on speed and working rhythm. Time- and motion-experts with their stopwatches in their pockets are no longer required, nor are foremen who watch you, the worker, from behind. You yourself can decide how you want to work and how fastly." In other words, the formation of labour groups eliminates the need for detailed supervision. Contrary to the Fordist/Taylorist approach, the individual is no longer the basis of the labour process: it is the group that is considered its foundation. Moreover, "Since the income of the team, i.e. of all its individual members, is dependent on the productivity of each separate member, there is little chance that the group will show benevolence towards a lazy worker." The structure of the quality circles ensures strict self-discipline on the part of the exploited workers.

The new method which Japanese companies are teaching to their competitors, however, consists of more than the above sketched trend towards (what can schematically be termed) internal decentralisation. At issue is a phenomenon on the borderline between internal and external decentralisation: extensive competences are transferred to smaller production units within the factory complex. Such units tend to be granted a close to independent status. Responsibilities are delegated, flexibility is promoted, while profits continue to flow towards the corporation itself. The extent of influence the model has developed internationally can be illustrated by citing the example of the Dutch steel-foundry Hoogovens'. The territorial size of this foundry's complex, its production structure, until recently was an integrated one – is equal to a whole town. According to the masterplan formulated by 'Hoogovens' management, the factory complex is to be restructured along the model of the Japanese company Nippon Steel: the granting of far-reaching autonomy for the various sections/departments, and the devolution of tasks even with regard to marketing and the sale of steel products.

The key question remains of course whether such decentralisation really leads to 'the humanisation' of labour relations. According to a trade union researcher whom I interviewed in 1990 about the consequences of the trend described – the splitting-up of production into smaller units aspired to by

many Dutch companies outside the steel sector leads to the sidetracking of trade unions. Relations between management and trade unions become increasingly nebulous. It becomes more and more nuclear at which level negotiations about labour conditions should take place, which trade union a specific group of workers should join, etcetera. In short – the major danger being posed is decreasing solidarity, 'desolidarisation', between the workers and the further weakening of their collective power.

Above I have already given an outline of the historical evolution of Japanese subcontracting: the elimination of traditional middlemen and the vertical integration of subcontractors under the modern, industrial corporation. The corporation's relation with small supplier firms presently is primarily regulated via the principle of 'kanban', i.e. delivery of components or product parts just-in-time. This principle, can be wholly understood within the framework of classical, Marxist economic theory. What I wish to elaborate on first are the immediate social and economic consequences of subcontracting organised on Japanese lines. We should realise above all that a large degree of dependence is consequenced by the system. In the typical Japanese company, the so-called 'keiretsu', only the first line of subcontractors is directly owned by the mother company. Smaller supplier firms, on the contrary, are formally independent. Yet since in practice they generally are up to 100 per cent dependent on the orders of one particular corporation, they are virtually subject to the latter's arbitrary rule.

Subcontracting of product components in essence means that the Japanese automobile corporations and electronic companies are exempted from the fluctuations of the domestic and international market. Because small subcontractors are independent, the corporations are in a position to transfer market risks: in times of crisis not they, but the smaller fry are made to suffer. Thus, many Japanese industrial enterprises during the oil crisis of the 1970s demanded delivery on credit from supplier firms, by simply delaying the payment of components obtained. And when the yen suddenly rose in value in relation to other currencies, raising the price of crucial Japanese export products like automobiles and electronic gadgets – a price reduction was imposed upon the dependent and rather powerless firms supplying components. In the Tokyo area a reported 45 per cent of all firms were made to face these consequences of the 'yen-spiral'.⁶

Yet the ultimate victims, having to face the brunt, are the male and female labourers

employed in the subcontracted firms. They are forced to make many hours of overtime, and in times of crisis are the first to be threatened with lay-offs. The secondary status faced by the majority of the Japanese labour force is well-illustrated by the working conditions applying to part-time labourers in Japan. From interviews taken of women workers in Japan it clearly emerges that many subcontracting companies, employing 100 persons or less, make extensive use of 'part-time' labourers', women performing wage labour up to 7 1/2 hours per day (!), who earn wages calculated on an hourly basis, and who are paid less than half the amount earned by male employees in fixed service, their rate is 500 to 600 yen per hour at most. Many middle aged women in particular belong to this vast labour reserve. Since they can be dismissed at any time, they are termed 'throw-away-artefacts' in the Japanese press – analogous to the throw-away-sticks used by Japanese consumers to take their meals.⁷

Both the Japanese government, the major corporations and the right-wing trade unions actively work to maintain these deplorable labouring conditions in subcontracted firms. They jointly ensure that the method of transferring risks to the workers remains firmly entrenched. The corporations themselves transmit knowledge about the labour groups, i.e. the quality circles, and they put pressure on the 'independent' suppliers to ban any trade union activities. The government contributes its share by issuing laws in favour of part-time work, and by promoting the growth of a system of 'manpower agencies'. Similarly, the powerful trade union federation Rengo has implicitly accepted the prohibition on trade union work in small supplier firms. Such is proven by functionaries representing Rengo. A regional secretary whom I spoke to in Japan defended the fact that Rengo only protects the interests of the relatively privileged layer of fixed employees by citing as argument that the undertaking of organisational work in subcontracted firms would lead to the loss of orders for such firms. In other words: the decentralisation of production and the silencing of most severely exploited groups in society are part and parcel of the very same Japanese 'model'.⁸

FROM AMERICANISM TO JAPANISATION

During the 1960s and 1970s, progressive authors ardently studied and analysed the Taylorist/Fordist system, the management methods which as explained above were

introduced in the early part of this century in order to promote the mass production of commodities. The French author Benjamin Coriat for instance has given a lively description of the features and advantages (to capital) of the Fordist/Taylorist system. One of the key advantages he ascribes to the assembly line and the stopwatch is the "breakdown of the independent knowledge of the trained craftsmen over the production process". In the very period of capitalism's ascendance, entrepreneurs realised that the independent knowledge of the workers over their own production provided them with considerable power. This power limited, Coriat argues, the control entrepreneurs could exercise in the historical, first phase of capitalist production. It made them dependent on the physical presence, in the locality of their operation, of people knowing the ins and outs of the given trade.

This dependence on the craftsmen's knowledge forms the background to the struggle waged in England during the 19th century over the (proposed) lifting of the ban on emigrations. Many skilled cotton workers in the Lancashire region wished to leave in the second half of the century, since they were fanned due to (temporary) unemployment. Their impending exodus was fiercely resisted by manufacturers, and triggered a debate at the British Lower House – a debate which was won by proponents of maintenance of the emigration ban. The manufacturers outspokenly stated their interests: "Could one imagine a more disastrous plan for all classes of the country than to weaken the Nation by exporting its best labourers?" The owners of British textile factories could not dispense with a skilled workforce. The presence of many unskilled workers in the US, on the other hand, facilitated the introduction of the methods propagated by Taylor and Ford – the chronometer and the assembly line. During the period 1885-1915 alone, 15 million people migrated to the US – most of them semi- or unskilled workers. Thus, American entrepreneurs could rather easily launch an offensive against skilled workers who temporarily tried to defend their jobs by relying on the principle of the exclusive workshops ('closed shops'), and on labels which in name guaranteed the quality of the commodities ('blue labels').⁹

The Taylorist phase of mass production caused fragmentation of production tasks and an accompanying breakdown of skills – changes which enhanced the power of entrepreneurs over the whole production process. According to Coriat, the time and motion studies of experts used to discipline

the workforce were explicitly aimed at facilitating the massive integration of unskilled immigrants into the industrial production process. They were aimed at making craft workers superfluous. The system, however, was not bereft of disadvantages. Its main drawback was that the remaining knowledge possessed by the workers, their creativity, could not be optimally used. 'Japanisation', in my view, signifies that a solution has been found to this drawback of Fordism. Male and female workers organised in labour groups, both in the large corporations and in subcontracted companies, are obliged to wick their head over production problems. They are forced to constantly think about how to increase production efficiency. It is often said in Japan that workers employed by Toyota think 24 hours a day about production. Japanisation thus signifies the effective appropriation of the remaining knowledge and insights of the workers. Their knowledge is permanently tapped.

Since both Taylorism/Fordism and Japanisation are crucially concerned with the effective use of and control over human knowledge, it is useful to further elaborate on this theme. Harry Braverman, the American author of a classical study regarding the work processes under monopoly capitalism, has analysed the evolution of technical knowledge and its application by capitalist corporations up to the 1970s of this century. Just like the Frenchman Comte, he stresses that at the dawn of capitalism the skilled worker was the repository of human techniques required in the labour process of his/her particular branch. The craftsman/woman, the potter, the tanner, the smith etc., combined in mind and body, the concepts and physical dexterities of the speciality, and his/her technique was the predecessor and progenitor of science.¹¹

Now, the history of the conquest of technical knowledge, its appropriation by the capitalist from the skilled worker, has long been blurred by modern science. Yet the aim of this conquest, and the methods to achieve it, were quite explicitly stated by Frederick Taylor. Taylor's crusade was aimed at convincing the American entrepreneurs of his day that they should develop a complete 'monopoly' over knowledge so as to "control each step of the labour process and its mode of execution". He advised that first the managers should "assume the burden of gathering together all of the traditional knowledge which in the past had been possessed by the workmen", and second, that "all possible brain work should be

removed from the shop and centred in the planning and pay out department".¹² Indeed Gramsci's interpretation referred to in the introduction was very precise: the purpose of Americanism was to break up the old psycho-physical nexus of qualified professional work.¹³

The separation between conception and execution proclaimed by Taylor as a cardinal principle of capitalist control has historically given rise to the creation of a new profession: the profession of the technical engineer. In the US, as Braverman records, there existed as few as 30 engineers or quasi engineers in the year 1816. The first census which mentioned the profession as a distinct one showed a number of about 2 000 engineers, "few of whom had earned their titles through academic training, and most of whom were engaged in canal and railroad construction". It is only in the last two decades of the 19th century that the number of engineers rapidly expanded; only in the 20th century did they become a mass occupation: there were some 1.2 million technical engineers bearing responsibility for conceptualisation and planning of production in the year 1970.¹⁴

Seen against this background, it is more than ironic that in the last quarter of the 20th century, monopoly capitalist corporations have abandoned Taylor's insistence on the strict separation between conception and execution, his open advocacy of dehumanised labour. Whereas on the one hand the engineering profession is being undermined partly by the development of computer technology and the growth of a minority of data workers engaged like engineers in the task of conception and planning, on the other hand Japanese companies have commonly instituted quality control circles of shopworkers engaged in studying work processes and potential improvements in work methods. Yet before concluding as monopoly capital would like us to that what is at stake is the 'humanisation of labour', let us have a closer look at the functioning of Japanese quality circles.

The spread of the quality control circles, a system that has greatly contributed to the superiority of Japanese automobile concerns and other multinationals over their European and American competitors, is a rather recent development. It is true as argued above that labour groups engaged in production competition have existed in Japan since the founding period of industrialisation. In the late 19th and early 20th century textile companies organised speed up campaigns, i.e. they sought to intensify exploitation through competition between groups of women workers. Yet the

idea of quality control in the form of zero defect drives has reportedly originated in the US missile industry. It was brought to Japan in the late 1950s by the Japan Productivity Centre. According to Muto Ichiryo who has specialised in Japanese industrial relations since the second world war, the idea was 'wedded' to the pre-existing small group concept.¹⁵

As Ichiryo and other sources confirm, the quality control circles mushroomed during the 1960s and 1970s. In 1962 there existed just 23 such circles. By 1980 the number had increased to well over 100 thousand! The Japan Productivity Centre held a survey in 1976 which brought out that 71 per cent of the country's companies had instituted quality control circles. In big enterprises, employing 10 000 workers or more, the figure reportedly was as high as 91.3 per cent. One sector where quality control circles gained early ascendancy was the sector of steel: the Kawasaki plant of Nippon Kokan Steel implemented quality control drives already in 1963. By the 1980s, the same plant then reportedly employing 8 000 persons counted 1 320 quality control circles, indicating that the company's whole workforce had been mobilised to participate.¹⁶

Through the quality circles Japanese companies have in a sense broken with the tradition of Taylorism which had hoped to reduce workers to virtual animal extensions of the machine. To a very limited extent, and in a distorted manner, Japanese companies have restored the nexus between the workers' physical and mental activity, once again as in pre-Taylorist days workers are permitted to hold some knowledge over their immediate labour process. Still, it would be very wrong to conclude that capitalism is bent on restoring the workers' original craft knowledge, for the workers' domain of knowledge is carefully delineated by the enterprise. It remains confined to his dehumanising, fragmentary production activity. And whereas the quality circles are forced to provide management with scores of suggestions on how to cut production costs, on how to reduce production errors to the barest minimum, the power to decide to use the workers' bits of knowledge remains entirely management's.

Lastly, let us note the following contradiction between the ideology and the practice of Japanisation. Proponents of Japanese management styles argue that the quality control circles represent a form of 'participation by the workers in management', a form of 'self-management' ('Jishu Kanri'). The stark reality is that the quality circles help to further undermine

whatever workers' autonomy formerly had existed in Japan. The groups are instructed to convene and discuss problems of production-efficiency after the official working times. In general, the labourers are not paid any overtime for participating in the groups. In other words, the quality circles represent an unpaid extension of the labour day, a form of intensification of exploitation. Most alarming is, as Muto Ichio notes, that the quality control circles have usurped the role of workers' activism. "There is no room left for union activity to intervene, since all available time and energy of workers are absorbed by the company."¹⁶

One purpose of the Fordist/Taylorist system was to ensure workers' loyalty to large corporations by paying them relatively high wages, by introducing pensions, a social security system, etc. Ford, owner of the American automobile company, was an outspoken proponent of making economic concessions – to a select group of workers – in order to suppress the tendency towards resistance in key sectors of the capitalist system. The striving to build a labour aristocracy has been consciously pursued since the beginning of the century. Coriat concretely depicts how Ford conceived of his 'high wages' – idea. In 1915 he announced a big increment in the nominal level of wages; the pay rise involved no less than a doubling of wage-rates, up to 5 dollars per day (hence the slogan of the 'Five Dollar Day'). The immediate background to this step was a huge turnover in workers at Ford and other companies in the automobile city of Detroit. In 1913 alone 53,000 persons were recruited to fill a number of 15,000 jobs. Moreover, the city was beset with a mood of rebelliousness which Ford decided to counter by increasing the level of wages.

This last mentioned motive of Ford's was well understood by Gramsci in the loneliness of his prison cell. In *Prison Notebook* he amongst others discusses the Fordist 'ideology of high wages'. He argues that the American companies could only pay their high wages because they held a position of monopoly, which was not to last for ever; high wages besides were not being paid to all American workers, but only to those belonging to the 'labour aristocracy'; and the high wages were paid with the sole motive of keeping the workers in line. Though the entrepreneurs according to Gramsci purposely strived to transform the workers into 'trained gorillas', i.e. 'without workers' consciousness, they nevertheless continued functioning as thinking human beings, which the entrepreneurs understood.

"And not only does the worker think, but the fact that he gets no immediate satisfaction from his work and realises that they are trying to reduce him to a trained gorilla can lead him into a train of thought that is far from conformist."¹⁷

In a 'Japanised' production structure the need for a labour aristocracy remains. Thus, there exists as said in Japan a sharp divide between the male workers in lifelong employment, and the mass of 'throw-away' female labourers. However, in a structure with extensive subcontracting relations the individual responsibility of industrialists to maintain a reasonable standard of living is greatly reduced. The payment of a 'high wage' after all only applies to a very select group of fixed workers who undertake final assembly tasks in the main factory hall. All remaining categories of workers, in particular female workers, are paid low wages, and like the automobile workers in Detroit at the beginning of this century, they can be laid off at any time. Ford added numerous conditions to his spectacular wage offer. Toyota and other mammoth corporations in Japan have ensured that the financial concessions they need to make to the working class, remain confined within narrow limits.¹⁸

One of the advantages of Ford's system of the assembly line which is frequently overlooked, is that in such a system the turnover time of capital is accelerated. Surely, an entrepreneur's chances of reaping superprofits are enhanced by the speed with which his money is re-invested. Marx had underlined the importance of the theme of the 'turnover time of capital' by devoting a whole series of chapters to this theme in *Capital*.¹⁹ In connection with capital's turnover time he first makes a distinction between production and working time: the first one is generally longer than the second (see Appendix). It would for instance first needs to be laid to dry before being used, or in case the production time comprises a period of fermentation of grapes, it means that a part of capital is temporarily stored and that the turnover time of capital is extended. A similar phenomenon I observed in Japan when visiting a tobacco company, in 1990. We passed huge cauldrons in which tobacco leaves, as we were told, remained stored for one year before being considered suitable for the production of cigarettes. A part of the company's capital thus was 'stored' in the form of tobacco leaves.

Like the production process, the circulation time of capital – the time required for the purchasing of raw materials and for sale of the commodities produced – can pose complications for the entrepreneur. The more

time there be required to find buyers for the goods, the more expenses are incurred in consequence of the storage of these goods after the completion of production. Marx calls the period of sale the decisive part of the circulation time. On the other hand – the entrepreneur may require extra financial resources since certain raw materials are auctioned only few times per year. What is involved here is the lengthening of the purchasing time, the starting period of capital. Entrepreneurs in industrialised countries wage a perennial struggle to reduce the turnover time of their capital, to accelerate capital's circulation, hence the anti-social phrase 'time is money'. Not coincidentally, Fordism and Toyotism are both systems in which workers are under constant pressure, in which there is a continuous effort to speed up production.

However, in the two systems the acceleration in the turnover time realised differently. Let's once again refer to the French author Coriat. "Ford introduced the production without stocks", he wished to "counter the loafing of production materials", through a well-regulated supply and conveyance of all necessary materials. Ford himself is reported to have used the image of the river and its branches: the assembly line in his view served to promote a 'well-coordinated flow' of goods in the process of being produced. He was concerned primarily with reducing 'losses' in terms of money, capital, as a consequence of storage in-between various phases of production. By adopting his system of the conveyor belt many costs in connection with transport-labour were eliminated, as well as expenses made for storage of products, i.e. the maintenance of stocks of goods in between the various phases of production in the factory.²⁰

The same aim of reducing storage costs is also pursued in the Japanese structure of decentralised production. Here, however, the reduction/savings are not realised by pressing down the costs of storage during the production process itself, but by cutting down on expenses for holding stocks before and after the whole production time in the factory. The target of Toyotism is precisely the circulation time of capital. A concept which is wholly identified with the Japanese style of management is 'kanban', deliverance just-in-time. Since it is demanded from supplier firms that they deliver precisely on the minute, the second, stipulated by the company providing the order, the corporation is no longer burdened with the necessity of maintaining stocks of product components. And 'kanban' is a concept belonging entirely

to the era of the computer and the telefax, which means of communication serve capital in the very same manner: by accelerating its turnover time. In short, 'kanban' is a contemporary, Japanese concept that can easily be understood on the basis of Marx's classical *Capital*!

CONCLUSION

The era of Japanisation forces leftwing activists to seriously re-analyse the capitalist system, it even compels us to re-appraise our fundamental understanding of this social system. In *Capital* Marx presumed that industrial entrepreneurs would unwillingly dig their own grave, by bringing together thousands of workers under one roof, in one factory complex. Marx argued, as well known, that capitalism created the collective worker who more or less spontaneously would strive to overthrow the capitalist system and build a socialist society. Marx did not hesitate to equate the very gathering together of workers in one and the same building or space with the new mode of production. "A greater number of labourers working together, at the same time, in one place (or, if you will, in the same field of labour), in order to produce the same sort of commodity under the mastership of one capitalist, constitutes, both historically and logically, the starting point of capitalist production."¹

Yet in the modern Japanese model which has heralded a new phase in late capitalism, the number of workers corresponding to Marx's ideal, the collective worker, is brought back to a minority of the working class, to a minority also of the industrial labourers. Moreover, the shrewd Japanese capitalists have upset Marx's very conceptualisation of stages in capitalist production. Marx, it may be recalled, conceptualised three stages. The historical phase of home industries with its small, 'independent', producers working under the putting out system, was followed by the phase of manufacturing, in which specialised craftworkers under the leadership of one boss would labour in the same workshop. This system of manufacturing according to Marx would be replaced by the industrial system where workers would be reduced to a mere extension of the machinery. True, Marx realised that home industries and manufacturing would not be immediately abolished by the capitalist system, would temporarily survive. Thus, the production of clothing in England was characterised by "a medley of transitional forms". Yet history would favour the factory: "the variety of transitional forms, however, does not conceal

the tendency to conversion into the factory system proper"²

'Today's reality, i.e. conditions more than hundred years later, do not support the schematic view propounded by Marx. Home-industries and mini-enterprises have not disappeared in the economically most powerful, over-industrialised country of the world, Japan. In fact, the continued existence of small subcontractors is purposefully aimed at by this country's large corporations. And although the mode of production in subcontracted firms admittedly cannot be equated with the one that prevailed in sweatshops in the earliest phase of industrial development - any profound understanding of Japanisation cannot be acquired without analysing the comprehensive network of subcontractors which is profitably maintained by Japanese and other multinational companies. It indeed is a crucial task for political economists today.

Should one then conclude that Marx is outdated, that his understanding of capitalism was wrong? Surely, the tendency to reject Marxist economics is great at a time when arrogant, racist western press reports proclaim the 'death' of Marxism. Anybody who continues to be infected with such ideas is simply branded an 'anachronist'. I nevertheless hold that the outright rejection of Marxism merely leads to intellectual disarmament, it leads to subjection to a system producing 'trained gorillas' and 'throw-away-labourers' instead of producing liberated human beings. As illustrated through the above cited example of Marx's analysis of the turnover time of capital - his conceptualisation provides essential attributes for grasping recent developments in world capitalism. In fact, we can apply to the system of subcontracting the same analytical approach as I have done in my book regarding women's labour in order to fill blind spots in Marxism: the inheritance of Marxism should be expanded."³

Above I have tried to provide a description and analysis of Japanisation/Toyotism, and have drawn comparisons with the Fordist system of mass production which emerged in the US in the early part of this century. I have argued that the Japanese style of management possesses two decisive characteristics: the quality circles of male and female labourers, intended to mentally subject them to the corporation's rule and the structure of subcontracting which entails the transfer of production risks to the manufacturers of product components and the workforce employed by them. Those two elements are just as characteristic for Toyotism as were the conveyor belt and the

stopwatch for Fordism/Taylorism.

A comparison with Fordism further teaches that some 'bottlenecks' which entrepreneurs have been trying to solve ever since the industrial revolution, under the system of Toyotism are 'solved' in an original manner. Ford and Taylor hoped to once and for all do away with the rebelliousness, the spirit of resistance of the working class, through introduction of the chronometer and the assembly line. They were out to regulate factory production in a way that would help uproot from the factory the struggle against capital, the struggle for a human world. They succeeded only partly - witness for instance the wave of socialist inspired class struggle which engulfed western European countries like France and Italy during the 1960s and 1970s. Hence the forceful attraction of Japan's style of management, the physical expulsion of the bulk of the male/female labourers from the factory halls and the splitting up of the collective workers in numerous small, geographically separated units.

The Japanese regime, and its application by multinationals worldwide, has already heralded a new phase in the process of capital accumulation. For the future of the struggle for a viable world it is of crucial importance that this be fully recognised. The serial production of mass commodities is not abolished in a Japanised structure, on the contrary. The Japanese automobile and electronic companies - like just their American competitors - aim at standardised manufacture of mass products on the largest possible scale.⁴ But in order to reach this goal, the internal, hierarchical relations within enterprises, and external relations, are being profoundly restructured. "The terrible strength of Fordism" Benjamin Coriat wrote, "lies in its enormous speed". In companies that are ruled by the norms of 'kanban' speed and inhuman pressure, are raised to unprecedented levels.

For the trade union movement of industrial workers - and here I not only have in mind the over-industrialised countries, but third world countries like Mexico, Brazil and India as well. Japanisation has far-reaching consequences. "Trade unions could be completely outmanoeuvred". An exclusive orientation towards the labour aristocracy, or the collective worker, as trade unions, including progressive ones, have traditionally done, is not only incorrect from an ethical point of view. In such a strategy, the interests of only the most privileged section of male employees in fixed service are defended, while those of seasonal labourers, of temporary workers - and in particular of world's largest industrial reserve army,

women – remain structurally neglected. This strategy is, moreover, self-defeating, for through external decentralisation entrepreneurs succeed in undermining the power of the whole working class. In short – the capitalist strategy of 'kanban', of quality circles and subcontracting, poses the need to fundamentally reconsider trade union strategies.

Appendix

MARX'S *GRUNDRISS* AND ANALYSIS OF TURNOVER TIME OF CAPITAL

In this Appendix, I wish to underline the extraordinary, actual relevance of Marx's analysis regarding the problem of the turnover time of capital. When preparing for his theoretical and practical analysis regarding the capitalist system, which he was to present in his *magnum opus*, *Das Kapital*, Marx during the winter of 1857-58 wrote a series of notebooks for self-clarification. These notebooks were to be published only a century later. They are now known as the *Grundrisse*. They have justly been termed a "sourcebook of inestimable value for the study of Marx's method of inquiry" (See the Foreword by Martin Nicolaus to Marx's *Grundrisse*, op cit, p. 7.)

Two of the notebooks comprising the *Grundrisse*, Notebook V and Notebook VI, contain extensive passage on the theme of the turnover time of capital. First, let's explain the meaning of the terminology. For Marx, the turnover time of capital refers to the whole cycle which capital completes, it refers to the composite of production time and circulation time, i.e. to the various phases capital passes through before, during and after the end of the production of a commodity (see pp 520/521 and p 618/619). Preceding the initiation of production, e.g. raw materials have to be procured, and after the commodity has been realised it has to be brought to the market. The time to cover these steps belongs to the circulation time of capital.

Now, the key question which Marx asks himself is the following. What influence does circulation time exert on the creation of value? "The question which interests us here is this: Does a moment of value determination enter in *independent of labour*, not arising directly from it, but originating in circulation itself?" (p 519?). Marx's answer is squarely positive, circulation time does exert an independent influence, and in order to illustrate the point, Marx draws a comparison. If a value four times smaller realises itself as capital four times in the same period in which a four times greater

value realises itself as capital only once, then the smaller capital's gain – production of surplus value – is at least as great as the larger's (p 519). It can even be greater, Marx says, because the surplus value can itself again be employed as surplus capital.

Thus, the calculation of circulation time proper, and of the total turnover time of capital, requires specific analysis. In order to understand an entrepreneur's capacity to accumulate, it does not suffice to know the rate of exploitation of his workforce, the surplus time extracted from his male and female labourers. We also need to take a look at the turnover time of his capital. "The sum total of values produced or the total realisation of capital in a given epoch – is determined – not simply by the surplus time realised in the production process, but rather by this surplus time (surplus value) multiplied by the number which expresses how often the production process of capital can be repeated within a given period of time" (p 544).

Marx further discusses whether circulation time is a positive or a negative value creating element. Given that a moment enters into value determination – circulation time – which does not come out of the direct relation of labour to capital (p 538), what influence precisely does circulation time exert? Marx considers circulation time a 'natural barrier'. It is a time of devaluation. The more the circulation of capital can be speeded up, the larger the speed with which the production process can be repeated, the better this is for the owner of capital. In other words, "circulation time in itself is not a productive force of capital. All that can happen through the acceleration and abbreviation of circulation time – of the circulation process – is the reduction of the barrier posed by the nature of capital" (p 545).

The above helps explain several major contemporary trends of international capital, i.e. the specific mode of operation of Japanese companies ('kanban'), and capitalism's drive to further develop the means of communication. The time needed to maintain stocks of commodities produced, for instance, is influenced by the time required to transmit orders. Whereas originally these needed to be conveyed by couriers or letters, with a transmission time of several days, the invention of the telegraphic system, and more recently the fax system, have brought the transmission time down to nearly zero. Thus, the development of telecommunications serves capital's need to reduce circulation time to the barest minimum. To once more quote Marx himself: "Capital by its nature drives

beyond spatial barriers. Thus the creation of the physical conditions of exchange – of the means of communication and transport – the annihilation of space by time – becomes an extraordinary necessity for it" (524).

Marx's analysis surely helps us understand the enormous popularity among entrepreneurs – of the Japanese principle of 'kanban'. Capital is interested in limiting to a minimum both the time capital lies idle before the start of production, in the form of raw materials and product components, and in limiting the period that stocks of commodities have to be held after they have been finalised. One of the ways in which the circulation of capital can be speeded up is precisely that of forcing subcontracted firms to deliver components strict on time. For, the managers of Japanese corporations, and their international competitors, know fully well that the time needed for circulation of commodities exerts an influence on the mass of value they can produce. 'Kanban' serves to eliminate barriers to the realisation of capital – at least for those who can impose this rule. Here, as in the case of the development of communications, capital's target is to bring down circulation time the nearest possible to zero.

Notes

- 1 Cited from Antonio Gramsci: *Americanism and Fordism*, op cit, p. 309.
- 2 A striking instance of the application of the Japanese model of subcontracting is the company 'Hindustan Lever' in India which is controlled by the British/Dutch Unilever corporation. In recent years, Hindustan Lever has increasingly taken to subcontracting, partly as a reaction to factory workers' resistance. See the results of the academic investigation carried out by Jan Fransen, in 'Subcontracting and Inequality – The Case of Hindustan Lever in India (a Unilever Company)' op cit.
- 3 The globalisation of Japanese management methods is briefly described in the seminar paper published by the Transnationals Information Exchange, op cit, p. 2. "On the international market North American and European multinationals began to feel the squeeze of the Japanese and others using these organisational principles. At the beginning of the 1980s Japanese firms brought Toyotism to the US with their 'transplants'. At the same time American companies, impressed with Japanese efficiency and competitiveness, started to introduce elements of Toyotism. By the end of the 1980s Toyotism had become the dominant new management philosophy all over the world."
- 4 A good description of the historical transition from commercial to industrial subcontracting in Japan is provided by Anirav Ghoshal JCB in his article 'Japanese Subcontracting Systems', op cit, p. M 23.

- 5 Quoted from the postscript by Hugo Kaine Graham Locke and Hms Venetia to the Dutch edition of Benjamin Coriat's book *The Workshop and the Stopwatch: On Taylorism, Fordism and Mass Production* op cit p 115
- 6 See Annas ghula JCB Japanese Subcontracting Systems op cit p M 19
- 7 The position of women part time labourer as industrial reserve army of labour in the Japanese economy is described in my essay Women's Labour in the Japanese Economy op cit
- 8 It may be noted at this point that my interpretation of Japan's success story differs significantly from the analysis provided by Paul Sweezy at a time when the globalisation of Japanese management techniques was just starting. In his essay *Japan in Perspective* (1980 op cit) Sweezy discusses factors like the effect of the Korean War (1950-1953) on the recovery of the Japanese economy and the massive growth in both Department I (the sector producing means of production) and Department II (producing means of consumption) but does not address the specific Japanese methodology of industrial exploitation
- 9 For further details regarding the destruction of the craft knowledge of the workers and the rise of Fordism see in particular chapter one of Benjamin Coriat's book *The Workshop and the Stopwatch* op cit pp 18-32
- 10 See Harry Braverman *Labour and Monopoly Capital* op cit p 109. It may be noted that Marx in his *Grundrisse* discussed the appropriation of the workers' knowledge as the absorption of this knowledge in the instruments of production in machinery. Thus The development of the means of labour into machinery is not an accidental moment of capital but rather the historical reshaping of the traditional inherited means of labour into a form adequate to capital. The accumulation of knowledge and of skill of the general productive forces of the social brain is thus absorbed into capital as opposed to labour and hence appears as an attribute of capital and more specifically of fixed capital insofar as it enters into the production process as means of production proper (op cit p 694)
- 11 See Harry Braverman op cit p 112-13
- 12 As Antonio Gramsci stated the point in *Americanism and Fordism* Taylor is in fact expressing with brutal cynicism the purpose of American Society - developing in the worker to the highest degree automatic and mechanical attitudes breaking up the old psycho-physical nexus of qualified professional work which demands a certain active participation of intelligence, fantasy and initiative on the part of the worker and reducing productive operations exclusively to the mechanical physical aspect (op cit p 302)
- 13 See Harry Braverman *Labour and Monopoly Capital* op cit p 241
- 14 See Muto Ichio *Class Struggle and Technological Innovation in Japan since 1945* op cit p 35
- 15 Figures regarding the quantitative increase in the number of quality control circles are mentioned in Jacob Mankidy *Human Resource Management* op cit p M 57
- 16 Quoted from Muto Ichio op cit p 36. The Seminar paper of Transnational Information Exchange notes as the fundamental contradiction of Toyotism that workers on the one hand are involved in thinking about production structures and processes but on the other hand are refused the right to true self-determination (op cit p 9)
- 17 Quoted from Antonio Gramsci *Americanism and Fordism* op cit p 310. In his essay Gramsci devotes a specific section to the theme of High Wages (pp 310-13)
- 18 The seminar paper of the Transnational Information Exchange notes that the introduction of Japanese management techniques is often accompanied by factory closures, the dismissal of trade union activists and reduction in wages. Examples discussed are those of New United Motor Manufacturing (NUMMI) a joint venture between General Motors and Toyota in Fremont California which became a model for other companies worldwide and the Ford Cuautitlan factory near Mexico city (op cit pp 3-4)
- 19 A major part of the second volume of Marx's *Capital* is devoted to the theme of the turnover time of capital (op cit p 156)
- 20 The point is noted amongst others by Benjamin Coriat in *The Workplace and the Stopwatch* op cit p 57
- 21 See Karl Marx *Capital* Volume I Chapter XIII on Co-operation op cit p 305
- 22 See the section Passage of Modern Manufacture and Domestic Industry into Modern Mechanical Industry The Hastening of This Revolution by the Application of the Factory Acts to Those Industries *Capital* Volume I op cit p 442
- 23 See my overview of the theoretical debate in the women's movement regarding women's labour *The Debate on Women's Labour: Historical and Theoretical Perspective* published in Bengali by Shilpa Sahitya Calcutta 1992
- 24 For a lively account of the intense pressure experienced by Japanese workers employed to work on the assembly line see the diary of the Toyota worker Satoshi Kamata *Japan on the Passing Line*. As the author notes the system of assembly line production is extended to the subcontracted firms and the system of kanban provides the connecting link. The assembly lines in the supplying firms are synchronised with the assembly lines in the Toyota factories. This kanban method which has been hailed in the media is actually intended to ensure the deliverance in time by the subcontracted firms. It forms a further proof of the increasing synchronisation in industry. Even the streets between the supplying firms and the Toyota factories are considered to be assembly lines which connect the actual assembly lines in the factories with each other (op cit p 142). This quote well illustrates the close interconnection between Fordist reduction of stocks and Toyotist reduction of stocks!
- 25 The history of Fordism indicates that the victory of Toyotism over the trade union movement may well be temporary. As the seminar paper of the Transnational Information Exchange states it took several decades for American unions to catch up with Fordism. Until the sit in strike at General Motors Flint car plant in 1937 (during which the United Automobile Workers Union was born) it was thought impossible to organise the deskilled and semi-skilled assembly line workers into a union (op cit p 4)

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Ethics and the Indian Manager

R C Sekhar

Organisations caught up in the tough world of competitive survival have found it difficult to make their ethical missions congruent with the traditional systems of management controls. The IIMs in India do not have as yet compulsory courses in ethics. This article makes a case for ethics in business, not just as a rhetoric but as a socially useful basis for action.

THERE is an unmistakable surge the world over in the demand for managers who are trained in ethical thinking; business ethics cannot in the circumstances continue to remain a mere rhetoric for long. Stark (1993) estimates that there are 500 courses in the US, 25 textbooks and three academic journals all devoted to business ethics. Harvard starts pouncing its students on ethics right from the first semester. And if ethical philosophy of business had any innate tendency to get stuck to its rhetorical moorings, Stark shows how it could, and selectively has, learnt to become a very relevant and practical area of management education. But, he basically assesses the viability of an educational tool in the classroom and not its impact in the field. More recent reactions from the field indicate that there is still much to achieve. Organisations caught up in the tough world of competitive survival have found it difficult to make their ethical missions congruent with the traditional systems of management controls applicable to first line operational managers. The newly ethically educated MBAs, usually at the middle levels, are bravely trying to cope with and resolve the apparent conflict of priorities bobbing up all the time.

There have been stirrings in India also, not just in imitation but from equally deep anguish. The pioneer in this field is SK Chakraborty (1986, 1991, 1993, 1995) of the Indian Institute of Management, Calcutta. The IIMs however do not as yet have a compulsory course in ethics; it is taught only as an optional at IIM Calcutta. Two or three other premier institutions of management in India, and the TAPMI Institute of Management is one of them, have compulsory courses on ethics in business. Each one of them has its own framework for teaching. We are now at the brink of a public debate as to how to ensure that all this passion is just not rhetoric but socially useful basis for action. The good intentions behind all of these frameworks being accepted, they have nevertheless to be tested carefully and pragmatically.

The expression 'rhetoric' is used in the sense of a high-sounding declamation which is intended to impress but is of no use for practical action towards achieving its explicitly stated objectives. It could also mean that its unsaid objectives are at variance with its stated objectives and the declamation is really an attempt to divert the attention

of the listener. Here are typical examples of rhetoric in ethical declamations made to students of management or practising managers: 'There is only one way we can bring ethics to the world and that is by the overthrow of capitalism', or 'bringing in the raja-rishi concept in our lives discovered by ancient Vedic India', or 'cleansing the mind by Integral Yoga', or 'preserve the purity of teachings of the Quran', or 'apply the teachings of the Buddha, Gandhi or Christ to humanity', or 'ensure free markets so that profits motivate people', or 'make the minimum number of laws for ensuring uniform rules of the game in a free market and penalise sharply anyone breaking the laws', etc.

Every one of the above statements is frequently made by some or the other school of thought of ethical and economic philosophy. But on their own, they fail to give any practical meaning to a choice of managerial action. They have, however, usually provided a convenient alibi for the manager to act so as to be able to indulge in his/her own wants and desires. This is legitimised by saying that till the world changes to the creed declaimed, it is certain one can do nothing more than 'follow the crowd'. Stark (1993) shows that no sooner extensive teaching ethics to managers became a reality, those who were teaching them were confronted with the stark lack of relevance of such an approach to the real issues faced by managers in their work. Arun Monappa (1987) of IIM, Ahmedabad showed that much of religious preaching in the country by institutional religions was perceived as totally irrelevant by the business community and business managers. Eight years later, today, the situation in India has not changed; as shown from field studies reported later in the article.

Statements such as the above would not be a 'rhetoric' if made in some other circumstances by policy-makers, social reformers or activists. For example, when young revolutionaries threw themselves against the barricades and declared themselves for liberty, equality and fraternity or when Marx and Engels wrote the Communist Manifesto or Lenin went across in a sealed train to take charge of the Russian revolution, or when a Naxalite charges against the government, or when the Americans declared independence and followed it up by adopting a Bill of Rights,

or India evolved the Indian Constitution or when the Buddhist monks and Ashoka preached peace. These would have been directly relevant for action. But that is not the role we seek for the average manager.

Again, if now such preaching is done to gain votes for anyone or give the strident declaimers a perpetual prominence in public affairs trading on peoples' frustrations, it would be a detestable way of using 'rhetoric'. Having cleared some of the definitional issues by descriptive illustrations we would now proceed with the basic substance of the paper.

The nature of alternatives needing the working out of ethical trade-offs in business organisations are varied. (i) product choices, (ii) pricing policies, (iii) process choices, (iv) environmental issues, (v) employment practices, (vi) career advancement decisions, (vii) customer policies, (viii) purchase decisions, etc.

One may view these issues from the slightly differing perspectives of the ethical role of the decision maker. The roles one may assume are: firstly, harmonising oneself with the organisation, secondly, taking policy decisions as the final authority, thirdly, setting the organisations ethically right, or fourthly, setting social norms as leaders of society. There is undue emphasis on the second role with reducing importance to the third role and the fourth role in that order in the current western literature. Current Indian literature has on the other hand a greater emphasis on the fourth role. But the first aspect, namely, the need for harmonising is more ubiquitous for the managers. As Solomon (1994) mentions, "Policy disagreements are irrelevant... most employees do not make policy... moral dissensions with implied policies is the more appropriate concern of business ethics", i.e. the problem of most modern managers is not to lay down the 'dharma' but to cope with the tensions with the laid down dharma. But contrary to the situation of Arjuna of the *Gita*, the present-day manager has not only to take decisions in a dilemma but carry his team along.

Further, there are limits to ethical choice by the circumstances of one's birth. In strongly caricatured style William Fredrick (1986) describes the situation and criticises the approach of normative ethics:

Now enter the philosophic ethicist, speaking the sweet voice of reason and urging adoption of abstractly attractive ethical principles and

categories ethical analysis (has to deal with) the reality the observed fact of value conditioning within socio cultural context not with wishfulness the locus of ethical systems that drive individuals organisations and societies along certain pathways are according to certain culturally and genetically induced principles [quoted in Bowie 1986: 58]

Fredrick steels against an excessive reliance on ethics of ought with little consideration for what is shifts the locus from ethics as a finished product to an ethical discourse as an ongoing process

Thus a typical manager no doubt has several ethical choices which need education to select from But they are all hemmed in by the circumstances and the antecedent history of the organisation and society This contextual character of ethical processes of managers or any others is well appreciated by philosophers of vastly differing and even contrary inspirations Thus David Hume who is the father of modern scientific rationalism and *Bhagavad Gita* which invokes divine inspiration both recognise this

ETHICAL PATERNALISM

If ethical training for a manager must have a close nexus with what is it becomes imperative that a very important part of ethical education must be an understanding of reality the economic institutions social institutions the norms of law and most of all the basic normative extent of socialisation Are the people in this country fatalists or at the other extreme profit maximisers? Are they deeply imbued with respect for institutional religion and fundamentalism or do they have greater respect for symbols of emerging institutions in the country which have common feature of the international traditions of democracy and free choice? Do they believe in duties as the basis of ethics or rights? Are they lone wolves or have they cultivated a sense of bonhomie? Are they consumerists too ready to be corrupted by the global markets or are they guided by more basic values?

One may not be able to give a firm answer to any of these questions but one can broadly see if the dramatised versions of depravity and corruption religious mania and hatred which is rending the air today are truly representative of the people The criminalisation described in the Vohra Committee or the picture thrown up by the great Indian bank scam are no doubt aspects of Indian reality But how common is this depravity that an ethical manager would have to constantly and continuously battle with it all the time? Should this vision of India colour distort and damage their outlook of optimism and trust?

A quieter and less demonstrative method of objective field inquiry by the students

of the TA Pai management institute (see Appendix) shows that the reality may be much more hopeful and the future of ethical processes could well be much more in the great humanist tradition which unfolded itself with the French revolution the American revolution the Russian revolution and the Indian Constitution their aberrations notwithstanding Thus market systems of exchange of goods and services are considered more likely to offer systemic ethicality as was the hope of Tom Paine the great and fiery philosopher of individual liberty and liberalism [Paine 1792], but very significantly organised workers' thought otherwise The surprising evidence of bonhomie and compassion among the Indian people and their rugged ethical base was a learning experience for the students The disenchantment of the Indian people with institutionalised religions as ethical aids came out boldly Also is evident their greater faith in the symbols of modern outlook e.g. teachers were ranked far higher than religious leaders as role models Modern means of watching ethical accountability are valued e.g. activism law and journalism in that order Prayer and religious exhortation and formal religious beliefs are considered to be totally weak methods of society regulating its ethics Not praying is considered no sin at all but not caring for the aged a cardinal sin even more than taking bribes Professional background affects one's faith in ethics but never to damage it totally Indian MBAs are far more unwilling to sacrifice ethics for achievement than Indian engineers or US MBAs But unfortunately they are somewhat self righteous and feel that the others (i.e. others than themselves) are more easy in bending over backward in ethics to succeed in life In summary the ethical climate is one of consuming truth balance by assertion

and legitimisation of rights rather than a plea for duties, this has an exception when it typically comes to duty to the aged and women in which the appeal to duty is made There are live implications of this for ethical education of the managers

Firstly the universalised model of the economic man who only works for maximising his profits is a myth Though this assumption may be useful for broad economic analysis, it would fail as a cornerstone of social control Amitai Etzioni (1988) has also made this point in his writings Reality is closer to the more rounded understanding that man is a mixture of greed and bonhomie and the quality which predominates is a structural consequence Therefore structures are as important in ethical hope as the individual Bhartrihari also implies this in his writings Secondly there is an underlying appreciation of ethicality in the social psyche and unethical behaviour is likely to cause cognitive dissonance Any person who is boldly ethical is likely to get a positive response in the long run This feature was highlighted to the author by Anil Kainad the MD of Alacrity Foundation the well known company of ethical builders who demonstrated that ethics can also pay

Thirdly the mutual distrust in the Indian psyche could have important repercussions on the ethical processes of a manager In an interesting study Stephens Galbraith and Ginn (1994) have shown that in the US the perceptions of unethicality of others trigger unethicality of the perceivers This would mean that a major step in ensuring that cynicism does not play havoc on the manager is a process of building trust in people Fourthly paternalism is not the ethical expectation of the day but respect for democratic choice is Therefore an ability

TABLE I DEONTOLOGICAL AND TELEOLOGICAL SCORES OF SAMPLE POPULATION

Occupations	Deontological Scores	Teleological Scores	Average Age
<i>Group I Realists</i>			
1 Shopkeepers/bankers	2.23	2.95	36
2 Senior executives	2.44	2.06	46
3 Engineering students	1.88	1.87	21
Total Group I	2.24	2.80	37
<i>Group II Pious Duty Bound</i>			
4 Blue collar workers	2.81	2.31	40
5 Manual workers	2.89	3.00	34
Total Group II	2.85	2.68	37
<i>Group III Accessive Moralists and Idealists</i>			
6 Housewives	3.10	1.90	41
7 Medical students/doctors	3.34	2.61	26
8 Non professional college students	3.00	2.56	21
9 Delhi MBA students not yet initiated to ethics	5.00	1.00	22
Total Group III	4.63	1.66	26
Total all group	3.24	2.05	34
10 Perception of Delhi MBA students of others	0.00	4.00	

Notes: Differences within groups not statistically significant except in the case of the Delhi MBAs (item 9) Difference between groups on account of occupation unlike in age is statistically significant at 96 per cent confidence level

to understand and work for mutual self-fulfilment has to be a profound feature of ethical abilities. Fifthly, ethical expectations have multi-dimensional features and have subtle nuances which aggregation and oversimplification would fail to capture.

The fourth and fifth needs of ethical learning of the previous paragraph would clearly point to the compulsive requirement of a pluralist approach to ethics. Pluralism could be defined as a rejection of the destructive quest for some *summum bonum* and recognises that the legitimate ends of life are many and there are wide varieties of good and moral lives and that there need be no blueprint for heaven. It was typical of Indian philosophy that it developed a model somewhat like that in the realm of religion and philosophy.¹ But very importantly, there is some, but very much less, evidence of pluralism in ethics, compared to religion and metaphysics. The ethical pluralism of India is not pluralism by choice but a relativistic plural ethic thrust upon persons.

Marxist analysts like Kosambi (1964:209, 114), have been unable to comprehend this autonomous growth of pluralism in philosophy. Their analytical frameworks worked on the assumption of a one-to-one correspondence between ethics on the one hand and metaphysics and religion on the other, between 'relationships of production' on the one hand and 'the superstructure' on the other. Perhaps we have only to look towards modern Indian authors, for some fresh air on ethical pluralism.

In more practical terms what would pursuit of pluralism mean? It could mean the extensive use of three concepts, minimalism, meliorism and public discourse.

Firstly, in applying the concept of minimalism we could use three typical operational instruments and one attitudinal back-drop. We would put the minimum number of don'ts of ethics in our criminal legislation. The choice of these is based roughly on an understanding of the 'stochastic probability' of socially undesirable action of the members, without the law and if there were a law. Waddington's (1967) concept of ethics of stochastic processes is described by Hardin (1988) in the overall context. These changes in 'probability' could guide the formulation of the law. We would put the minimum conditions to ensure fair rules of the game in our civil legislation. We would provide maximum flexibility in application in our procedural law, administrative law and case law.

Secondly, as an attitudinal back-drop we would cultivate a strong approach of meliorism in our educational systems. Meliorism can be defined as an aspect of pragmatic ethics [McDermitt 1986] owing much to the American philosopher, John

Dewey. Modest but deep pragmatic morality calls upon us to a life of 'meliorism', a life in which we effect no ultimate solutions, yet stress to make things a little better. The consequences of a 'total solution' may create still more problems. It hovers dangerously between ethical absolutism and ethical expediency. Indian meliorism took the shape of tolerance towards frailty or overwhelming importance of love ethics (depending on the way one looks at it), typically embodied in the Krishna legends, this exasperated humourless Marxists like Kosambi [Kosambi 1964:115]. A very perceptive and sensitive understanding of this is available in a recent book of deep deontic scholarship by Hardy (1995).

Thirdly, there is a need for transparent open discussions by a multiplicity of spontaneously formed publics [Habermas 1979, 1989, Craig 1993]. Habermas, a neo-Marxist, sees this desirable condition of democratic discourse, existing nowhere in the world, in capitalist or in socialist countries, the west or the east. But that is no reason we should revert to an elitism in ethical dispensation which is implicit in some of the variants of "back to the Hindu roots" [Chakroborthy 1995]. Pluralism does not necessarily mean a

cynical and pessimistic acceptance of a dismal status quo.

We could close this discussion on pluralism by referring to its tendency to gravitate towards a minimalist ethics of don'ts and leave the do's to individual decision. Chakroborthy, however, argues forcefully that this turning back from paternalism, however controlled and well intentioned it may be, could be extremely psychologically destructive. It could also overdo the ethics of rights and neglect the ethics of duties. [Chakroborthy 1986: 190]. This, he says, is extremely harmful to society. Needless to say that a maturity of understanding could guide one towards a 'middle path'.

'MIDDLE PATH' OF ETHICS

Moral philosophers of the free market economy would say that the cheapest way of 'doing the greatest good to the greatest number' is allowing individuals to define what is good for themselves. The magic formula of 'market prices' would determine how people would value each other's goods and services and make it the basis of exchange. This would enable the society as a whole to move towards optimal allocation of resources and ensure maximum efficiency of operations. It could even allow the

TABLE 2 BELIEFS REGARDING HUMAN BEINGS AMONG SAMPLE POPULATION

Statement	Score (1 to 3)	Significant Patterns
1 Human beings are selfish and need compulsion to be ethical	2.00	Significant diff. between occupations (93 per cent Confidence). Shopkeepers/ engineers agree. Housewives, doctors disagree. Correlates with deontological scores in Table 1.
2 Human beings are victims of socio-pol pressures forcing unethical behaviour	2.00	Significant difference between occupations (99 per cent Confidence). Correlates with deontological score in Table 1.
3 Religious leaders can settle (a) domestic problems (b) ethical business problems	2.36 (a) 2.30 (b)	Differences between occupations and ages and (a) and (b) parts statistically insignificant.

Note: Scores 1: totally agree, 3: totally disagree and 2: intermediate position.

TABLE 3 ETHICAL ROLE MODEL FOR SAMPLE POPULATION

Role Model	Score	Rank	Significant Patterns
Group I Highly Regarded			
Teachers	1.89	1	Very high for housewives and shopkeepers very poor for engineering students and manual workers. Statistically significant.
Doctors	2.33	2	Uniform over occupation and age.
Group II Medium Regard			
Priests	2.94	3	Very poorly regarded by housewives and manual workers. Other differences insignificant.
Group III Poorly Regarded			
Businessman	4.05	4	Uniformly poor including shopkeepers themselves.
Government servant	4.30	5	Ditto.
Politician	5.47	6	Ditto except blue collar workers' significantly high regard.

Note: Differences within groups are significant at 90 per cent to 99 per cent. Differences between groups significant at 100 per cent level.

indulgence of very varied perceptions of individuals of the nature of man, but leave it entirely to their private worlds. A person's contacts with others are for the limited purpose of exchange of goods and services. Thus, according to them, operating on free market systems and prices is the most ethical thing one can conceive if pluralism is the key word. Nobody loses in this and everybody gains. It is all so simple, cheap and awesomely complete.

It is quite understandable why this way of looking at things captured the imagination of economic thinkers with the breakdown of the shackles of feudalism in 19th century Europe (Adam Smith, Marshall and so on). But contrary to the views usually held, Sen (1987) shows that the fathers of this line of thinking were not naive to believe that the whole of ethics could be captured by this rapturous scheme of things. It is only the current crop of Chicago school economists in the US who believe that this is not only what 'is' but also what 'ought' to be with as little modification as possible [Freidman 1970; Becker 1976]. Thus current-day market economists far from being indifferent to ethics think that the highest ethics is this concept of market mechanism and the drive for the resulting profits. But even they would seek one support. They are 'minimalists' as described in the previous paragraph. Make the laws strict and penalties for breaking it severe and see the magic results everywhere including environmental ethics, they would say. It also presumes that while making the laws human beings would be benign collectively just to ensure they can indulge in being wicked and greedy individually. They expect human beings to be ethical chameleons changing colours.

We have indicated in the previous paragraph why many, and particularly sociologists, would not agree with the model of economic man; we also supported them with field data. We would now more forcefully assert that Freidman's exclusive dependence on market systems for ethical dispensation of pluralism with the support of law is neither 'is' nor 'ought to be'. It has been shown [Sekhar 1995] that the practical way civilisations have sustained pluralism in any form is through several integrative mechanisms and institutions in addition to market systems and law. They include psychological socialising processes [Kohlbergh 1981 quoted in Laurence 1993; Ghose 1986], professional groups, organisational structures, mythology, epics and religion, literature and arts. These keep humanity in the 'middle path' which was referred to in the previous paragraph. Hirschman (1982) in a masterly analysis of the twists and turns in the ethical philosophies of market systems over the last three centuries has shown that it has varied from a total

belief in its ability to provide civilised choice to total horror at its potential to destroy decency and liberalism. He has also shown how both the assertions could be true for some situations and in some societies. Today we may be witnessing a possibility of a dialectical synthesis of several features of market and non-market civilising institutions. To extend the plea at the end of his brilliant paper, "is it not time for ethics to embrace complexity", and adopt a synthesis of the methods of both the precision of economics and the breadth of sociology without depending solely on either of them? [Baron and Hannon 1994]

Those who have sought a totally self-contained holistic logic in ethical prescriptions have tried in vain. Usually, their frustration comes from their inability to get a consensus right at the starting point of their trip. A holistic view in its absolute sense, should start from ontology which lays down the essence of things, move on to philosophy, then to moral philosophy then to meta-ethics, then to ethical norms and last of all apply ethics to specific issues. But most interestingly Hare (1986) has very insightfully shown that if we start the trip from the other end the problems are usually much less in practice. In nine times out of 10 one can arrive at a consensus as to what should be done provided the facts and the consequences of alternative actions are well understood and the attitudinal preferences of everyone is made explicit and transparent. This is almost a commonsensical stand which is also that of the modern philosopher Stevenson (1947-48) and Brihaspathi of the Lokayata schools of ancient India. Therefore an attitude of mind which attempts to make

this explicit is good ethical education. This is no different from the methods of Nash's (1989) 12 ethical questions or Hunt and Vittel's reiterative heuristic model (1993). Sekhar (1995) has felt that this pragmatic approach of applied ethics would undoubtedly be helped if one also adopted the concept of 'nishkamya karma' (work with indifference to personal rewards) from the *Gita*, even if we disagree on some of its other features.

There is incontrovertible evidence to show that psychological processes for socialising individuals in society is one of the fundamental features of ethics. Indian traditions are rich in technique in these processes. They can be ignored only at our peril. It would be very important to separate these techniques from those which flow directly from the undemocratic, unequalitarian and exploitative features of the Indian past.

The evolving trend of Indian thinking starts from the sankhya philosophy 2,000 years old, through Patanjali, the *Bhagavad Gita* (both about fifth century BC or a little later), Rajashekara (9th century AD), skirting the Zen-Yoga, the 20th century writings of Aurobindo, the widespread practices of transcendental meditation developed by Maharishi Mahesh Yogi and the most recent efforts of 'mind stalling exercises' and 'chithashudhi' of Chakroborty (1993). There are several other variants in the recent practices which attempt to develop the basic ideas of the Indian psychological tradition.

India has a wealth of didactic material and rich repertoire of myths, legends, epics and religious lore. The contribution of the *Bhagavad Gita* to adaptive thinking is enormous for the very reason that is explained

TABLE 4 PERCEPTION OF SAMPLE OF RELATIVE SERIOUSNESS OF ETHICAL LAPSES

Ethical Seriousness Lapse	Score 1-10	Rank	Significant Pattern
Group I Extremely Serious			
Beating wife	3.77	1	Significant (99 per cent) difference with occupation and age. Less than 40 are more concerned and so are manual workers.
Not caring for the aged	3.79	2	Engineering students are more concerned.
Sex outside marriage	3.99	3	Significantly higher concern in age 30 to 40 irrespective of occupation 94 per cent confidence level.
Group II Very Serious			
Taking bribes	4.69	4	Sr executives more concerned.
Cheating	4.75	5	Ditto
Group III Serious			
Giving below minimum wages	5.22	6	Students consider it very serious but blue collar workers are worried but little 94 per cent Confidence Manual workers are more concerned than blue collar workers.
Group IV Moderately Serious			
Giving bribes	6.09	7	Uniform across occupation and age.
Group V Not Serious			
Not praying	7.15	8	Ditto
Not doing special work for	7.33	9	Ditto
Not giving charity	7.56	10	Ditto

Note: Only differences between groups statistically significant (100 per cent).

in note 1; it recognises the contextual constraints. The instant popularity abroad of even the quixotic and eccentric Indian bhakti movements, like the Hare Krishna one, is proof of its potentials. There is a need for the Indian identity to assert itself when the ethical climate of India is being disparaged by western scholars for being largely devoid of free markets, lax legal enforcement and corruption [Bowie 1993; Donaldson 1993 in White 1993].

Ashish Nandy (1983), pleading for a revival of the Indian identity, says that in the Indian context knowledge without ethics is not so much bad ethics but inferior knowledge. It would be equally true that ethics without knowledge would be inferior ethics. But as could be surmised from the discussion so far, the knowledge is not only confined to cognitive analysis but also experiential knowledge which can be understood by the heart. But neither knowledge nor ethics is of practical use unless managers learn to innovate all the time to create feasible ethical paths to economic achievement. Neither ethical permissiveness nor self-righteousness is the need of the hour. This has five implications for ethical education.

Firstly, ethical education cannot avoid complexity and convert itself to 'formulae', no less than the general run of management education. Secondly, ethicality has all the time to think of alternative paths to achieve. Thirdly, ethical education cannot be delinked from ambiguous and contentious subjects like psychology, philosophy and religion, but even this would be incomplete without seeing the links with systemic ethical processes better understood from law, sociology, organisational behaviour and economics. Fourthly, the case approach to ethical education would be very appropriate. Fifthly, the ancient tradition of stories and anecdotes could communicate the ethical feel very effectively and could be used in varied forms. This also follows from an extremely interesting analysis of the differences between this method and others by King and Acklin (1994).

Ethics is no longer a 'rhetoric'. Ethical education can be and are designed to produce balanced pleasant flexible and effective managers with the power of insights and courage to create and use ethically desirable means to sustain organisations in an ambience of liberalism and democratic choice. They must learn to see people as they are: mostly good but sometimes vicious. The education must consciously try to prevent the managers growing chips on their shoulder on the virtues of a dog-eat-dog ethics or get into a frenzy of fanatical self-righteousness of a fundamentalist who has a maniacal desire to 'reform the world'. Ethics is not a product but a process, which is often complex and

requiring synthesis of several disciplines. Most of all it can never be a formula. Ancient Indian psychology has profoundly useful instruments but these alone would not suffice unless used contextually. Teaching of ethics is ideally based on the case method and supplemented by the ancient methods of story-telling.

Appendix

A FIELD STUDY ON ETHICAL ATTITUDES OF INDIAN POPULATIONS

The study (conducted by the students of the TA Pai Management Institute) had a five-part questionnaire.

In the first part, the respondents were asked to indicate their advice in four situations. All of them were in the setting of a business establishment in which the advice had to be given to the owner. In the first situation an employee tells lies but because of that brings in profits. In the second he tells lies but this results in losses. In the third situation the employee tells the truth and makes profit. In the fourth situation the employee tells the truth and makes losses. The owner had five options: Sack him, Counsel him, Do Nothing, Encourage him or Promote him. Scored as 1 to 5 they would obviously measure the extent of approval of the behaviour of the employee. Let us assume the scores are X, Y, A and B. The sum of difference in approval between truth and lie in both situations of profit and loss $(B - Y) + (A - X)$ would indicate the 'absolute moral tendencies'. This is labelled as the 'deontological score'. The word deontological is used to mean a tendency to hold that certain things are right and certain others wrong by themselves, irrespective of their consequences.

The sum of differences between the scores of profit and loss situation in both cases put together $(X - Y) + (A - B)$ would measure the tendency for bending over backward for achievement, ignoring moral

principles. This could be labelled the 'teleological score'. The word 'teleological' is used to describe a tendency to believe that an action is right or wrong as judged by its consequences. Good is defined independently from the right and the right is defined as that which maximises the good. In the formula used above profit is treated as 'good'. The clarity in distinguishing deontological approaches from teleological approaches is adopted from Rawls (1971). The concept of scoring was adapted from Hunt and Vasques-Paraga (1993).

The second part was a set of strong statements on the nature of human beings and the strength of their agreement and disagreement. The third part was to check on the professions which the people look up to as role models for ethical behaviour. The fourth part was the relative ranking in the heinousness of a set of ethical lapses which were fairly common in present day in India, whereas normative ethical doctrine forbade them severely. The fifth part ranks the alternative methods of curing corruption.

The analysis of the result is shown in Tables 1, 2, 3, 4 and 5. Table 1 shows that on the overall, the population is fairly high deontologically (score 3.24 in a five point scale) whereas the teleological score is only 2.05, i.e., they are more deontological than teleological. The occupational pressures drive some more towards teleological tendencies; age has very little to do with this shift. The population is partitioned into three groups: Realists, Pious Duty Bounds and Aggressive Moralists and Idealists (Groups I, II and III, Table 1).

The MBAs were tested before their initiation to ethical education. Very interestingly they have much greater deontological tendencies than engineers, whereas the opposite trend has been reported for US populations by O'Leck and Oklsen (1993). But the MBAs have a very poor opinion of the ethicality of 'others'. (see item 10, Table 1)

TABLE 5: PERCEPTION OF SAMPLE POPULATION ON CURB FOR CORRUPTION

Solution	Score 1-7	Rank	Significant Pattern
I Most Effective Cluster			
Activism	3.29	1	Housewives strongly for, executives strongly against 92 per cent confidence
Improving law	3.50	2	No significant differences (occupation/age).
Journalism	3.67	3	Students rate it best. Other differences not significant
Deregulation	3.71	4	Workers dead against housewives for. Difference strongly significant 99.5 per cent
II Moderately Effective Cluster			
Selfregulation movements	3.84	5	Shopkeepers least impressed Other differences not significant.
III Least Effective Cluster			
Education	4.46	6	Uniform
God-fearing	5.14	7	Ditto

Note: Difference between groups significant 100 per cent. SI nos 1 and 4 in Group I statistically different significantly at 90 per cent level.

Tables 2 and 3 clearly demonstrate that deontological values have little to do with religious leaders (item 3 Table 2 and item 3 Table 3). Possibly they owe much to the long humanist tradition in India embodied in the epics and folklore in aryan, dravidian and dalit traditions, and the poets who have protested against organised religion and have ridiculed the go between with god. Kabir was their fountainhead. Those with lower moral values tend to throw the blame for their poor ethics on society (remarks against items 1 and 2 Table 2). The bitter contempt of the people for government servants, businessmen and politicians (items 5 and 6) shows up in Table 3. This is obviously a result of the irritation against corruption. The answers to the next two parts of inquiry would take this up further. The comparative coldness towards priests and warm and high regard for teachers and the doctors shows the strong faith people have in the modern symbols of knowledge and free thinking.

Corruption (items 4 and 7 of Table 4) along with cheating (item 5) is seen as worse than ignoring religion. Corruption is interestingly condoned more easily for the giver than the taker; the taker is the hated government servant and the politician.

But the more personal values (items 1, 2 and 3) of not caring for the aged, sex outside marriage and ill treating wife etc. considered very much more serious than corruption. Apparently the blame for corruption is more easily shifted to society. It is very interesting to speculate on the significantly greater concern for conjugal ethics in the age group 30 to 40 as contrasted to the younger and older age groups. The young seem to be going in for sexual freedom while the older have less values of chivalry. This is a carry forward of the traditional cultures. Corruption is seen as remediable in Table 5 using better controls through market systems, law, activism and a free press rather than just through moral rhetoric. The strong implications this has for institutionalising ethics through public controls implied in systems of free market and free speech are significant. It approaches US normative ideals. (We are not discussing the actual US situation.) It is also extremely significant that both clerical and manual workers are dead against deregulation as a means to improve ethics, whereas all others see it as very useful.

Notes

1. *Bhagavad Gita* sloka 41 of chapter 18. Slokas 47 and 48 of chapter 18 enunciate the well known principle that every person should follow the dharma of his caste and not seek the dharma of another caste, whether they be brahmin, kshatriya, vaisya and sudra. One need not be overzealous, bend over backward, twist the words and plague our credibility and say that these do not support a caste system. It is more natural and realistic to interpret the verses as an understanding that the individual

- goals and ethical choices are strongly conditioned by the situation one is born to.
2. Bhartihari in his *Nitisataka* (verse 64) has classified humanity into different types. Swami Ranganatha (1968) interprets this verse to show the function of the state and administration is to so devise their systems as to guide the frail to go along the ethical path.
3. Amol Kamad the MD of Alacrity Foundations, an outstanding example of an explicitly ethical company, told the author: "When we meet officials our reputations precede us. Something makes them too shy to press for a bribe. There is some phenomenon of osmosis takes place and more often than not we find our going surprisingly smooth."
4. *Bhagavad Gita* chapter 4 sloka 11, chapter 7 sloka 21 accepts faith in any form as legitimate. *Yoga Vasistha Ramayana* says:

A devotee of reason should value the words of ordinary persons provided they are rational and of advance knowledge and should discard those of even the sages if they are not such. A reasonable statement of even a child should be accepted. All various views arising at different times and at different countries however lead to the same supreme truth like the many different paths leading travellers from different directions to the same city. The method which makes a man progress is the best for him. [Arthiya 1953]

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Indian Economy under 'Structural Adjustment'

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What comes through clearly from the Indian experience with structural adjustment is the dominant role of the process of globalisation of finance. Indeed the very design of the current package of structural adjustment bears the imprint of this process and the sequel to the introduction of the package shows that the real mobility witnessed is that of finance rather than that of capital-in-production.

But if globalisation of finance restricts the possibility of intervention within a 'national' (or for that matter, any supra-national but restricted) space by undermining the concept of a 'control area', the question naturally arises: can there be any sort of an alternative to the current set of policies? It is the author's contention that a feasible alternative, not just a desirable one, to the existing policies exists.

POST-INDEPENDENCE India was one of the classic cases of *dirigiste* economic development. Not only was the state highly interventionist, but the economy came to acquire a sizeable public sector, especially in areas of infrastructure and basic industries. The 'mixed' economy which thus came into being, together with the fact that the polity was characterised by multi-party parliamentary democracy with a largely free press and significant freedom of expression, invested the Indian experiment with a novelty and uniqueness, which attracted worldwide attention and gave rise to a vast theoretical literature. Not only did a rich literature on development planning take shape within India, starting with the celebrated plan models of P C Mahalanobis who was a pioneer theoretician of Indian planning, but the class-nature of the Indian state, the class-character of Indian planning, etc, became matters of intense debate, especially in Marxist and radical circles, both within the country as well as internationally.¹

India's transition in 1991 to a regime of 'structural adjustment' therefore is an event of great historical significance, which merits serious study but which is shrouded in a great deal of misconception, some of it nurtured for ideological reasons precisely because of the significance of the event itself. The first such misconception is that 'structural adjustment' became inevitable because the earlier regime had brought the economy to a point of 'collapse'. Let us examine this proposition at some length.

I

Immediate Background to Structural Adjustment

The fact that the economy, prior to approaching the IMF for credit under a range of facilities,² faced an acute crisis in terms of very high rates of inflation and sharply declining foreign exchange reserves is not in question. But, first, this crisis was almost entirely speculative in origin, having little to do with the developments

in the *real* sectors of the economy; secondly, it cannot even be contended that the genesis of speculation, even if unrelated to the *immediate* performance of the real economy, could be located in some *long-term* tendency towards stagnation or collapse of the economy; on the contrary, the second quinquennium of the 1980s saw the most pronounced industrial boom ever witnessed in the history of the Indian economy, and thirdly, the vulnerability of the economy to speculative forces was itself in part a result of its gradual 'liberalisation' and the confusion about the future of *dirigisme* which came to prevail during this quinquennium.

To say all this is not to whitewash the fundamental flaws of the *dirigiste* regime, or to gloss over its basic contradictions, but merely to avoid making facile judgments about it. The nature of these basic contradictions, we argue below, was altogether different from what the ideologues of structural adjustment would have us believe. In the current section, however, we confine ourselves to showing the essentially speculative nature of the crisis immediately preceding structural adjustment; the longer-term issues are dealt with in subsequent sections.

Table 1 provides a summary picture of economic performance in 1990-91 and 1989-90. In terms of the performance of the material production sectors, at any rate, one can scarcely look upon 1990-91 as being in any sense a disappointing year. What did happen, however, is a sharp acceleration in the inflation rate, especially that affecting agricultural labourers who are among the poorest in the society, *notwithstanding substantial increases in agricultural output in general, and in foodgrains output in particular*. What also happened was a worsening of the trade balance largely because of a higher oil import bill and reduced exports to West Asia, consequent to the Gulf war. The increase in the current account deficit was even larger than the increase in the trade deficit. Not only had remittances

by Indian emigre workers from the Gulf countries, which had been an important source of foreign exchange, reached a plateau for a couple of years, but in 1990-91 there was an absolute drop in their size because of reverse migration. Whatever possible economic benefits the country could have derived from this reverse migration were not exploited when owing to the uncertainty over the fate of the Kuwaiti currency many Indians wished to shift their accumulated savings into Indian banks, the latter refused to accept them because they themselves were uncertain about the fate of the Kuwaiti currency. As a result anywhere between \$ 5-7 billion were reportedly lost to the western banks, which had no such hesitations about accepting the Kuwaiti currency; if this money had come into the country then the foreign exchange crunch would have been easily averted.

But the increase in the current account deficit, significant though it was, was not in itself primarily responsible for the foreign exchange crunch. The current account deficit stood at \$ 4,853 million in 1987-88, \$ 7,996 million in 1988-89, \$ 6,837 million in 1989-90, and \$ 9,438 million in 1990-91, which gives some idea of the order of increase involved. But this increase by \$ 2.6 billion in 1990-91 over the previous year, was more than offset by loans *without conditionality* from the IMI³ totalling \$ 2.5 billion and an *additional* running down of reserves, over and above the decline recorded in the previous year, of about \$ 250 million. And yet, the magnitude of reserves at the end of March 1991 was still large enough to cover almost three months' imports. Since three months' import-cover is generally considered to be 'safe' enough in the Indian context, the shortfall in reserves in March 1991, when severe import compression measures through quantitative restrictions were imposed on the economy, was by no means excessive. It was definitely less than a billion dollars, which is the estimated magnitude of illegally non-repatriated exchange earnings during the last two quarters of 1990-91 – a figure

that more than doubled by the time structural adjustment came into force

In other words, by March 1991 when import restrictions were imposed (which soon converted the trade deficit into a surplus) it was not the trade or current account deficit as such which was responsible for the foreign exchange crunch, but the speculative outflow of funds partly in the form of non repatriation of exchange earnings in violation of the country's laws, and partly in the form of non resident Indians taking money out of the country which was not illegal but constituted speculation nevertheless. After March 1991 as import compression began to reduce the trade deficit affecting the performance of the real sectors of the economy the balance of payments continued to be under severe pressure because the speculative outflows persisted and even got enlarged

One can argue quite persuasively that, even so India could have managed her payments and restored confidence in her currency with a relatively low conditional IMF loan without going in for the whole gamut of structural adjustment measures. The reason that she did go in for structural adjustment was not because of any objective necessity being faced by the economy but because the liberalisation lobby consisting of both the Fund and the Bank as well as elements within the Indian government and business class (more on these groups later) considered this a heaven sent opportunity to tie the country down to structural adjustment, to jettison altogether and not just rectify, the *dirigiste* regime which had prevailed since independence. In other words the event of historical significance that we referred to at the beginning of this essay was achieved as a silent *coup* behind everybody's back as it were by trapping the country into structural adjustment. (It is interesting that the government never brought out a white paper on the balance of payments crisis as demanded by several opposition parties at the time.) We shall however be content in this paper to develop not this strong proposition but a much weaker one namely that the balance of payments crisis such as it was, was a contribution of speculative forces and did not represent a 'collapse of the economy under the earlier regime'. We have seen that there was no collapse in any immediate sense. Later on we shall discuss the more long-term performance of the earlier regime.

The other aspect of the 1990-91 crisis relates to inflation, and this again represented not a failure on the production side, but a combination of speculation and of administered price increases in preparation for 'liberalising' the economy. The most significant feature of the inflationary process, we have seen, was the rapid increase in the

prices of the absolutely essential commodities consumed by the poorest in the society. Three commodities in particular led the inflationary process: rice, wheat, and edible oils with price increases over 1990-91 (last week to last week) of 14 per cent, 49 per cent and 33 per cent, respectively. Per capita availability (without taking account of private stock movements) of edible oils in 1990-91 was 5.5 kg which was higher than in the two preceding years: the cause of the price increase therefore was private hoarding. On such occasions the usual practice of the government had been to use imports (and release them if necessary through the public distribution system) for breaking the 'bullish' sentiment of the market, but the foreign exchange crunch, itself a fall-out of speculative forces, prevented it from using this its standard weapon of supply management.

As for rice and wheat, again it was not any output or availability failure which underlay the price increase, nor was there any spontaneous speculative upsurge (since the 1990-91 output was remarkably good). The cause of the inflation lay in the government's decision to raise the issue prices of these grains through the public distribution system. In May 1990 the issue price of wheat was raised by 15 per cent while that of the common variety of rice was raised by 18 per cent. The reason for doing so was supposedly to control inflation by reducing the fiscal deficit through cuts in food subsidy: this idea which is an important component of structural adjustment had already crept into the thinking of the Indian government for quite some time under the influence of the World Bank. As a matter of fact it ended up sharply accentuating the inflationary pressures upon the poor.

A point needs to be clarified here: first agricultural labourers apart from a few states like Kerala, West Bengal, and of late a couple of other southern states, do not generally have access to the public distribution system: a fact which has been used by the 'liberalisation' lobby to demand a whittling down of food subsidies on the ground that it would not affect the really poor anyway. What this argument misses however is the fact that the open-market price invariably moves up with the issue price of the public distribution system. A rise in the issue price creates self-fulfilling 'bullish' expectations among the sellers in the open market and given the inelastic demand for foodgrains this brings in a large bonanza even with small accretions to private stocks (which again can be unloaded in the next period at the government's fixed procurement price). This is exactly what happened in 1990-91 and would happen, as we shall see, with a vengeance the next year when structural adjustment was officially

enthroned as the basis of government policy. To be sure, the exact magnitude of open market price increase for a particular crop for a particular period may not match the magnitude of issue price increase owing to the existence of lags and of other specific considerations, but that does not negate the basic relationship.

If we have discussed developments in 1990-91 at some length, this is only to dispel the facile notion that the Indian economy was collapsing under the weight of *dirigisme*. There were plenty of things wrong with the Indian *dirigiste* regime, but before we come to them a discussion of the role of the Fund and the Bank in pushing the economy towards structural adjustment would be in order.

II

Role of IMF and World Bank

Among radical economists there is a tendency to lump the Fund and the Bank together as entities indistinguishable from one another, and to think of them as having remained more or less immutable over time. Nothing however could be further from the truth. There were significant differences between the Fund and the Bank which have narrowed over time, and the reasons for this narrowing constitute an important element of contemporary political economy. And each of these institutions has changed in crucial ways through time.

The Bank of course has always been opposed to any attempts on the part of the

TABLE 1 ANNUAL PERCENTAGE CHANGE IN SELECTED INDICATORS 1990-91
(Figures in brackets refer to change in 1989-90 over 1988-89)

(i)	GDP at factor cost (1980-81 prices)	4.9 (6.9)
(ii)	Index of agricultural production	3.0 (1.6)
(iii)	Foodgrain production (in tonnes)	3.2 (0.6)
(iv)	Index of industrial production	8.3 (8.6)
(v)	Index of wholesale prices (1980-81 = 100)	12.1 (9.1)
(vi)	Consumer price index for industrial workers (base 1982 = 100)	13.6 (8.6)
(vii)	Consumer price index for agricultural labourers (1960-61 = 100)	16.6 (0.1)
(viii)	Exports (US\$)	9.2 (18.9)
(ix)	Imports (US\$)	13.5 (8.8)

Notes: Figures relate to financial years April-March. The increase in the wholesale price index is calculated by comparing the last week of the April-March year with the last week of the previous corresponding year; the increases in the other price indices are obtained by comparing the last months.

Source: Government of India, Ministry of Finance, *Economic Survey*, (Annual) various issues.

third world countries to break away through conscious design (which necessarily means conscious state intervention) from the pattern of international division of labour inherited from the days of colonialism and semi-colonialism. If such a break is to be achieved then it must be achieved, according to its perception, entirely through the mediation of the market forces, which means in particular through the predilections of direct foreign investment. The Bank has remained absolutely faithful to this position of opposing state-intervention-sponsored industrialisation, despite the fact that historical evidence marshalled earlier by Gerschenkron and subsequently by many others shows overwhelmingly that successful industrialisation by late-industrialisers has invariably depended upon active state intervention. 'What has changed in the case of the Bank over time is first the specific argument on the basis of which it has expressed its opposition to state sponsored industrialisation; secondly, the precise tactics it has brought to bear in order to undermine state-sponsored industrialisation in third world countries; and thirdly the precise package of programmes around this basic objective reflecting as we shall see the changing nature of world capitalism.'

The arguments which of course were not mutually exclusive though different ones received emphasis at different points of time kept altering in the following manner: in the late 1950s and the early 1960s there was a macro-argument that substantial unutilised capacity in the industrial sector existed because of a scarcity of foreign exchange so that a combination of import liberalisation and exchange rate devaluation would set up a virtuous circle of 'more imports – more capacity utilisation – more exports – still more imports' and so on which would unshackle the economy from the clutches of *dirigisme* (which was predicated *inter alia* upon a recognition of demand constraints both in the external and in the internal markets). This was the argument on the basis of which the World Bank pushed the Indian government into adopting an import liberalisation-cum-devaluation package in 1966 with disastrous consequences.¹

In the MacNamara years the emphasis shifted to poverty. But the concern for poverty did not express itself in terms of any argument in favour of an egalitarian alteration in asset or land distribution; it expressed itself in the argument that the domestic inter-sectoral terms of trade were more unfavourable for agriculture *vis-a-vis* industry than the terms of trade prevailing in the world market, so that removing trade restrictions and thereby preventing state-sponsored industrialisation would benefit the agricultural sector which is the repository of mass poverty. This argument was backed

up by another one, namely since the inequality in urban income distribution was larger than that in rural income distribution a shift in income distribution from the urban to the rural sector, which means in effect from industry to agriculture, would have the effect of lowering overall income inequalities.² This argument amounted yet again to an attack on state-sponsored industrialisation: the vacuousness of this argument lay *inter alia* in the fact that nearly 60 per cent of the *agriculture dependent* population in a country like India being net buyers of foodgrains in the market and belonging to the poorest segment of society would be actually harmed by a rise in food prices in terms of their wage-unit.³

More recently the Bank has shifted to the well known micro theoretic 'marketist' argument which focuses on the allegedly interrelated phenomena of inward orientation, price-distortion and inefficiency. Much has been written on the vacuousness of this critique: 'outward orientation' as manifested for example in successful export performance has been accompanied by highly state interventionist neo-mercantilist policies rather than any attempt to 'get prices right' in the conventional sense; the alleged 'inefficiency of *dirigiste* industrialisation is established through dubious statistical exercises involving dubious concepts such as 'total factor productivity' (which is predicated upon the perennial absence of any demand constraint); there is complete silence on the role of the domestic investment effort in explaining growth performance, notwithstanding the overwhelming evidence which exists on its importance; and so on.⁴ We shall not dilate on this critique here; the point to note is that the policy-package following from this critique is exactly the same as before, namely to roll back state-sponsored industrialisation.

Where the Bank did change was in two respects: the first relates to its tactics. In the beginning up until the end of the 1950s in the case of India, the Bank studiously avoided giving any loans for government programmes. In the early 1960s it modified its stance to give loans for social infrastructure projects, but not for any public sector industrial undertakings. It is only when the policy of boycott of public sector undertakings appeared to be counterproductive from its point of view that it started financing investment in such undertakings but with its own conditionalities, such as global tendering, specifying technological details and the scale of plants, etc. This shift from 'boycotting' to 'infiltrating' the public sector enabled it to exercise great leverage, to induct multinational corporations (MNCs) directly into the public sector as collaborators, to

undermine domestic technological self-reliance and indigenous technological capabilities to dictate pricing policies and acquire an indirect say on the government budget and to set up networks with bureaucrats and managerial personnel of the public sector. Together with this began the process of World Bank employees shifting to key government positions especially in the ministry of finance even as they were drawing pensions from the Bank or even as they kept open the option of moving back to the Bank. They provided a powerful lobby working in concert towards liberalisation cum structural adjustment (arguably as mentioned earlier pushing the country into a trap where these policies became inevitable).

The other respect in which the Bank did change was in its new insistence upon a range of financial sector reforms whose overall objective again was to detach the domestic financial institutions and the financial markets from their integration into the domestic development effort (through, for example, low long term interest rates, subsidised credit and minimum percentage credit disbursements for priority sectors' such as agriculture etc.) and to integrate them more closely instead with global financial markets. Together with this went the Bank's demand for privatisation not only of the financial domain where the public institutions held sway but of public sector assets including of natural resources. The economic as opposed to the ideological,

TABLE 2 GROWTH RATES OF INDEX OF INDUSTRIAL PRODUCTION MANUFACTURING
(Annual average compound rates per cent)

1951-52 to 1964-65	7.8
1965-66 to 1969-70	3.3
1970-71 to 1980-81	4.1
1980-81 to 1984-85	5.7
1984-85 to 1989-90	8.8
1990-91 to 1994-95	3.9

Notes and Sources: The figures up to 1970 have 1960 as base; the figures for the 1970s have 1970 as base; and the figures for the 1980s have 1980-81 as base. These figures are taken from various issues of annual *Economic Survey* issued by the Ministry of Finance and *Report on Currency and Finance* of the Reserve Bank of India.

TABLE 3 HEAD COUNT RATIO MEASURE OF POVERTY

	Rural	Urban
1989-90	37.94	32.41
1990-91	36.55	32.43
1991	42.06	32.02
1992	48.07	33.87

Source: S D Tendulkar and L R Jain 'Economic Reforms and Poverty' *Economic and Political Weekly* Bombay June 10, 1995.

argument for privatisation was again utterly dubious as a means of closing the fiscal deficit it was no different from money created directly for the government's use as a means of reducing the government's interest burden it could work only under the palpably impossible condition that the rate of return sacrificed on the sold government assets was lower than the interest rate on public debt (which is impossible because the market would never buy assets at such low rates of return and in practice of course has insisted on obtaining public assets only at virtually throw away prices) and as a means of introducing entrepreneurship it was of no use because the buyers were either fly by night operators or reputable MNCs had more complex objectives (on which more later)

This widening of the Bank's package from simply rolling back state sponsored industrialisation through a removal of trade restrictions, government controls and the pre-eminence of the public sector to an integration of the domestic economy to the operations of global finance reflected a fundamental change that was taking place within world capitalism itself namely a tendency towards greatly increased fluidity of finance across national boundaries a tendency in short towards a globalisation of finance which is very different from, though often confused with globalisation of production facilities

This very tendency also explains the shift which was taking place in the position of the IMF as well.¹⁰ Earlier the IMF was exclusively concerned with stabilisation. The Polak model for example which provided the basis for the IMF's policy prescriptions concentrated on a few macro level identities and made no attempts at modelling structural adjustment. Its assumptions were questionable (e.g. the absence of any recognition of a demand constraint the attribution of external payments problems exclusively to the government sector's deficit, and the general monetarist bias) but it provided the tool kit for a highly conservative financial institution whose sole concern especially vis-à-vis third world countries was to recover its loans by imposing fiscal discipline upon the latter.¹¹ This ruthless conservatism drew the ire of the third world and indeed of radicals everywhere. But it was the conservatism of a narrow minded financier, not that of an ideologue of development frowning overtly upon any attempt to alter forcibly the colonial pattern of international division of labour. The latter role was left by and large to the World Bank.

A major change took place between the two oil-shocks. While the recycling of resources to the third world such as it was, was organised in the wake of the first oil-shock by the IMF itself the tremendous

growth which took place in the role of the banks in the interim meant that by the time of the second oil shock it was the banks which were doing whatever recycling was to be done and the IMF was called upon only to provide 'security cover' to the banks. This was the beginning of a process from being a leading financier the IMF had got reduced to being a gendarme of international rentier interests. As a gendarme then it had to insist that the countries which were caught under its conditionalities and thereby became possible candidates for receiving funds from international rentiers adopted a host of measures that were to the liking of the rentiers such as privatisation of public assets opening up of financial markets removal of exchange restrictions convertibility of the currency on the current and capital accounts and so on all of which amounted to an espousal of the kind of structural adjustment which the World Bank had also come around to.

To sum up then while the conservatism of the Bretton Woods institutions has continued unabated there have been major changes in the precise texture of this conservatism reflecting changes which have been occurring in world capitalism. Not only have the Fund and the Bank come closer together in terms of outlook, breaking down their earlier separateness, but this coming together has itself been promoted to a significant extent by the vastly enhanced role of globalised finance. One might even add that this ascendancy of globalised finance has been responsible *inter alia*, for keeping down willy nilly what Lenin would have called 'imperialist rivalry' certainly as far as the third world is concerned the governments of the advanced capitalist countries present a remarkably common front and give more or less unanimous support to the structural adjustment measures being imposed by the Bretton Woods institutions.¹²

III

Contradictions of *Dirigiste* Regime

This phenomenon of financial globalisation was bound to affect the domestic economy sucking domestic wealth-holders into its vortex and in the process undermining the viability of the *dirigiste* alternative. For any state intervention to be even remotely effective it is essential that there be some 'control area' within the domain of the state over which it can ensure a degree of correspondence between the intentions behind its policy-actions and their outcome. If finance can flow in or flow out in response to pressures emanating from abroad, if the domestic wealth-holders' behaviour in other words defies the very concept of a 'control area' under the domain of the

nation-state over which it can ensure some semblance of correspondence between the intentions behind its actions and their outcome, then the possibility of state intervention gets eroded. It is not surprising that virtually all forms of interventionism not only traditional socialism, but even Keynesianism, welfarism conventional social democracy, third world nationalism and its necessary accompaniment the *dirigiste* developmental model have all run into rough weather in recent years. The reason for this is not some sudden realisation on the part of everybody of the alleged superiority of the market, but the profound change in the context which has taken place in recent years through the phenomenon of financial globalisation. To say this however is not to suggest that all prospects of progressive economic policies being pursued in particular countries (it will have to be necessarily in particular countries to start with) have disappeared the point is merely to underscore the changed context.

It would be a gross mistake however to hold this changed context alone as the reason for the eventual transcendence of the *dirigiste* regime. The regime had serious internal contradictions which contributed to an erosion of its social stability as well as of its economic viability and propelled it towards a situation where it had no alternative viable responses left to the changed context that we have underscored. In other words it is the interplay between the changed international context and the accentuating domestic contradictions within the earlier regime which give rise to the 'totality' of circumstances that permitted the enactment of the event of historical significance referred to at the beginning of this essay. In the present section we shall discuss these internal contradictions.

A brief clarification however is in order here. The economic policy regime erected in the 1950s was not just a brainchild of then prime minister Nehru and the group around him as is often made out by its admirers as well as its critics. Its roots lay in the freedom struggle itself. The economy had been dominated by metropolitan capital and metropolitan commodities in the pre-independence period. Freedom meant freedom from this domination, and this could not be ensured without giving the state in independent India a major role in building up infrastructure, expanding and strengthening the productive base of the economy, setting up new financial institutions and regulating and co-ordinating economic activity. This was necessary for building capitalism itself, though some no doubt entertained the fond hope that all this would add up to a transition to socialism. State capitalism and state intervention in other words were essential instruments for

the development of a relatively autonomous Indian capitalism, displacing metropolitan capital from the pre-eminent position it had occupied in the colonial economy. It is this displacement which drew the ire of international agencies like the Fund and the Bank (more explicitly as we have seen of the latter). The manner of their intervention has been alluded to earlier; let us move on now to the internal contradictions.

Three mutually reinforcing and interrelated contradictions need to be noted.¹¹ First, the state within the old economic policy regime had to simultaneously fulfil two different roles which were incompatible in the long-run. On the one hand it had to maintain growing expenditures, in particular investment expenditure, in order to keep the domestic market expanding. The absence of any radical land redistribution had meant that the domestic market, especially for industrial goods, had remained socially narrowly-based; it had also meant that the growth of agricultural output, though far greater than in the colonial period, remained well below potential, and even such growth as occurred was largely confined, taking the country as a whole, to a narrow stratum of landlords-turned-capitalists and sections of rich peasants who had improved their economic status. Under these circumstances, a continuous growth in state spending was essential for the growth of the market; it was the key element in whatever overall dynamics the system displayed. At the same time however the state exchequer was the medium through which large-scale transfers were made to the capitalist and proto-capitalist groups; the state in other words was an instrument for the 'primary accumulation of capital'.

It was not of course the only instrument; direct means such as the eviction of tenants, private encroachment on common resources and private encroachment on state-owned resources such as forests from whose use the poor were simultaneously excluded, all played their role. But the state exchequer remained the pre-eminent mechanism for 'primary accumulation'; through the non-payment of taxes (to which the state generally turned a blind eye), through a variety of subsidies and transfers, and through lucrative state-contracts, private fortunes got built up at the expense of the state exchequer.

The contradiction between these two different roles of the state manifested itself, despite increasing resort to indirect taxation and administered price-hikes, through a growth in the government's revenue deficit. A result of it of course was that the fiscal deficit also went up; this however reflected not a step-up in public investment but a decline in public savings. In the 1950s and the 1960s the revenue account of the central government at least was in surplus, but in

the 1970s even this went into a deficit, which climbed steadily from Rs 17,150 million in 1980-81 to Rs 1,05,140 million in 1988-89, Rs 1,19,140 million in 1989-90 and Rs 1,85,610 million in 1990-91. The implications of this growing fiscal crisis were obvious: the government had either to cut back the tempo of its investment or to maintain this tempo through increased recourse to borrowing. If the borrowing is from abroad, then the building up of pressure for a change in the policy regime is obvious. If the borrowing is domestic then private wealth-holders may be willing to hold claims upon the state only after they have increased their holdings of other assets, such as urban property or consumer durables or commodity stocks, in which case, *ceteris paribus*, the inflationary impact of a given tempo of public investment keeps increasing. And, since rampant inflation cannot be allowed in a system of parliamentary democracy with virtually non-existent indexation for the vast bulk of the workers, the state would sooner or later have to cut back its expenditure, especially investment expenditure, which would slow down the economy and eventually arouse capitalists' demands for an alternative policy regime. Even if private wealth-holders are willing temporarily to hold government debt without there being any inflationary pressures immediately, this only accentuates the inflation-proneness of the economy in the long-run with identical results. In short, the regime gets progressively engulfed in a crisis. In its efforts to combine political legitimacy with economic dynamism it increasingly comes a cropper.

The second contradiction lay in the inability of the state to impose a minimum measure of 'discipline' and 'respect for law' among the capitalists, without which no capitalist system anywhere can be tenable. Disregard for the laws of the land, especially tax-laws, was an important component of the primary accumulation of capital. The same disregard, the same absence of a collective discipline which a capitalist class imposes upon itself in any established capitalist country also meant that a successful transition could not be made from a Nehruvian interventionist regime to an alternative viable capitalist regime with state intervention, but of a different kind. After all, the state is strongly interventionist even in a country like Japan, but it is interventionism based on close collaboration between the state and capital which simultaneously promotes rigorous discipline among the capitalists. To be sure the extent and nature of state intervention in Japan is itself a result of specific features of the Japanese civil society as it has developed historically which cannot simply be emulated elsewhere. Indeed the point being made here,

namely, the inability of the Indian state to promote a measure of discipline among the Indian capitalists is obviously merely a descriptive one, the analysis of which has to be located in the specific nature of the Indian society and polity – a task outside the scope of this paper. But the description is important; it provides a proximate explanation of why the retreat from Nehruvian *dirigisme*, instead of leading to an alternative viable capitalist regime carving out a space for itself in the international economy, through an alternative mode of state intervention, has resulted in a situation where the economy is left to the caprices of international capital. Indeed many advocates of a retreat from Nehruvian *dirigisme* had turned explicitly to the Japanese 'model' and had hoped for a new consolidation of Indian capitalism much in the way that Japanese capitalism had consolidated itself. They were of course being unhistorical; an important aspect of their unhistoricity was their refusal to recognise the inability of the Indian state to impose a measure of 'discipline' on Indian capital.

The third contradiction had its roots in the cultural ambience of an ex-colonial society like India. The market for industrial goods was from its very inception, as we have seen, a socially narrowly-based one. Capitalism in its metropolitan centres however is characterised by continuous product innovation, the phenomenon of newer and ever newer goods being thrown on to the market, resulting in alterations of lifestyles. In an ex-colonial economy like India, the comparatively narrow social segment to whose hands additional purchasing power accrues in a large measure and whose growing consumption therefore provides the main source of the growth in demand for industrial consumer goods is also anxious to emulate the lifestyles prevailing in the metropolitan centres. It is not satisfied with having more and more of the same goods which are domestically-produced, nor is it content merely with expending its additional purchasing power upon such new goods as the domestic economy, on its own, is capable of innovating. Its demand is for the new goods which are being produced and consumed in the metropolitan centres, and which, given the constraints upon the innovative capacity of the domestic economy, are incapable of being locally-produced purely on the basis of indigenous resources and indigenous technology. An imbalance therefore inevitably arises in such economies between what the economy is capable of locally producing purely on its own steam, and what the relatively affluent sections of society who account for much of the growth of potential demand for consumer goods would like to consume. This imbalance may be kept in check by import controls, though

such controls inevitably give rise to clandestine imports through smuggling which are sold in local black markets. But even leaving aside such clandestine imports, the more the imbalance between what is produced and what is sought to be consumed is kept in check through controls, the more it grows because of further innovations in the metropolitan economies.

The result is a powerful build-up of pressure among the more affluent groups in society for a dismantling of controls. The fact that this would result in substantial sections of domestic producers going under i.e. in a de-industrialisation in the domestic economy together with an accentuation of the already precarious balance of payments situation does not come in the way of such pressures being built up. The inculcation of a desire to emulate the fashionable lifestyles prevailing in the metropolitan countries among segments of the underdeveloped economy acts as a powerful instrument in the hands of metropolitan capital in its efforts to prise open the market of such an economy and to wrest back the space which it had yielded as a result of granting political independence. The contradiction between the extant production pattern and the desired consumption pattern of the affluent sections of the population contributes to a dismantling of the *dirigiste* economic regime. And this contradiction too has been manifest in India.

The net result of the working out of all these contradictions has been evident in the Indian economy for quite some time. The growth in the index of manufacturing industrial production which is a barometer of the expansion in the possibilities of productive accumulation is quite revealing. The growth rate figures for different periods are summarised in Table 2.

After 15 years of rapid industrial expansion in the 1950s and the early 1960s, there was a dramatic decline in the rate of manufacturing growth during the next 15 years. Even though the growth rate picked up somewhat in the early 1980s, it was still nowhere near the rates witnessed in the first 15 years of planning. It is only after the mid-1980s that a pronounced boom occurred once again in the manufacturing sector of the Indian industries, to be followed by the adjustment-induced recession of the 1990s.

The fact that the 15 years after the mid-1960s which were characterised by a relative stagnation in manufacturing output also witnessed a decline in the rate of growth of public investment compared to the earlier period is well known. The increasing fiscal difficulties faced by the state which were manifested *inter alia* in the revenue account of the central government itself running into a deficit during the course of this period, and which were a result, as we have argued, of its role in promoting 'primary accumulation

of capital' entailed that the state could not adequately fulfil its other role namely as an expander of the market, a number of industries which catered to mass consumption or to the investment requirements of the state vanished. And the slower expansion of public investment also meant a slower growth in the productive potential of the industrial sector on account of the infrastructural constraints that resulted from such slower expansion.¹⁴

Given the sluggish growth of the home market breaking into export markets could have provided a new stimulus to industrial expansion and a new basis for capital accumulation in productive channels. But export markets were dominated by metropolitan capital. To permit Indian capital a share of this export market as a junior partner, metropolitan capital demanded a price namely that it too should have a share of the Indian market. Any attempt by Indian capital to break into export markets, not as a junior partner of metropolitan capital but independently (through making use of imported technology where necessary) required a massive effort of its own backed by the Indian state. This however never became a serious possibility owing among other things to the reason mentioned earlier namely the unwillingness of Indian capital to accept a certain minimum discipline imposed by its own state upon itself which was necessary for the purpose and which underlay the international successes, for example of Japanese capitalism. The export prospects of Indian capital consequently remained bleak.

In this context a schism developed within the ranks of the Indian capitalists. A section was willing to make compromises with metropolitan capital on the terms that the latter demanded, it was all for allowing metropolitan capital to capture a share of the Indian market even at the expense of the entrenched capitalists, not to mention the public sector in the hope of being able to better its own prospects as a junior partner, both in the domestic as well as in the international market. It was thus in favour of import liberalisation, a full retreat from Nehruvian *dirigisme* and accepting the kind of regime that metropolitan capital generally, and the Bank and the Fund as its chief spokesmen, had been demanding. The more powerful and the more entrenched monopoly houses however were more circumspect. They would not mind import liberalisation in areas other than their own, including in areas dominated by the public sector, they would not mind collaborating with foreign capital to add to their empires and hence a degree of relaxation of controls to further facilitate such collaboration, but they would not like encroachments by metropolitan capital upon their own empires. Their attitude

towards Fund Bank style liberalisation therefore was more ambiguous.

Support for Fund Bank style liberalisation was growing not just among a section of capital. A whole new category of an altogether different kind of businessmen was coming up who were more in the nature of upstarts, international racketeers, fixers, middlemen often of non-resident Indian origin or having NRI links, often linked to smuggling and the arms trade, these in any case did not have much of a production base, and their parasitic intermediary status as well as the international value of their operations naturally inclined them towards an open economy. On the other side among the affluent groups of consumers, the desire for an 'open economy' where they could have access to a variety of goods available abroad but not at home, had also grown strong. And finally as we have already mentioned earlier, one should not exclude a section of the top bureaucracy itself, which had close links with the Fund and the Bank either as ex-employees who might return any time to Washington, DC or through being engaged in dollar projects of various kinds or as hopeful aspirants for a lucrative berth in Washington, DC. The weight of this section in the top bureaucracy had been growing at an amazingly rapid rate, and its influence naturally was in the direction of adopting the Fund Bank policy regime.¹⁵ In short quite apart from the growing leverage exercised by the international agencies in their capacity as donors, the internal contradictions of the Nehruvian *dirigiste* policy regime generated increasing support within the powerful and affluent sections of society for changing India's economic policy regime in the manner desired by these agencies.

It is against this background of a two-decade long sluggish industrial growth on the one hand, and growing pressures for a retreat from interventionism and the adoption of a Fund Bank style 'liberalisation' package on the other that the economic policies of the latter half of the 1980s, that marked in several ways a new departure, have to be located. Briefly, three new features characterised these policies. First, there was a significant increase in the magnitude of the government's deficit as a proportion of the GDP at current market prices. The gross fiscal deficit of the central and state governments averaged 9.5 per cent of GDP during 1985-86 – 1989-90 and touched 10.1 per cent in 1990-91. However, this was not due to any increase in the share of public investment, but largely to a decline in the share of public savings, reflected in the burgeoning revenue deficit (which rose from an average of 2.8 per cent of GDP during 1985-86 – 1989-90 to 4.5 per cent in 1990-91), with the current expenditure of

the state growing at a rate far outstripping the growth in tax as well as non-tax revenues despite hikes in indirect taxation and in administered prices. Partly this was because of the government's refusal to garner larger direct tax revenues.⁴ Partly this was because of the growing expenditure on interest payments (the sins of past deficits catching up with the government) and on subsidies, especially on fertilisers (caused primarily by wrong technological choices involving the setting up of plants with extraordinarily high capital costs). And partly this was because of the general profligacy which characterised the then government to an unprecedented extent.

The second feature was the liberalisation of imports of capital goods and components required for a number of commodities catering to luxury consumption, especially of electronics and automobiles. This was justified in the name of marching to the 21st century. And important government officials unashamedly put forward the argument that since even the small segment of the population that demanded such goods amounted in absolute terms to a fairly large number, the country could go forward on the basis of such an industrialisation strategy whose benefits would eventually trickle down to the poorer sections of the population as well.

The remarkable aspect of the policy of import liberalisation of the late 1980s was that it was not necessarily tied in to a larger export effort. Its main immediate thrust was towards producing more goods, luxury goods, for the domestic market. In 1985-86, the very first year that the policy was introduced, there was a dramatic increase in the trade and current account deficits, the latter from 1.24 per cent of GDP to 2.26 per cent. True it reached a plateau thereafter (1.99-1.89 and 2.66 per cent in the three subsequent years), because of which many have argued that it would be unfair to blame the Rajiv Gandhi government for import profligacy. But this argument misses two important points: first, the high absolute level of the trade and current deficits were sustained despite the fact that owing to the development of the Bombay High oilfields, India's oil import bill came down in absolute terms between 1984-85 and 1988-89. But for the import profligacy, in other words, the trade deficit should have declined significantly in absolute terms since mineral oil and related products accounted for nearly a third of India's import bill on the former date. Secondly, the remittance inflows during this period had flattened out and soft loans were becoming more and more difficult to come by. The need was to conserve foreign exchange and the maintenance of a high, even though steady, absolute level of the trade deficit was a mark of profligacy. And

over two fifths of the increase in import value between 1984-85 and 1988-89 (barring what are virtually re-exported) was on account of machinery and transport equipment which went to a significant extent into the production of a variety of goods for the elite market.

The third new feature was a systematic resort to commercial borrowing abroad including from the NRIs. As the trade and current account deficits went up in the latter half of the 1980s, commercial borrowings were increasingly resorted to which in turn contributed with a lag to keeping up the current account deficit itself (owing to interest payments) and necessitated further borrowing both for this reason as well as for amortising past loans. Debt has a habit of escalating rapidly, feeding upon itself, and as fresh debt is contracted to pay off old debt, the terms at the margin become stiffer, the maturity period shorter and hence the rate of escalation of debt even steeper. And this is precisely what happened. The debt in dollar terms nearly quadrupled during the 1980s, from \$ 20 582 million in 1980 to \$ 81 994 million in 1990; debt to banks and private individuals increased more than 10 times from \$ 1 997 million to \$ 22 387 million. India's debt service payments absorbed 41.2 per cent of her exports in 1990.⁵

If the huge rise of deficits of the late 1980s had not been accompanied by large current account deficits, the balance of payments, the inflationary overhang would have grown faster and there would have been much higher inflation in the 1980s than actually occurred. On the other hand, if the current account deficit had been as large as it was owing to import liberalisation, but the fiscal deficits had actually been smaller, then imported goods would have outcompeted domestic goods to a greater extent (since the home market would have been narrower with a smaller fiscal deficit) and there would have been greater de-industrialisation and hence a smaller rate of industrial growth.

The odd thing about industrial growth, however, was that notwithstanding its impressive rate, it had limited impact upon industrial employment. Between end March 1985 and end March 1990, employment in the (organised) private sector went up by a mere 2 73 000 or 3.7 per cent in five years, while in the private manufacturing sub-sector it actually declined by 16 000. Even in the public manufacturing sector it went up between these two dates by a mere 1 09 000 or 5.8 per cent. Thus the acceleration of industrial growth appears to have had no significant impact on industrial employment.

The industrial boom of this period, however, even as it tried to paper over the basic contradictions of the regime, and that too apparently successfully, left the economy

on a powder keg. The enormous external debt, a growing portion of it being in the form of short-term borrowing, made the economy acutely vulnerable to currency speculations and confidence crises of international investors. A vulnerability that was ultimately a key point of failure for the Indian economy. The liquidity build-up in the domestic economy which inevitably followed made it acutely vulnerable to sudden inflationary upsurge. The consequences of both these phenomena in precipitating the crisis of 1991 have been explored earlier. What we turn to now is the fall out of the adjustment process adopted in response to the crisis.

IV

Progress of Structural Adjustment

The most palpable impact of structural adjustment has been an increase in rural poverty. Using the norm set out by the Planning Commission, the head count ratio, measure of poverty for rural and urban India, moved as shown in Table 3. These results are fairly robust in the sense that other researchers have come to identical conclusions, and other poverty measures too reveal exactly the same picture. While the fact of an increase in poverty is undeniable, the supporters of structural adjustment attribute this fact to causes other than the process of adjustment. It is argued, for instance, that the main cause of the increase in rural poverty in 1991-92 was the increase in the consumer price index for agricultural labourers which went up by 19.3 per cent in that year on an average of months basis and 21.9 per cent on the 1st month of the year basis, and that this increase was largely a result of a crop shortfall together with privatisation.⁶

But this explanation would not do as is obvious from the following: the output fall in 1991-92 affected only the kharif crop when foodgrains production fell from 99.44 million tonnes to 91.9 million tonnes and not the rabi harvest (comprising largely of wheat) which was more or less stable at its 1990-91 record level of 76.95 million tonnes, with the 1991-92 figure being 76.79 million tonnes. Further, within the kharif crop, the principal cereal rice also recorded an original increase from 66.32 million tonnes to 66.37 million tonnes. The decline in kharif foodgrain production was due to a decline in the production of coarse cereals from 32.7 million tonnes to 26 million tonnes and of pulses from 5.4 million tonnes to 4.1 million tonnes. Further, throughout 1992, wheat stocks with the government were higher than the minimum norm for public stocks though this was not true of a kharif cereal like rice. In short, in terms of availability (ignoring private hoarding) or in terms of

the ability of the government to counter reduced supplies on account of private hoarding there is absolutely no reason why wheat prices and perhaps even rice prices should have gone up at all even if it is conceded for argument's sake that other kharif cereal prices could have. And yet we find that the average-of-months index of wholesale price for wheat went up by as much as 18.6 per cent in 1991-92 and 21.9 per cent for rice.

The reason for this dissociation between the pattern of price movements and the pattern of apparent demand supply imbalances and hence for the irrelevance of these apparent imbalances as the explanatory variable for price movements lies in the fact mentioned earlier of the increase in the issue prices of the public distribution system. In December 1991 the issue price of the common variety of rice was hiked by 30.4 per cent and of wheat by 19.7 per cent which was in addition to the increases in June 1990 mentioned at the beginning of this essay.

Structural adjustment in other words has necessarily entailed costly food for the working people. And there is nothing to be surprised about it because it is part of the logic of structural adjustment by insisting on a reduction in the magnitude of food subsidy by insisting on an elimination of all input subsidies into agriculture (of which the fertiliser subsidy was the most important element in India) and at the same time by insisting that the prosperous farmers should not only get remunerative prices but in fact international prices in a regime largely of unfettered producer choices in matters of production and exchange of agricultural commodities it necessarily ensures that the price of food in terms of the wage unit especially in the unorganised sector goes up. A rise in rural poverty is an inevitable consequence of this phenomenon.

The second notable consequence of structural adjustment has been a virtual stagnation in per capita income. For the period 1987-88 to 1990-91 per capita national product at 1980-81 prices went up by 17 per cent for the subsequent three years the order of increase was 7.6 per cent. If the agricultural sector is kept out of the picture as has in some ways been the case for the time being the picture is even more dismal. The contribution of the industrial sector ended by the index of industrial production which was 8.2 per cent per annum for the four years ending 1990-91 came down sharply to 4.2 per cent for the subsequent four years. The corresponding figures for the manufacturing segment of the industrial sector were 8.5 per cent and 3.9 per cent respectively.

Of course in judging the impact of Fund Bank style reforms on macro economic performance one has to exercise particular caution. These reforms are inevitably

associated with deflation in the short-run, and it is only after a while that the economy is expected to pick up on the basis of stimuli other than those which prevailed under the dirigiste regime. In short, a transitional period of stagnation is expected (though not strictly on the basis of the IMF's theory which does not recognise any demand constraints), and should not cause undue worry, provided growth subsequently picks up on a new basis. In the case of India indeed there has been a pick up and the dismal four-year industrial performance that we have mentioned above is composed of two years of absolute stagnation followed by two years of recovery. The annual growth rates in the manufacturing sector have been minus 0.8 per cent (for 1991-92), 2.2 per cent, 5.5 per cent and 8.8 per cent respectively.

On the basis of these figures many have argued that the Indian economy too has turned the corner under structural adjustment. This proposition however is completely erroneous because the basis for this improved performance is an enhanced fiscal deficit which the government has sustained because of the manoeuvrability that consecutive good monsoons and rising foreign exchange reserves fed by volatile capital flows have provided it. Needless to say this strategy has been pursued against the wishes of the Fund and the Bank owing to the compulsions of a parliamentary democracy to remain too openly dissociate from this component of the government's strategy. In short the revival of the industrial sector in the last two years is the result not of the success of Fund Bank reforms but of the government's partial surreptitious withdrawal of import restrictions on this important issue.

The various deficit measures of the central and state governments (together that of inter-governmental transactions) as proportions of GDP moved as follows: the gross fiscal deficit which averaged 9.5 per cent during 1985-90 or 10.1 in 1990-91 (just before the reforms were introduced), 7.5 in 1991-92 and 7.4 in 1992-93, it went back to 9.0 in 1993-94 (the first year of industrial recovery) and 8.4 according to the revised estimates of 1994-95 (the final figure is likely to be higher). The relationship between the expansion of the fiscal deficit and industrial performance is absolutely unmistakable.

The remarkable aspect of the increase in the fiscal deficit however is the component of it which has increased. It is not the pace of capital formation under the aegis of the state which has increased but the *revenue deficit*. The revenue deficit of the centre and the state as a proportion of GDP which had averaged 2.8 per cent during the quinquennium 1985-90 went up to 4.5 per cent during 1990-91 on the eve of structural

adjustment, and then having come down to 3.6 and 3.4 during the next two years (marked by industrial stagnation), climbed up to 4.6 per cent (during 1993-94, the revised estimates for 1994-95 put it once again at 4.6 per cent). One reason for this faster rise in the revenue deficit is of course burgeoning interest payments which are the price of past profligacy. The other is that while the government has accepted the marketist argument which comes with structural adjustment that the state should refrain from involving itself in production as far as possible and even dispose of its profit-making assets it is encouraged by the improved food and foreign exchange reserve position and forced by the political compulsions of democracy to ignore IMF Bank pressures to curtail overall government spending.

Three conclusions immediately follow. First, if the objective of the reforms was to introduce discipline into the government's current account (an objective which many Indian economists and civil servants influenced by Buchanan and others considered to be a sufficient justification for IMF tutelage) then they have been a miserable failure. Second, the increase in the government's current account deficit has been camouflaged in part by a curtailment in its investment expenditure: the overall fiscal deficit has gone up in the last two years but not by as much as the revenue deficit. And thirdly, as mentioned earlier, this deficit expansion has stimulated a conventional industrial expansion of sorts in the last couple of years which has nothing to do with any successes of structural adjustment.

This pattern has extremely serious implications which brings us to the third notable feature of structural adjustment, namely, a sharp decline in the investment ratio in the economy. Gross fixed capital formation as a proportion of the GDP at current market prices which was 22.5 per cent in 1989-90 and 23.2 per cent in 1990-91 on the eve of structural adjustment was 22.2, 21.5 and 20.9 per cent respectively for the next three years. The corresponding figures for gross domestic capital formation which is inclusive of changes in stocks were 25.0, 27.1 (on the eve of structural adjustment), 23.6, 22.0 and 20.4 per cent. During the period of structural adjustment the pace of capital formation in the economy has gone back to what it was approximately a decade ago.

The decline in the pace of capital formation is confined not just to the public sector but has occurred in the private sector as well. As compared with its 1990-91 level of Rs 312.9 billion (at constant 1980-81 prices) capital formation in the private sector amounted to Rs 279.1 billion, Rs 274.1 billion and Rs 290.8 billion respectively in 1991-92, 1992-93 and 1993-94. This is

not surprising a number of researchers have drawn attention to the fact that in the Indian economy, *both in the agricultural as well as in the industrial sectors* public investment tends to stimulate private investment, i.e. has a crowding in rather than a crowding out effect on private investment (any possible temporary crowding out owing to input shortages amounts at most to a *postponement* of private investment without disturbing the overall relationship).¹

The government's deficit here has an extremely important role to play. If the increased deficit is used for stepping up public capital formation, then not only does it stimulate the economy from the demand side, but also keeps relaxing from the supply side, both through its direct effect on the magnitude of capital stock as well as through its indirect effect viz. stimulating private investment, any potential inflationary constraints upon the economy's expansion. On the other hand, if the increase in the government's deficit is confined to non-capital expenditure, then revival of the economy would necessarily be brief and evanescent since such revival would fairly soon run into an inflationary barrier.

This consideration is particularly important for an economy where agriculture accounts for a major part of the consumer goods sector. It may for instance be argued that any government expenditure (even non-capital expenditure) by stimulating the economy would call for private investment via multiplier effects, so that the inflationary barrier would keep timing pushback this argument, however, would certainly not hold in the case of agriculture. Private investment in agriculture, not covered by any version of the accelerator or capacity utilisation or even profit principle. It depends essentially upon the availability of complementary inputs like supra-individual irrigation facilities, power, extension facilities, seed, fertiliser packages etc. whose provision is contingent upon public investment effort. In short, in an Indian type economy it is not just any expansion in the government's deficit which can trigger off a sustained boom, but an expansion that takes the form of a larger investment effort. And this is precisely what the last two years' deficit expansion has not been used for.

To avoid possible confusion, a word on the quirks of Indian statistics is necessary here. If one looks at the facts where the recent industrial expansion has occurred, then capital goods industries come out at the top. This gives the impression that the industrial recovery is indeed investment-led. But the contradiction between the assertion that the pace of capital formation has been declining and that the capital goods industries are prospering vanishes the moment we realise that in India the entire

'transport equipment' sector including passenger automobiles and the entire 'electrical machinery' sector including electronic gadgets of all descriptions are lumped together under capital goods. These sectors have been witnessing a deficit sustained boom recently, but this fact does not help at all in pushing outwards the inflationary barrier arising from the wage goods sector, especially in a situation where agricultural exports are being increasingly resorted to under the impact of the reforms (on this more later). Inflation in the economy is once again particularly severe on the agricultural labourers, whose cost of living index is increasing at the rate of 10.6 per cent annually, an extremely high figure for a sector characterised by rampant poverty and no wage indexation for the poor.

Underlying the decline in the pace of capital formation is the non-fulfilment of a crucial assumption of the Fund Bank package. And this brings us to the *fourth* notable feature of the Indian experience. The assumption usually made is that once the economy starts pursuing market friendly policies, direct foreign investment (DFI) would start coming in and raise the investment boom in the economy even if the state withdraws from its role as investor. This assumption, often justified with reference to the East Asian (including Chinese) and South East Asian experience is in fact based on a *misreading* of that experience (since direct foreign investment supplements extraordinarily high domestic savings in those countries) and Fund Bank reform packages do not in any case constitute the foundation of economic policy in the Indian case. DFI inflows have been minuscule.

To be sure, there have been plenty of DFI *approvals* under the cumulative monetary DFI approved between April 1991 and May 1995 comes to Rs 30 700 million, or just over \$ 10 billion. But the actual cumulative inflow over this period comes to a mere Rs 86 465 million or less than \$ 3 billion. Even if one forgets the earlier part of this period and looks only at the latest year, the DFI inflow amounts to less than \$ 1 billion.

While DFI inflows into the economy have been sparse, what has come in, in large measure, is foreign currency deposits and portfolio investment, which are essentially indistinguishable from 'hot money'. This points of course to an extremely important aspect of the reality of contemporary capitalism, namely, that *unlike what many Marxists in India, rather than Marxists, assert, what has still happened in capitalism is not a "characteristic worldwide globalisation" (the debt crisis) or a tendency to "aid capitalism" (finance)*. We have suggested earlier that the Fund Bank structural adjustment package, though advocated on

the grounds that its adoption would draw DFI in large quantities, has evolved through time to cater in practice largely to the requirements of international *rentier interests*. Paradoxically, the adoption of this package, even when it succeeds in attracting large amounts of 'hot money', cannot generate growth in the economy, and of course when 'hot money' flies out, growth suffers through enforced deflation for the sake of creating creditors' confidence. In other words, this package, if conscientiously adopted, binds the economy to stagnation in years of comfortable foreign exchange and retrogression in years of foreign exchange crunch, giving rise to a combination of net retrogression and denudation of the nation's assets and natural resources.

Let us finally call this mechanism briefly before discussing the Indian case. When 'hot money' flows occur, the recipient country has two choices: either to maintain the exchange rate by adding to reserves, or to prevent a swelling of reserves by letting the exchange rate appreciate. Any government wishing to prevent a 'rentiers' deindustrialisation' of the economy, and hence a rentiers' multiplication of current account deficit to accommodate 'hot money' inflows, would of course prefer to prevent an exchange rate appreciation by adding to exchange reserves. And since these enhanced reserves represent after all an additional command over resources, even 'hot money' flows may be then, in addition to the price of capital formation, if properly utilised.

The problem however is two-fold: the minor problem relates to the fact that using reserves built up with 'hot money' for undertaking investment implies in essence that the country is borrowing short to invest long, which exposes it to potential crises. But even if this is tickled by choosing short currency loans in exchange for long investment projects, there remains a major problem, namely, there has to be *money* that can make the first step up capital formation, and in a country under Fund Bank tutelage lacks such money. Since the state is increasingly forced to withdraw from its investment role, it cannot step up investment directly. Since the state cannot order private investment, it must stimulate the latter only indirectly, but the obvious indirect instrument, namely, the interest rate, can scarcely be used for fear of frightening international *rentiers*. And portfolio investment which typically stimulates stock market booms, makes speculation more attractive than productive investment for the domestic capitalist. Finally, since market friendliness take the form *inter alia* of trade liberalisation which brings in MNC products to the local market, this fact tends to dampen the inducement to invest of domestic capitalist.

The upshot is that foreign exchange reserves accumulate even as productive investment languishes. The reserve accumulation, it may be thought, would give rise to a *consumption-led boom*. But, for reasons already discussed, credit to finance such a boom is expensive. And even if it does play a role, the boom would be a brief and evanescent one, until domestic supply constraints begin to appear (at which point reserves would start getting used up to augment supplies and the domestic multiplier effects of higher consumption would disappear). What is even more likely, however, is that such consumption growth as occurs owing to the effects of hot money inflows would, in a 'liberalised trade' regime, leak out abroad without generating any domestic growth.

On the other hand, when hot money flows out, the very fact that the reserves have shrunk in the event of higher domestic consumption (or if the outflow is larger than the extant reserves can sustain), the economy has to be deflated, and a whole lot of measures, including handing over the country's natural resources 'for a song' to international creditors, have to be adopted, to cope with the foreign exchange crunch. The net result is a process of gradual economic atrophy together with 'denationalisation' of assets and resources.

The relevance of the above discussion becomes obvious when we note that, even as DFI inflows remained minuscule, India's foreign exchange reserves kept increasing through the inflow of hot money: they were \$ 5.8 billion at end-March 1991, \$ 9.2 billion in 1992, \$ 9.8 billion in 1993, \$ 19.3 billion in 1994, and \$ 25.2 billion in 1995. As we have already seen, this very period of increasing reserves was marked by a decline in the pace of capital formation. True, there was a recovery of the industrial sector but that was largely government-deficit-sustained rather than monetary policy-induced,²⁴ so that the increased reserves in themselves were scarcely of much significance in causing it. There was, and still is, tremendous pressure from the Fund and the Bank for liberalising consumption goods imports on the strength of the huge reserves, and for curbing the fiscal deficit. *If the Indian government listened to this advice*, it would usher in simultaneously a combination of: industrial retrogression, a decline in reserves for financing a consumption splurge by the affluent, and the creation of the very conditions for the process of atrophy-cum-denationalisation outlined above. The government has so far resisted these demands citing the compulsions of an election year, but having succumbed to structural adjustment it may find it difficult to continue resisting these demands for long, and indeed even to resist the accompanying

demand for full capital account convertibility of the currency.

Finally, there is one other aspect of structural adjustment which deserves mention. An influential argument which was accepted by many at the beginning of structural adjustment was that a 'retreat of the state' and the exposure of the economy to the discipline of the market forces would cut out arbitrariness of decision-making and the corruption that is inevitably associated with it. It would streamline the functioning of the economy by making it a 'rule-governed system', though admittedly the rules were those of the market. What has happened, instead, in the Indian economy during this period of structural adjustment is an increase in the level of corruption, cronyism, and arbitrariness to unprecedented levels. The privatisation exercise, as in other countries such as Bangladesh, has been an utter scandal. Precious natural resources, hitherto kept inside the public sector, are handed over for a pittance (and alleged 'kickbacks') to private firms with dubious objectives. The case of the Enron deal where massive contracts were signed without an open tender and at inflated capital costs, with guaranteed rates of return, has already attracted international attention. In short, the so-called 'discipline of the market' has proved to be a chimera.

But this is hardly surprising. As Lenin had pointed out long ago, finance capital is associated with swindles, bribery and corruption, or what European 'professors' of his time condescendingly called 'the American ethics'.

V The Alternative

What comes through clearly from the Indian experience with structural adjustment is the dominant role of the process of globalisation of finance. We have suggested earlier that indeed the very design of the current package of structural adjustment bears the imprint of this process; and the sequel to the introduction of this package shows that the real mobility witnessed is that of finance rather than that of capital-in-production. But then if globalisation of finance restricts the possibility of intervention within a 'national' (or for that matter any supra-national but restricted) space by undermining the concept of a 'control area', the question naturally arises: can there be any sort of an alternative to the current set of policies? To say that an alternative presupposes international co-ordination, and can no longer be based on a national, or any kind of a spatially-restricted, response, a proposition which some radicals advance, is inadequate. It amounts *de facto* to conceding that a feasible alternative to the current set of policies does not exist.

It is our contention however that a feasible alternative, not just a desirable one, to the existing policies exists. We should draw a distinction here: obviously the East Asian and the South-East Asian cases underscore the possibility of a successful, neo-mercantilist (and in that sense nationalist) policy response in the contemporary environment. But those cases are also marked by economies where the development of financial institutions and hence the possibility of integration with global finance are limited to start with. China's stock exchange is very recent in origin, Vietnam does not even have one to date, and even in avowedly capitalist East Asia financial interests have generally played second fiddle (except briefly in Japan). One cannot of course recreate those initial conditions (and other conditions conducive to neo-mercantilism) in India, apart from being unhistorical that is not even necessarily desirable, since neo-mercantilist strategies have been associated with politically authoritarian structures. So, in discussing an alternative we have to talk of a *sui generis* alternative. And the question is: is it feasible?

The fallacy in our view lies in believing that an undermining of the 'control area' of the nation-state is tantamount to an impossibility of intervention. What such undermining does is to impose an important additional *constraint* upon the nation-state; the nation-state cannot certainly intervene in the *old* way. It can now intervene with some degree of success *only* if it takes this constraint into account.

Specifically, for economies like India this involves that the volatility of financial flows has to be kept under check through a combination of: (i) direct regulations; (ii) an overall sound balance of payments (in relative terms, which is not synonymous with neo-mercantilism); (iii) and, above all, through a development strategy which ensures economic advance with social stability.

(i) The main form of direct regulation that we have in mind is of course a mix of capital flow controls with a non-convertible currency. External pressures against such regulation would be strong; but a country the size of India can, if she so chooses, show sufficient resilience to stand up to such pressures. After all even the current government, committed as it is to structural adjustment, has not moved towards full convertibility despite external pressures.

The real problem, it may be thought however, would be of a different kind: globalisation of finance is such a strong process that direct regulation may prove ineffective in stemming illicit flows. But to believe that the existence of regulations makes *no* difference to the behaviour of economic agents is fallacious. And the effectiveness of regulations depends upon the character, and hence the social basis, of

the state (a proposition which must not be confused with the view that an authoritarian state regulates more effectively; indeed we argue the contrary). The alternative we have in mind is not confined to merely having regulations by the extant state, but encompasses, as we shall see, a change in the character of the state.

(ii) Regulations, however, have to be backed by a sound balance of payments position through a sound *trade performance*. A part of the key to such a sound trade performance lies in the imposition of intelligently-devised import controls; at the same time, however, a sound export performance is essential. While the importance of boosting exports is stressed by neo-classical economists, they never distinguish between primary commodity and manufacturing exports. In agriculture, as already mentioned, private investment is predicated upon public investment; and if the latter cannot be augmented, either because the system is already agricultural-supply-constrained *pace* Kalecki (and hence up against the inflationary barrier),²⁶ or because the state is being made to withdraw from its investing role, then an increase in agricultural exports necessarily means a lower profile of domestic availability, which has the effect of *both* impoverishing the domestic working masses, *as well as* contracting the home market for manufactured goods.

Manufacturing exports, however, as Kaldor had argued long ago,²⁷ are in an altogether different category. To the extent that investment decisions here are induced by larger capacity utilisation, larger exports provide both the inducement as well as the material wherewithal (from the supply-side) for larger investment. Manufacturing exports in other words can provide the basis for a self-sustaining growth-process in a way that agricultural exports (except under special circumstances) cannot. The history of colonial India provides ample evidence for this proposition: the last half-century of colonial rule saw both a stagnant per capita agricultural output and a rise in the proportion of exports out of it, resulting in a sharp decline in the per capita availability of foodgrains, from about 200 kg. per year at the turn of the century to about 150 kg. at independence.

An alternative development strategy therefore must specifically aim at increasing the exports of manufactured goods. And this requires not 'getting prices right' in some neo-classical sense, but above all high rates of investment which increase the flexibility of the economy's response to the changing international environment. The correlation between high investment ratios and high export growth rates in cross-country data relating to a host of underdeveloped countries

is strong.²⁸ The direction of causation is always seen to lie from exports to investment, but a mutuality of causation is much more plausible in which case it is not exports which need be the initial intervention variable but the investment ratio itself.

(iii) This brings us to the main issue, namely, the alternative development trajectory. Any meaningful development strategy for India, it seems to us, must aim to bring about an *immediate* improvement in the living conditions of the working masses, especially in the rural sector, i.e. the *modus operandi* of the development strategy itself must be such an improvement in their living standards. This is not merely an ethical proposition, but a practical necessity, both for the preservation of meaningful democratic structures, as well as for arousing the kind of enthusiasm and participation among the masses on the basis of which alone the structures of a more accountable state, a state capable of imposing discipline upon the rich and the capitalists, can be built. Such an immediate improvement must have as its cornerstone an accelerated agricultural growth based on egalitarian land reforms. The East Asian example has shown the importance of land reforms even for a neo-mercantilist strategy of economic nationalism, indeed it is important for any national economic programme. The Chinese example has shown the vigour of an industrialisation drive based on an expansion of mass markets deriving from an accelerated agricultural growth in their specific context, at the present conjuncture, this growth has been achieved through a break-up of communes though on the basis of the groundwork, e.g. the destruction of landlordism and the creation of water-management systems, prepared earlier. In India at the present conjuncture accelerated and dispersed, i.e. not regionally concentrated, agricultural growth requires i.e. institution of land reforms.

Together with land reforms of course a number of complementary areas have to be dealt with such as irrigation and water management, rural infrastructure, literacy, sanitation and drinking water, etc. All these would require considerable investment, but investment that is best undertaken under the aegis of elected local-level bodies. The requirement therefore is also for a devolution of resources and decentralisation of planning. But the resources themselves have got to be raised and there is no escape from heavier doses of direct taxation, of property at any rate if not of incomes (though tax evasion in the latter case has to be stopped through punitive action). It is here that the conflict between the strategy just advocated and 'marketism' becomes apparent. It is often argued by 'marketists' that they are all for rural development. But if tax concessions

have to be doled out to entice capital to stay in the country, if food prices have to be raised for the surplus food producers (who happen to be the rural rich) while food subsidies are cut, if all talk of land reforms is eschewed, if financial reforms do away with any system of earmarking of credit, and if even infrastructural development like power becomes the responsibility of the private sector, especially foreign capital, with profitability being the main consideration, then there is no scope left for an improvement in the conditions of the rural poor, or for rural development generally.²⁹

VI

Concluding Observations: Primacy of Politics

It is not enough, however, that an alternative programme exists, it is not even enough that one can identify in the abstract the class forces that are potentially capable of providing the social support for the implementation of such an alternative programme. These forces must be concretely ready for mobilisation behind such an alternative. The concrete conditions for praxis in other words must exist; and in our view these conditions are rapidly ripening in the Indian context.

The early euphoria generated by talk of a 7-8 per cent growth rate after the 'marketist' economic reforms has vanished, the belief that the so-called withdrawal of the state would be followed by a less corrupt, less arbitrary, more rule-governed order has also vanished. In short the credibility of the new policy regime in the civil society at large has suffered greatly. At the same time there are very strong and unmistakable pressures from below for a betterment in living conditions, pressures that sometimes find outlets in the refracted form of 'lower caste' demands, and are often contained through so-called 'populist' measures. The fact, however, that even the ruling party which is committed to structural adjustment is forced to undertake these very 'populist' measures (hounded upon by the Fund and the Bank, is indicative of the pressures from below for an improvement in living conditions (which does not of course nullify the observations about increasing poverty made earlier).

The only way these pressures can be met is if the basic classes, viz. the workers, both organised and unorganised, and the bulk of the peasantry, make the alternative programme into their own. If large DFI inflows are precluded, then the only means of improving the living conditions of the mass of the people is by tapping the existing reserves of the economy, i.e. by taking up the slack in agriculture through egalitarian land reforms as well as by more investment in rural infrastructure, and by raising the

domestic savings ratio as the East Asians and South East Asians have done. True, this appropriation of an alternative programme would take time, but the conditions for it are ripening.

We shall end with two comments. An essential component of any alternative programme over and above the mere nitty-gritty of an economic strategy must be a strengthening of democratic institutions and structures. Only then would its appropriation by the basic classes be a productive and more durable one. In other words, what is essential is not a new bout of social engineering, but a genuine process of social transformation which expands the direct political intervention capacity of the basic classes. Much has been written on the state versus market dichotomy, and much of it, as we have seen, is facile. If the state is not sufficiently accountable to civil society, then it has to be made accountable, but this must be ensured merely by a formal change in its character. Such a formal change has to be accompanied by a substantive expansion in the capacity for direct intervention on the part of the very classes in whose favour the formal change in the character of the state is supposed to have occurred. Putting it differently, the state versus market debate is a red herring, which sidetracks the real debate: greater or lesser democracy for the broad masses of the people.

The second comment is the following: the fact that, for a situation of famine, has made the pursuit of progressive economic policies more difficult is obviously undeniable. But, in focusing upon this phenomenon exclusively, we run the risk of missing the dialectics between the external and the internal, of completely ignoring the possibility of domestic mobilisation, of ignoring the effect of this mobilisation upon the ability to tackle the external constraints, in short, of ignoring the totality of the situation which defines the scope for praxis. Into the constitution of this totality, what enters is not only the changes occurring at the level of world capitalism, but also the level of political mobilisation of the masses domestically.

Notes

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[Mahalanobis' writings on planning have been brought together in *Essays on Planning*, ed. by P. K. Bose and M. Mukherjee, Statistical Publishing Society, Calcutta, 1985. For a general discussion of Indian planning literature, see S. Chakravarty, *Development Planning: The Indian Experience*, OUP, Delhi, 1987, and *Selected Economic Writings*, OUP, Delhi, 1993, and also the

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- Special Number of *Economie Appliquee* on Adolph Lowe and P C Mahalanobis (No 2, 1994). In the Marxist tradition, apart from the very substantial literature produced by Soviet scholars, there are several essays by Oskar Lange reprinted in *Papers on Economics and Sociology 1930-1960*, Pergamon, 1970, Charles Bettelheim, *India Independent*, London, 1968, and Michael Kalecki, 'Intermediate Regimes' in *Selected Essays on the Economic Growth of Socialist and Mixed Economies*, Cambridge, 1972. In the literature produced from within India reference may be made to K M Kurien (ed), *Indian State and Society: A Marxist Approach*, Bombay, 1975, and Ashok Mitra, *Terms of Trade and Class Relations*, London, 1977.
- 2 Besides drawing \$666 million from the reserve tranche, India obtained loans totalling \$2,672 million under the first credit tranche facility and the compensatory and contingency financing facility during 1990-91 and early 1991-92. Finally, in October 1991 it arrived at a 20-month Standby Arrangement for upper credit tranche borrowing to the tune of \$2,262 million.
 - 3 The World Bank's suggestion in a report in October 1990 that the rupee should be devalued by 20 per cent may have started the speculative outflow. The flight of capital from the Foreign Currency Non-Resident Accounts alone added up to \$1.33 billion between October 1990 and June 1991. See C T Kurien, *Global Capitalism and the Indian Economy*, Delhi, 1994, p 100.
 - 4 An important recent addition to this literature is of course Alice Amsden *Asia's Next Giant*, New York, 1989.
 - 5 The actual estimates on the basis of which the policy package was recommended were made by USAID with which the Bank worked in close collaboration. For a discussion as well as a critique of this position see K N Raj, 'Growth and Stagnation in Indian Industrial Development', *Economic and Political Weekly*, Annual Number, February 1976, reprinted in Deepak Nayyar (ed), *Industrial Growth and Stagnation: The Debate in India*, OUP, Delhi, 1994.
 - 6 These arguments of course were not manufactured by the Bank. They were doing the rounds at the time, for instance in the famous OECD volume *Industry and Trade in Some Developing Countries: A Comparative Study* by I M D Little, T Scitovsky and M F G Scott, Oxford, 1970, and were merely appropriated by the Bank. For a review and critique of this position, see A K Bagehot, 'The Theory of Efficient neo-Colonialism', *Economic and Political Weekly*, Special No, July 1971.
 - 7 This was an important conclusion of Ashok Mitra, op cit.
 - 8 A set of total factor productivity estimates for the Indian economy prepared by J J Ahluwalia in *Industrial Growth in India*, OUP, Delhi, 1985, which was influential in supporting the 'liberalisation' agenda, has been criticised on empirical grounds by P Balkrishnan and K Pushpangadan, 'Total Factor Productivity Growth in Manufacturing Industry: A Fresh Look', *Economic and Political Weekly*, July 30, 1994. For the role of the domestic investment effort in explaining the growth experience across countries, see Prabhat Patnaik and C P Chandrasekhar 'Exports, Investment and Growth: A Study of Cross-Country Experience', forthcoming in *Economic and Political Weekly*.
 - 9 Several case-studies for particular industries exist which illustrate this process. Reference may be made to Biswajit Dhar's 'Growth and Technological Change in the Indian Fertiliser Industry', unpublished PhD thesis, Jawaharlal Nehru University, which contains a detailed discussion of how the Bank's insistence upon having fertiliser plants of 1,350 tonnes per day of ammonia, even in the absence of any evidence of economies of scale, effectively undermined the position of the public sector unit FPDIL, which could set up plants up to 900 tpd capacity.
 - 10 For a discussion of the shift in the IMF's position see C P Chandrasekhar 'The Macroeconomics of Imbalance and Adjustment' in Prabhat Patnaik (ed) *Macroeconomics*, OUP, Delhi, 1995.
 - 11 The fact that it practised systematic discrimination between the first and the third world countries as distinct from its asymmetric ability to 'discipline' surplus and deficit countries is by now well-established. Sunanda Sen, 'Financial Oligarchy in Contemporary Capitalism' in Prabhat Patnaik (ed) *Lenin and Imperialism*, Delhi, 1986.
 - 12 This argument about greater concert among advanced countries *envisages* the third world and its implications are discussed in Prabhat Patnaik 'The Nation-State in the Era of Globalisation', *Economic and Political Weekly*, August 19, 1995, which suggests that while the situation today resembles the Kautskyite notion of 'joint exploitation of the world by internationally united finance capital' with a weakening of the role of the nation state, revival of the latter is inevitable.
 - 13 A discussion along these lines is to be found in Karik Raj, 'The Indian Economy in Adversity and Debt', *Social Scientist*, January-February 1992.
 - 14 There are a large number of papers on the question of industrial stagnation in India after the mid-1960s, some of which have been collected in Nayyar, op cit. Special reference may be made to the papers by Shetty, Srinivasan and Narayana, and Nayyar himself.
 - 15 See C T Kurien, op cit, p 119.
 - 16 Figures from Reserve Bank of India, *Annual Report 1994-95*, Bombay, 1995.
 - 17 Figures from World Bank, *World Debt Tables: External Finance for Developing Countries 1994-95*, World Bank, Washington, DC, 1994.
 - 18 Such an argument giving primacy to supply-side factors having little to do with structural adjustment as such has been put forward by Tendulkar and Jain, whose poverty estimates we have just quoted.
 - 19 These figures are taken from Reserve Bank of India, op cit.
 - 20 Central Statistical Organisation, *National Accounts Statistics*, Annual.
 - 21 For the industrial sector this was argued by Prabhat Patnaik in *Private Corporate Industrial Investment in India 1947-1967: Factors Affecting Its Size, Cyclical Fluctuations and Distribution Between Sectors*, unpublished D Phil thesis, University of Oxford, 1973, a similar argument though within a very different overall perspective was put forward by T N Srinivasan and N S S Narayana 'Economic Performance since the Third Plan', *Economic and Political Weekly*, Annual No. 1977, reprinted in Nayyar op cit. For the agricultural sector the argument was put forward by S K Rao in *Inter-regional Variations in the Growth of Agriculture and Population in India 1951-1968*, unpublished PhD thesis, University of Cambridge, 1972.
 - 22 S N Mishra and Ramesh Chand in a recent article 'Public and Private Capital Formation in Indian Agriculture: Comments on the Complementarity Hypothesis and Others', *Economic and Political Weekly*, June 24, 1995, argue that public and private investment in agriculture are not complementary. But they use the term complementarity to mean that the direction and rate of movement of the two series from any given position must be the same and of similar order, if not identical. This is not what is being asserted by us here.
 - 23 These figures are provided by the EPW Research Foundation in the September 9, 1995 number of the *Economic and Political Weekly*.
 - 24 An indication of the expensiveness of consumer credit notwithstanding burgeoning reserves can be obtained from the fact that the rate of interest on it in recent years has been in the range of 21-24 per cent.
 - 25 V I Lenin, *Imperialism: The Highest Stage of Capitalism*, in *Selected Works* (3 vols), Moscow, 1977, Vol 1, p 675.
 - 26 M Kalecki, 'Problems of Financing Economic Development in a Mixed Economy', reprinted in Kalecki, op cit.
 - 27 N Kaldor, 'The Case for Regional Policies', reprinted in *Further Essays on Economic Theory*, London, 1978.
 - 28 Patnaik and Chandrasekhar 'Exports, Investment and Growth', op cit.
 - 29 The argument that simply liberalising the economy and thereby giving price incentives to the farmers would cause a notable increase in agricultural output together with agricultural exports is an untenable one for reasons we have already discussed, namely that growth in agriculture is not a matter of price alone, but requires substantial government investment in irrigation, extension etc, to which private investment then responds.
- Moreover even if for argument's sake it is accepted for a moment that higher prices would stimulate higher agricultural growth, since this growth under the extant agrarian structure would be under the aegis of the rich farmers, its effect on employment would be minimal: the elasticity of employment with respect to output in the new Green Revolution areas is very low and for the country as a whole has sharply declined. See Sheila Bhalla 'Trends in Employment in Indian Agriculture: Land and Asset Distribution', *Indian Journal of Agricultural Economics*, October-December 1987.
- 30 A detailed picture of the emerging resistance against the new policies can be found in Utsa Patnaik, 'Food Security, Class Structure and Export Agriculture in Underdeveloped Countries and in India', paper presented to an International Conference on Agrarian Issues, Wageningen, The Netherlands, May 1995.

Conditions of Brick Workers in South Indian Village

A Dharmalingam

Brick workers in a Tamil village are so underpaid that it becomes difficult for them to reproduce even the labour expended. An increasing number of brick workers are taking to other areas of employment. The expanding brick industry also has had deleterious effects on the environment by felling trees for fuel, the consequences of which are felt more by the poor than the rich. The rich brick industrialists have distorted traditional social relations and widened the social distance between the 'haves' and the 'have-nots'.

IN recent decades the brick-making industry has expanded rapidly in southern Tamil Nadu. It appears that the benefits that accrued through this expansion have not been shared equally between 'capital' and 'labour'. In this paper brick work among men in a village in Tamil Nadu is analysed to understand its bearing on their lives and society. The quantitative and qualitative materials presented here were collected as part of a major survey conducted in 1987 by employing anthropological survey methods.¹

The study shows that the brick workers are underpaid, so much so that it becomes difficult to reproduce even the labour expended. With no hope for a better future an increasing number of brick workers are taking to other areas of employment. Further, the expanding brick industry has had a deleterious effect on the environment by felling trees for fuel. The consequences of this are again felt more by the poor than the rich. Most important, the newly-rich brick industrialists have distorted traditional social relations and intensified the tensions between the 'haves' and the 'have-nots'.

The expanding brick industry in the surroundings of the study village provide employment opportunities for the uneducated proletariat. The expansion of this industry began only recently. The number of brick kilns increased from two in the 1950s and 1960s to over a dozen in the 1970s and 1980s.

In the 1970s new kilns emerged to meet the increased internal and external demand for bricks. Internal demand was mainly from the emerging prosperous section of the population in the study area, and external demand for the bricks came from neighbouring Kerala state. The external demand was due to the high quality and lower price in the study area, which was the result of cheap labour and wood-fuel. The higher concentration of brick kilns was facilitated by good soil quality and secure water supply throughout the year.

The main area of concentration of brick kilns is at about two kilometres west of the study village, very close to the Western Ghats. Before the 1960s, the soil from the fertile garden land was used to make bricks.

But gradually, to meet the increased demand for bricks, new brick kilns were established in dry lands. At the time of the survey there were four brick kilns on the outskirts of the study village which had been dry lands before.

All the new industrialists are from the dominant peasant caste (Nadar) in the area. Many of them were either middle peasants or wage labourers. One leading industrialist and his wife were in fact brick workers before they embarked on large-scale production with little capital. Not all of those who started brick kilns, though, survived long. Some brick industrialists could not survive because of lack of capital when a loss occurred. Two small ex-brick industrialists in fact switched over to the stainless steel business in Kerala in which they seem to have done well; one reverted to his old tea shop occupation and another to his old tailoring job. All those who are out of the brick industry now are still in debt.

The brick industry, apart from creating employment for the proletariat, has produced some rich people in and near the study

village who were brick workers before. Though they were reported to have started the brick kiln with as little as 5,000 rupees capital, now two of the main brick industrialists own several millions worth of assets, and others a couple of lakhs worth. Reaping windfall profits was helped by two main factors. First, in the 1970s and early 1980s during which the new brick kilns were developing, their initial accumulation of capital was facilitated by lower fuel costs. Wood, which is the main fuel to bake the bricks and which formed a substantial proportion of the total cost of brick production, could be bought from peasants and others at a minimum cost in the beginning of the period of expansion of the brick industry. Many palm trees, which usually take about 50 to 75 years to grow to maturity, were cut for fuel, and their use by brick industrialists as a cheap fuel greatly helped the accumulation of capital. Second, the pauperisation of brick workers was the result of accumulation of wealth and resources in the hands of the industrialists. The wage

TABLE I. WORK PARTICIPATION AMONG BRICK WORKERS

	Main Workers (Per Cent)	Co-Workers (Per Cent)
Current age (years)		
< 15	—	9
16-30	18	28
31-40	41	40
41-50	35	19
51+	6	4
All	100(51)	100(47)
Number of years worked		
< 5	20	45
6-10	23	26
11+	57	29
All	100	100
Hours of work per day:		
10	12	10
11	55	30
12	33	60
All	100	100
Months of work last year:		
< 6	16	36
7	21	13
8	49	42
9+	14	9
All	100(51)	100(47)

Note: Figures in parenthesis are number of respondents.

paid was usually barely enough to maintain the worker's family.

NATURE OF BRICK WORK

It is useful to start with a description of the process of brick-making for a better understanding of the nature of the work done and the wages received. First, earth is dug up; after the approximate quantity of earth required has been dug, water is poured on it to make it wet; the wet soil is then mixed well to be ready to make raw bricks. This part of the brick-making process can be called the 'soil preparation stage'; this stage takes three to four hours, and both the main worker and the co-worker equally participate in it. In the second stage, a ground is prepared to lay the bricks on. After the surface is made even, a very thin layer of sand is spread to make sure that when the brick is laid it does not stick to the ground. The ground preparation is mostly done by the co-worker.

When the ground is prepared, the mixed soil is lifted to the ground by means of a wooden plate with two long handles on each side. The soil is usually mixed at a lower-level surface, normally in a pit that was created gradually as the soil was dug for brick-making; therefore lifting it to the ground is a hard job. Loads of mixed soil weighing about 100 kilograms are brought on the wooden plate to the ground by the main worker and co-worker together, one holding the front-handles and the other the back-handles. This is the hardest part of brick-making and is done for three to four hours every working day. The raw bricks are laid by both the workers, and this is usually done for four to five hours a day. If the co-worker is a young boy, only the main worker does the laying.

Laid-out raw bricks must be turned at least once to dry them well before they are ready for baking in the kiln. If both the workers are adults, turning the bricks is done by both; if the co-worker is a young boy or old man, he does the turning. The dried raw bricks are then stacked in such a manner that there are spaces between the bricks to facilitate the process of drying if they were not well-dried when they were stacked. The top of the stacks is covered with palm leaves to protect the dried raw bricks from rain. The workers' responsibility for making raw bricks ends with arranging the bricks in stacks.

In making raw bricks the workers have to expend a lot of energy. When they leave home for work, they take a heavy breakfast and also carry a heavy lunch box. Work starts around 7.30 in the morning and goes on till 6.30 in the evening. During this time the workers cannot afford to take any rest. Around 11 am they have tea and snacks (e.g. fried lentils or beans). Lunch is taken around 1.00 pm. Again at about 3 pm another round

of tea with snacks is taken, to sustain them until the end of that day's work. Workers say that eating four times is not at all sufficient to meet their energy demands. If they can afford it, they say, they can eat every hour while doing brick-work. At the end of the day they feel like corpses with no energy left. However, brick workers with no family responsibilities are very lavish in spending their wages on food items to keep their bodies fit to do the job.

The energy demand is such that only adults in the prime of life can do brick-work, particularly those between the ages of 15 and 50 years. Only adult men are engaged in brick-making in the study area; the work is considered too hard for women to do. Even among men only a few over 50 can do it. As can be seen from Table 1, only 6 per cent of the main workers and 4 per cent of the co-workers were aged more than 40 years. About 60 per cent of the main workers have worked over 10 years, and a similar proportion of co-workers have worked for less than 10 years. While some of the co-workers were aged under 15 years, all the main workers were over 15, which indicates

the physical development required to make a person fit for brick-making. Though it is necessary to work as a co-worker before becoming a main worker, not all can become co-workers before age 15. The co-worker stage is a necessary one to acquire the skills needed to make bricks. Co-workers under 15 are usually the main workers' sons or brothers.

In the beginning of the brick industry, all the main workers were under the control of, and accountable to, the brick industrialist. Lately there has been a new development, though insignificant in magnitude, in this relationship. This seems to be the result of increased assets and industry size. Under a new system the main workers have no connection with the employer but with a contractor. This puts the contractor rather than the industrialist in direct contact with the workers. The co-worker is always under the main worker's control. However, if the co-worker is sincere with no intention of moving to other work or other industries, the employer encourages him to stay in his kiln by directly lending him money whenever needed.

TABLE 2. WAGES AND DEBT OF BRICK WORKERS

	Main Workers (Per Cent)	Co-Workers (Per Cent)
Wage per day (rupees)		
<10		17
11-15	17	51
16-20	61	32
21-25	16	
26-30	6	
All	100(51)	100(47)
Wage per week		
40-50	5	21
51-75	14	52
76-100	64	18
101-125	14	7
126-175	6	
All	100	100
Expenditure at work place per day (rupees)		
2-4	20	
5	74	
6-8	6	
All	100(51)	
Debt to employer (rupees)		
No debt	29	75
50-100		7
150-200	10	6
250-300	10	4
350-400	4	
450-500	13	4
550-600		4
800-1000	16	
1100-2000	14	
30000	4	
All	100(51)	100(47)
Mean debt (rupees)	644	78
Purpose of debts		
For Family expenses	73	
Loss due to rain	15	
For marriage/festivals	6	
To buy land	6	
All	100(48)	

Note: Figures in parenthesis are number of respondents

All the brick workers in the study village were at the time of the survey working in about 13 brick kilns. There were some kilns in which no one from the study village worked. The brick industry can provide employment to a large number of adult males because of high attrition after the age of 40 years, the increased demand for bricks also encourages the employer to recruit new entrants. Though wages were determined according to the number of bricks made, a main worker might incur the wrath of the employer if he worked less than four days a week for no justifiable reason.

Brick work is available for eight to nine months depending on the duration of the monsoon. Raw bricks are not made during the three monsoon months in Tamil Nadu, but during this period some men migrate to nearby Kerala state to work in the brick kilns there. (This is mostly illegal because unionism in the brick industry in Kerala is so strong that outsiders cannot get jobs easily and legally.) During the monsoon the brick workers are not unemployed because the monsoon creates employment in agriculture.

As mentioned above, the brick workers work for 11 to 12 hours every day. Only about 12 per cent of the main workers worked for about 10 hours a day, about one half of them for about 11 hours and about one third for about 12 hours. A similar pattern is observed for the co-workers. This work is done for about five days a week and four weeks a month. Some workers work six days a week. Sunday is the rest day for all brick workers, and many of them go to a movie show on that day.

WAGES, LOSS AND OCCUPATIONAL HAZARDS

The wage for the main workers is determined by the number of bricks made, but for the co-workers the wage is fixed by the main worker on the basis of the capacity of the co-worker. The piece work rate paid by the employer varied between Rs 15 and 18 per 1 000 bricks. To earn a wage of Rs 15, a pair of main and co-workers have to make about 2 000 bricks a day. The average number of bricks made, depending on the strength of the workers, varied from 1 500 to 3 000 per day. Table 2 gives information on wages earned. About two thirds of the main workers earned a wage of between Rs 15 and 20 a day, about 15 per cent earned less than Rs 10 and a similar proportion of main workers earned about Rs 25 a day. It is common among the workers who earn over Rs 25 a day to work fewer days in a week than those who earn, say, less than Rs 20 a day. This is mainly because they are too tired to work many days; also they say they adjust to the heavy work by taking a day off. However, if they work for fewer than four days a week, they may face the anger of their employer.

Most workers earn between Rs 75 and 100 a week which will add up to about Rs 3,200 a year. However, allowance has to be made for the money spent at the workplace, which has to be met from the wage earned by the main worker. Every day on average about Rs 5 are spent on tea and snacks at the work site. Thus, if it is assumed that on average a pair of workers make bricks worth Rs 40, after deducting for the expenditure at the work site each worker would get about Rs 17. Most workers thus earn a net wage of only Rs 2,400 a year.

However, not all brick workers earn this much in a year because some may incur losses due to rain. The main brick worker is always in a precarious condition when the laid raw bricks are on the ground. Only when the bricks are arranged in stacks does the responsibility for the bricks pass from the worker to the brick kiln industrialist. If rain destroys the laid out bricks, then the main worker has to forgo his wage and his co-worker's wage together. In the study village, there were seven main workers whose debt to the brick industrialist was due to brick loss in rain. As most brick workers take their wage before the work is done, loss due to rain increases their debt with the industrialist, which in turn affects their freedom to change occupation or move to another industry.

Over 70 per cent of the main workers were indebted to the brick industrialists at the time of the survey in 1987. As the wage earned is often insufficient to meet the cost involved in the maintenance of the family, workers are forced to borrow over their wage from the employers. Even on the days the workers are absent from work, usually two days a week, they have to borrow some pocket money from the employer, which adds to the gradual accumulation of debt with the employer. Table 2 shows that the average amount of debt was over Rs 600. As the majority of the indebted stated that borrowing was for the purpose of domestic expenditure essential for the survival of the family, it may be argued that the ever increasing affluence of the brick industrialists was at the cost of the workers' health and survival.

The conditions of the brick workers are worsened by their proneness to occupational injuries. The most often experienced accident was cutting the foot while mixing the soil with spades. Other occupational hazards include foot injuries caused by falling bricks. As Table 3 shows, of the 27 workers who experienced occupational injuries, about one fifth lost between six and 10 days of work, about half between two and four weeks of work, and about a fifth lost work for more than a month. Though 27 workers were injured at work, only four of them were paid some money towards medical expenses. Not even a small amount was paid to the injured for the period during which they were unable to work. Instead, the workers' survival was maintained by lending them money. This is

another important reason for the indebtedness of the brick workers to the brick industrialists.

Another source of income loss to the workers, as mentioned above, was loss of work due to rain. The relevant information is given in Table 4. Here the actual work done has been lost because the bricks were destroyed by rain. Many workers were

TABLE 3 OCCUPATIONAL ACCIDENTS AND LABOUR DAYS LOST

	Brick Workers (Per Cent)
Nature of accident	
Foot injured as brick fell from kiln	15
Foot injured as wood fell while loading into the kiln	11
Foot injured by spade while mixing soil	56
Other injuries	18
All	100(27)
Number of labour days lost	
No loss	7
<5 days	7
6-10	22
11-30	35
31+	19
All	100(27)
Mean number of days lost	17
Harvesting work done	
One season	25
Two seasons	53
Not at all	22
All	100(51)

Note: Figures in parenthesis are number of respondents.

TABLE 4 LABOUR DAYS LOST AND MONETARY LOSS DUE TO RAIN AND BONUSES RECEIVED

	Brick Workers (Per Cent)
Number of labour days lost through loss of bricks due to rain	
No loss	10
<10	35
11-20	35
21+	20
All	100(51)
Mean number of days lost	15
Monetary loss due to brick loss (rupees)	
No loss	10
<100	10
110-300	28
310-600	32
700+	20
All	100(51)
Mean monetary loss (rupees)	361
Bonuses received from employer	
No bonus	55
One dhoti, towel or shirt	25
20-50 rupees	14
60-100 rupees	6
All	100(51)

Note: Figures in parenthesis are number of respondents.

subject to this – as many as 46 out of 51 main workers reported that they experienced brick loss due to rain. On average the workers have lost about Rs 400 worth of brick work during the reference year, which was the equivalent of about 15 days' work.

As the brick industry in the study area is considered to belong to the informal sector of the national economy, they are not bound by regulations governing working conditions and bonus. Two of the big brick industrialists give bonuses at the rate of Rs 10 to 20 for every Rs 1,000 wage earned. About 20 per cent were paid in such terms, about a quarter were paid bonus in kind (a dhoti and towel), and over one-half of the brick workers did not receive any bonus (Table 4).

With such an adverse working environment and life-long indebtedness to the employer, workers exploit all available means to prolong their survival. Paddy harvesting work is an agricultural activity every worker would like to do in order to earn some paddy. There are two paddy harvest seasons, one falling in the summer and the other in the monsoon season. As the paddy harvesting does not overlap with brick work in the monsoon season, the brick workers are free to go harvesting in that season. However, in the summer season not all workers are free to do harvesting because it will affect the brick work which in turn affects the interest of the brick industrialists.

Given the high social propensity⁴ for every one to do harvest work, only about 50 per cent of the brick workers participated in harvesting in both the seasons (Table 3), this indicates the role played by the brick employers in preventing the workers from participating. The strategies used by the employers to persuade the workers not to go harvesting, particularly in the summer season, can be mild or strong. In the mild version, the employer pays a lump sum in advance to the brick worker to buy the paddy that he would have earned through harvesting. As most workers are already indebted to the industrialist very few refuse to succumb to this pressure. If some workers are brave enough to challenge the industrialist, then he orders the worker to repay the debt before going harvesting. Four brick workers reported that they did not go harvesting in the summer season because their employers did not allow them. One worker reported that the brick-kiln owner did not allow him to do harvesting in both seasons because, he said, "I owed him a debt. The brick-kiln owner told me to take money from him to buy paddy and come to the kiln for work". Another worker said, "I went to harvest only once and for only a few days. Because we have borrowed from him, we have to dance to his tune. We do not have any other alternative, that is why we are working under him."

ALTERNATIVES TO BRICK MAKING

We have seen that an average brick worker earns a wage of between Rs 15 and 20 for his 12 hours hard work. He is not compensated for the work days lost through rain or occupational accidents. Even after working for 12 hours a day, he has to borrow from the brick-kiln owner to maintain himself and his family. Not willing to forgo the constant flow of profit, the brick-kiln owners prevent the workers from doing paddy harvesting which the workers consider crucial. By keeping the wage lower than the amount necessary for the maintenance of the worker's family and making the workers indebted, the brick-kiln industrialist makes sure that they are trapped into depending on them for life.⁴ Given the worsening conditions of life, it is not surprising that brick workers never miss any opportunity for alternative employment, though they have to repay the debt incurred to the brick industrialist before doing so.

Information about former brick workers is given in Table 5. There were about 38 persons in the study village who had done brick work in the past; most were aged less than 40 years and had worked for less than 10 years, which indicate that they did not see any future in brick work. Only one-quarter of the ex-brick workers left the job because they were not physically able to do the job, in contrast, about 70 per cent of them left because in spite of the hard and long work, the reward they received was not sufficient to meet the essential requirements of their families.

Aware of the destitute situation likely to result from work in a brick-kiln, many men now-a-days look for opportunities in petty trade, small business and petty services. About 25 persons in the village are engaged in such service occupations as tailoring, masonry work, tea shop and grocery shop. About 11 men do such petty trades as selling rice, vegetables, beedi leaves and tobacco. There were about four beedi-making small agents (locally called commission agents) and five brick-arranging contractors. Many men who are engaged in occupations which are different from brick work did so because brick work did not seem to promise them a better life.

The main sector in which many ex-brick workers have found employment is the retail sale of stainless steel utensils; 14 out of the 21 persons who do this business are ex-brick workers. This petty trade is done in the neighbouring state of Kerala. Two small ex-brick kiln owners bring the materials from Madras (about 600 kilometres north-east of the study village) and employ the capital-less ex-brick workers to sell the products in the rural areas of Kerala. Many large-scale stainless steel dealers from the villages near the study village conduct their business in

Kerala. People who sell stainless steel materials find that this job is easier and more rewarding than brick work – they can wear decent clothes while doing business, they have greater respect and higher status and they command more dowry if unmarried. While the big dealers became irritated with the strong trade union movement in Kerala, the ex-brick workers were impressed by the determination of workers in Kerala, some even wanted to organise the brick workers in the study village to fight for higher wages and good working conditions. As the stainless steel business is not affected by rain, it provides employment throughout the year, most businessmen visit their homes every three months.

It is therefore evident that brick work is increasingly disliked. The nature of brick work is such that a worker cannot depend on it forever, at some point he has to look for other jobs. To complement the existing employment opportunities outside agriculture and the brick industry, labourers with entrepreneurial skills move on to do business or work as petty traders. Some are even prepared to go to places as far away as Madras and Bombay. The factors that seem to play the determining role in out-migration are landlessness, poor wages and working conditions, and the absence of the prospect for a better future. An understanding of these conditions of existence is necessary in the study of individual behaviour.

SOCIAL EFFECTS

The expansion of the brick industry in a predominantly agrarian society such as the study village has not only reduced population pressure but also created an affluent minority, inter and intra-family conflicts, and changes in the social fabric. The brick and beedi

TABLE 5. INFORMATION ABOUT FORMER BRICK WORKERS

	Former Brick Workers (Per Cent)
Current age (years)	
21-30	31
31-40	46
41-60	23
All	100 (38)
Number of years worked	
Occasionally	11
1-5	39
6-10	34
11-18	16
All	100 (38)
Reasons for giving it up	
Family responsibility to take over agriculture	8
Physically unable to do	24
Hard work but no good reward	68
All	100 (38)

Note: Figures in parentheses are number of respondents

industries⁶ have the potential to absorb the growing population in the study village but are not strong enough to retain them, because workers' labour is not rewarded well due to the existing power structure that favours the employer. This in turn makes the short- and long-term survival of the family uncertain. Employment is available for all but the wage is not enough for the development of the family, this is reflected in the high level of participation of capable adults and children in productive work and in the under-payment of wages and poor working conditions. At the same time, despite the meagre wage, the individual worker, whether female or male, is in a position to exercise some degree of independent choice, this positive aspect is however constrained by the poor material conditions of existence. To change this unpromising living environment, individuals make efforts and snatch any opportunity that comes their way, migrating out to do petty business in Kerala could be interpreted as one such response.

The expanding brick industry had both positive and negative effects on the environment, though there are more negatives than positives. On the positive side, as dryland soil used for brick-making, the land level is lowered. This lowered land could be brought under cultivation. However, when garden lands, and in some cases even wet paddy crop lands, are used for brick-making, cultivation is affected for five to ten years; sometimes, if the soil is very good, brick-making never stops. The main negative effect is the felling of trees for fuel in brick kilns. When the trees reach full size they are cut because they fetch a better price now than in the past. Sometimes even fruit bearing trees (e.g. tamarind) are sold to the brick-kiln, which was unthinkable in the past. The shortage of palm trees has increased the price of palm leaves which are used to thatch roofs. The poor being the main users of palm leaves, then interest had to be sacrificed for the benefit of the emerging brick industrialists. The demand for any kind of tree, including wild thorn trees, has reduced the availability of the free and cheaper trees for household fuel. This resulted in the opening of two wood-fuel shops in the village. The demand that these shops cater to was increased owing to the fact that both adult women and young girls are engaged in beedi-making, so there is no one, particularly young girls, available to collect fuel from the forest.

The newly acquired wealth of the brick industrialists seems to have had two noticeable effects on social relationships in the village. For example, two of the industrialists have married twice. Before getting into the business, each had only one wife, and they acquired second wives after establishing that they were wealthier. A third industrialist was taken to the police station

because of an illicit relationship with a girl, but the issue was reportedly resolved by bribing the police and the main parties involved in the dispute. As having an affair, or marrying a second wife while the first wife is alive and well, is against the local social values and customs; most people in the study village only pretend to respect these industrialists for their wealth and for providing employment.

Further, the rich industrialists have their own loyal followers who maintain their relative authority in the society. Whether it is a matter of the village council or the police station, the rich brick industrialists have a greater say in the outcome of an issue. With the implicit support of the brick industrialist, his loyal worker or servant can indulge in a clandestine affair with a girl and abandon her, to the disgrace of the girl and her family. When a verdict was given by the village elders or panchayat on the wrongdoing by the industrialist's thugs they could refuse to abide by it, which not only undermined the authority of a collective body but also disturbed the wider set of social relationships that govern communal harmony.

Summing up, it may be said that the economic and social changes that have taken place in the study village have facilitated expansion of employment, access to individual income, and increased individual independence. But at the same time the largely unchanged economic conditions of a growing section contrast with a flourishing minority section. The strength of the emerging class and

power structures, in turn, conditions the course of social and behavioural changes in the society.

Notes

- 1 For details see A Dharmalingam, 'Social Relations of Production and Fertility in a South Indian Village', unpublished PhD thesis, Department of Demography, The Australian National University, Canberra, 1991.
- 2 It requires at least two workers to make bricks - a main worker and a co-worker. Though most co-workers do the same amount of work as the main workers they are locally called 'helpers'. There are two major differences between the two workers. First, the co-worker can be a young boy or an adult, but the main worker cannot be a young boy. Secondly, only the main worker is accountable to the employer for the work done; the co-worker is accountable to the main worker.
- 3 Physically capable members of both poor and middle class families are, because of poor financial conditions, expected as well as forced to do harvesting because wage is paid in kind.
- 4 If a worker is indebted at the time of retirement, his family or sons are expected to pay the money back. If the amount is small then eventually the employer writes the debt off, if it is large, a deal is usually struck to pay part of the debt back.
- 5 Though the workers are conscious of their disadvantaged situation, they are not mobilised yet. Some attempts to bring the workers together in the recent past were thwarted by the brick industrialists.
- 6 Beedi work is discussed elsewhere, see A Dharmalingam, 'Female Beedi Workers in a South Indian Village', *Economic and Political Weekly*, July 3-10, 1992.

REVIEW OF WOMEN STUDIES

October 28, 1995

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Sheila Rowbotham: *Builder of Bridges*

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The *Review of Women Studies* appears twice yearly as a supplement to the last issues of April and October. Earlier issues have focused on: Gender Issues in Theory and Practice (April 1995), Women's Movement in Third World (October 1994); Gender and Structural Adjustment (April 1994), Women and Public Space (October 1993), Community, State and Women's Agency (April 1993); Gender and Kinship (October 1992); Women: Rights and Laws (April 1992); Women and the Media (October 1991).

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Growth with Social Justice

Sweet Slumber or Big Leap?

Bhupat M Desai

V S VYAS and Pradeep Bhargava in their paper, 'Public Intervention for Poverty Alleviation: An Overview' (*EPW*, October 14-21) have done eloquent service by not only commissioning nine state-specific studies on rural poverty but also by preparing a synthesised overview based on these studies. My comment is on their conclusion that poverty can be alleviated with the intervention of target-group specific poverty alleviation programme "without spectacular economic growth". This conclusion if extended to its logical extreme suggests that a strategy of poverty alleviation is a better alternative to growth with social justice-oriented policy. While Vyas and Bhargava may not have intended this, the unintended evil may be taken as good.

It is useful to consider three broad options for poverty alleviation. One, just the IRDP, JRY, etc. with moderate economic growth that Vyas and Bhargava seem to imply. Two, a higher rate of growth that is tilted in favour of agricultural-led process which is now widely documented as conducive to poverty alleviation. And three, such composition and rate of growth combined with selective poverty alleviation programmes.

Nowhere in the world has poverty declined to a tolerable limit without a high rate of growth, agricultural growth in particular. Unless there is large enough cake there is just not enough to share. This obvious lesson from historical experiences of the presently developed countries cannot be overlooked. And yet it has been overlooked perhaps because the authors found that poverty has declined in the face of deceleration in agricultural and industrial growth in 1980s in Andhra Pradesh for example. The logical extension of the analysis of this finding is what the authors seemed to have overlooked in their research. This extension is, would the poverty have reduced 'more' if the high sectoral growth rates of 1970s in Andhra Pradesh were sustained and accelerated in 1980s?

Yet another reason for Vyas and Bhargava's conclusion could be that Kerala has reduced poverty despite low growth rate in the state. But the government of Kerala has been making frantic and concerted efforts to improve the state's growth lest reduced poverty becomes unsustainable.

If we extrapolate the lessons of the past studies on rural poverty, agricultural growth and growth in general one conclusion is loud and clear. And that is that poverty does reduce significantly and consistently (notwithstanding the importance of its fluctuations) with higher and more sustained growth and agricultural growth especially

[see for example, Mellor and Desai 1986, Ahluwalia 1986, Ninan 1994 and Garha 1995]. Punjab is an excellent case validating this. This is because not only is its poverty ratio the lowest in the country but the absolute number of rural poor living below poverty line has also declined in post-Green Revolution period. It is in this phase Punjab's agricultural growth accelerated with consequent structural transformation, diversification, and high employment and growth-inducing linkages of its economy [see for example, Bhalla et al 1990 and Shergill and Singh 1995]. It is thus disappointing that these deductions from some of the significant past studies have escaped Vyas and Bhargava. But may be not quite. This is because what they may have in view is a 'relative' (i.e. inequality in income/consumption expenditure distribution) rather than 'absolute' poverty reduction as an objective/value versus the choice for the

objective of growth. They may therefore prefer the former rather than latter.

But two important lessons on the nature of change in 'relative' poverty in the process of economic growth of the presently developed countries need consideration. One of these is that the 'relative' poverty does increase initially. And second is that this poverty diminishes as growth accelerates [see for example, Kuznets 1957]. The first lesson therefore forms the basis for poverty alleviation programmes. And the second forms the basis for the growth accelerating policies. In other words, it amounts to our earlier stated third option rather than what Vyas and Bhargava have implied.

If the authors' option of combining poverty alleviation with modest growth rate that can result from relatively higher non-agricultural growth and lower agricultural growth is exercised it would significantly accelerate demand for wage goods (foods and cotton textiles). This is because both poor and a large section of non-poor beneficiaries under this option would spend a large portion of their incremental income on these necessities. If this demand is not matched by the growth in the supply of these wage goods it would be highly inflationary with conse-

TABLE 1. ANNUAL COMPOUND GROWTH RATE IN REAL GDP (AT 1980-81 PRICES) BY SECTORS (Percentage)

Years	Real Total GDP	Agriculture	Manufacturing	Intra-structure	Services	Public Administration and Defence
Pre-reform						
1986-87 to 1990-91	7.07	6.29	8.81	7.37	6.80	6.71
Post-reform						
1991-92 to 1995-96	5.00	5.47	6.06	4.77	3.68	4.88

Sources: (1) Economic Survey: 1994-95, GOI, 1995

(2) 'India Economic Outlook, 1995-97', *Economic and Political Weekly*, September 23, 1995

TABLE 2. RECENT PERFORMANCE OF AGRICULTURE

Details	Pre Reform 1986-87 to 1990-91	Post Reform 1991-92 to 1995-96
1. Annual compound growth rate in index of agricultural production (Tr. Ending 1981-82 = 100)	7.69	3.15
2. Average of index of wholesale prices of agriculture to index of wholesale prices of manufacturing (Terms of Trade for Agriculture) (Base: 1981-92)	110.40	113.80
3. Annual compound growth rates in		
3.1 HYV area	4.23	1.46
3.2 HYV area as a per cent of area under the crop	3.23	1.34
3.3 Fertiliser use	10.78	0.39
3.4 Gross irrigated area	1.94	1.46
3.5 Electricity use in agriculture	13.99	8.99
4. Annual compound growth rates in		
4.1 Real plan expenditure on agriculture and rural development in 1980-81 prices	1.72	1.47
4.2 Real plan expenditure on agriculture alone in 1980-81 prices	1.04	1.57
5. Annual compound growth rates in		
5.1 Real total* institutional rural credit issued during the year	-2.12	7.40
5.2 Real total* institutional rural credit outstanding	2.16	-6.22

* Includes both 'direct' and 'indirect' rural credit

Sources: (1) Economic Survey: 1994-95, GOI, 1995

(2) Report on Currency and Finance, various issues, RBI

quent deterioration in poverty and growth. Moreover, it would be unsustainable also because of highly likely constraints of budgetary resources and foreign exchange. And it would also make the country vulnerable. Thus, no strategy of poverty alleviation can be successfully pursued without significantly higher agricultural-growth.

The third option of developing appropriate composition and rate of growth combined with selective poverty alleviation programmes at the policy level leaves much to be desired. As regards plan expenditure allocations for agriculture and rural development are concerned, there are three disconcerting features. One, their relative share for this sector in the total plan expenditure has been declining in recent Five Year Plans. Two, not only are these allocations smaller in these plans than in the past but actual plan expenditures are even lower than allocated. And three, these plan expenditures for 'production potential generation' have been lower and/or have smaller relative shares. The limitations of implementation of IRDP and PDS that constitute two major poverty alleviation programmes are quite well brought out by Vyas and Bhargava. Since the advent of new economic environment the policies for agriculture are unsustainable, uncertain and lack a strategic focus. They seem to largely rely on improving terms of trade for agriculture through reducing protection to industries [Singh 1995] and more than warranted increases in procurement prices.

It seems the strategy underlying the preceding policies among other factors have given (a) lower overall growth rate, (b) lower sectoral growth rates, and (c) higher poverty in the post-reform years compared to immediately preceding five years or so in 1980s (see Tables 1 to 4).

Table 2 shows that the favourable terms of trade for agriculture have 'further' improved and yet agricultural growth in post-reform years is much lower. This is not surprising because aggregate agricultural supply response is known since long to be price-inelastic. This is because of resource specificity in agriculture, land supply being fixed, and lower input intensity. Table 2 also reveals that most of the major non-price factors (like HYVs, fertilisers, irrigation, electricity, government expenditures and institutional credit) which stimulate agricultural growth much more [see, for example, Daniwala 1962, 1967, 1978, and 1986; Mellor 1966 and 1976; Krishna 1982; Mellor and Desai 1986; and Thamarajshy 1994] have greatly deteriorated in the post-reform years.

The moot question now is, shall we wake up or be complacent about what Raj Krishna used to call Hindu rate of growth – yet another one though fortunately higher at 5 per cent compared to 3 per cent in his days? The answer could lead to sweet slumber or a big leap through a proactive policy for a higher agriculture-led growth rate combined with selective poverty alleviation programmes.

Incidentally, there seems to be general agreement that future agricultural growth

needs to be pitched up from 3 to 4 per cent targeted in past Five-Year Plans [see, for example, Vyas 1994]. Moreover, many of the poverty alleviation programmes are compatible with most agricultural growth policies. And they can be made more so with appropriate policy and programme-mix [see for example Desai 1994]. Maybe, we can draw lessons from the preceding to make a better choice between the two possible answers.

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TABLE 3 RECENT PERFORMANCE OF FOOD-PROCESSING, OTHER AGRO-PROCESSING, AND OTHER MANUFACTURING INDUSTRIES
(Base 1980-81 = 100)

Details	Pre-Reform 1986-87 to 1990-91	Post-Reform 1991-92 to 1993-94
Annual compound growth rate in index of production in		
Food-processing industries	5.84	-5.01
Agro processing other than food-processing industries*	2.83	6.02
Other manufacturing industries**	9.49	2.80

* Includes beverage, tobacco and tobacco products, cotton textiles, jute, hemp and mesta products, textile products and apparels, wood and wood products, paper and paper products, leather and fur products.

** Includes rubber, plastic, petroleum and coal products, chemicals, non-metallic mineral products, basic metal and alloy products, metal products, non-electrical machinery and machine tools, electrical machinery and appliances, transport equipment, and other manufacturing.

Sources: *Economic Survey* 1994-95, GOI, 1995.

TABLE 4 SOME POVERTY INDICATORS

Years	Poverty Ratio (Per Cent)			Lorenz Ratio of Inequality in Distribution of Consumption Expenditure			Percentage Change in Real Wage Rate in Agriculture		
	Rural	Urban	Both	Years	Lorenz		Years	Skilled	Unskilled
1987-88 June-July	39.1	40.1	39.3	1977/78	0.336	0.344			
1989-90 June-July	33.7	36.0	34.3	1983	0.298	0.330			
1990-91 June-July	35.0	37.0	35.5	1987/88	0.298	0.353	Pre-reform 1986-87 to 1990-91	1.3	3.3
1992 Jan-Dec	41.7	37.8	40.7	1989/90	0.278	0.350			
				1990-91	0.271	0.335	Post-reform 1990-91 to 1992-93	-1.6	0.1
				1992	0.286	0.399			

Source: S P Gupta, 'Economic Reforms and Its Impact on Poor', *Economic and Political Weekly*, June 3, 1995.

National Accounts Statistics of India - 2

Domestic Saving and Capital Formation

EPW Research Foundation

I

Basic Concepts

SAVING represents the excess of disposable income over expenditure on the final consumption of goods and services. At first remove, saving is thus considered as the balancing item on the income and outlay accounts of resident units after all of their current receipts and disbursements are taken account of [SNA 1968:130]. The concept emphasises the current nature of receipts and payments, thus ruling out the inclusion of flows out of past assets or future liabilities. Therefore, saving excludes capital gains and losses because they do not conceptually constitute part of the current disposable income; so is the case with capital transfers. The economic-theoretic concept of this income accepted for national income accounting purposes derives its basis, as referred to Part I, from the Hicksian notion of the "maintenance of capital intact", that is, treating income as the maximum amount that a household or other unit can afford to spend on consumption goods or services during the accounting period without having to finance its expenditures by dipping into its physical or financial assets or by increasing liabilities [SNA 1993:187].

At second remove, saving provides the link between the current flows in the system as appearing in the income and outlay accounts and the subsequent accumulation accounts. Accumulation is essentially a process of acquiring physical assets of a productive nature (gross investment or capital formation) or one of adding to financial assets; it also includes net acquisition of land and intangible assets like patents and copyrights. The sources of finance for accumulation are saving, provision set aside for the consumption of fixed capital, and the net incurrence of liabilities.

The most dominant and dynamic aspect of accumulation is *gross capital formation*, that is, gross additions to fixed assets and increases in stocks of commodities, during a period of account; such accumulation is made up of outlays of producing units on commodities which do not enter into the intermediate consumption of the same period. The basic distinction between intermediate consumption and gross capital formation is whether commodities are used up in the production process during a period of account

or whether they yield benefits in the future. The exception made to this otherwise fine distinction relates to intermediate consumption in the form of current outlays of producers for research and development or for advertisement expenses; this convention is adopted because such outlays are not embodied in tangible assets and the future benefits from such expenditures are uncertain [SNA 1968:110]. Non-reproducible tangible assets acquired such as land, mineral deposits, and the natural growth of standing timber or crops, are not included in gross capital formation. (Purchases and sales of land are considered to take place between residents only.) However, outlays on improving including reclamation of land, and developing or extending mining sites, timber tracts and plantations, are treated as part of capital formation.¹

Gross Fixed Capital Formation comprises fresh construction and acquisition of machinery and equipment (including transport equipment and breeding stock, draught animals, dairy cattle and the like). Construction for military purposes (other than construction or alteration of family dwellings for military personnel) and defence equipment are excluded from the scope of fixed capital formation. Destructive weapons are perceived as single-use goods and their actual use in combat to destroy lives or property cannot be construed as contributing to the production of goods or services, similarly, military vehicles and equipment whose function is to release such weapons should not be treated as fixed assets. Some of the structures used in military establishments such as, airfields, docks, roads and hospitals are, however, often switched from military to civilian use. In the estimation procedure, some compromises and conventions have been adopted. Whereas structures such as military hospitals and the equipment contained therein are treated as fixed assets, weapons and their supporting systems are not. Likewise, capital outlays of defence enterprises on ordnance and clothing factories in India are included as part of fixed assets formation.

Another distinct area of exclusion relates to the acquisition of consumer durables like cars, refrigerators, airconditioners, television and video sets, musical instruments, and furniture by households; these do not constitute a part of fixed assets formation.

However, all consumer durables are not automatically excluded. Their classification as fixed assets or as final consumption goods depends upon the owner and the purpose for which they are put to use. If such durable goods (with durability of more than one year) are acquired and owned by producing enterprises for the use in production, or for business purposes generally, they are classified as fixed assets. If, on the other hand, they are acquired by households, the same are treated as having been used in final consumption. In the same vein incidentally, the consumer durables acquired by households do not constitute any part of their saving. Nor do valuables such as gold, silver, precious stones and other jewellery items or works of art, all of which are treated as constituting household final consumption expenditure.

Change in stocks refers to variations in inventories during the accounting period of materials and supplies, work-in-progress and finished products and goods in the possession of producers. Standing timber and crops are excluded from stocks, but logs and harvested crops are included. Increases in the stocks of defence materials stand excluded.

II

Steps in Estimation

As described in Part I, for the estimation of domestic saving and capital formation, the Indian economy is divided into three broad institutional sectors, namely, public sector, private corporate sector and household sector. The SNA 1993 defines an institutional unit as "an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities" [SNA 1993:87]. Thus, these institutional sectors are conceived of as the centres of economic and financial decision-making. Their classification into three institutional categories mentioned above is guided by certain norms based on the motivations and social roles of individual entities, the needs of policy-making, the economic circumstances and institutional arrangements within the country and the availability of data. The household sector, for instance, has come to be recognised in the national accounts literature as the 'residual' sector embracing all economic entities other than the units of

public sector and private corporate sector essentially as a convenient way of clubbing together the left over or the unknown of all units. As this entire heterogeneous group ranging from individuals and farm and non-farm households to unincorporated enterprises is treated as one category (described in Part 1) the K N Raj Working Group on Saving [RBI 1982] made a plea for undertaking estimation of saving and capital formation separately 'for farm households for unincorporated enterprises in industry transport trade etc. and for households proper' (p 49). For want of the requisite data the official agencies have not yet found it possible to implement this suggestion.

Be that as it may with the three sector categorisation of the economy the CSO has devised an ingenious way of estimation in which some components of saving and capital formation are common and interdependent. A few first principles in this estimation procedure may be noted. First as said above, the household sector is conceived as a residual sector in the entire framework of saving and capital formation estimation. From the global estimates of capital formation or financial asset holdings those for organised public sector and private corporate sector are deducted to arrive at the household share. Secondly household saving is used for accumulation either in the form of building physical assets or acquiring financial assets. The residual share of the household sector in gross capital formation is taken as identical to the household saving in physical assets, the other component of its saving being in the form of financial assets which is also separately estimated by the same residual method. This circuitous method is adopted because direct data on household saving, is almost impossible of arriving at on an annual basis essentially for want of household expenditure data that is data on household consumption expenditure or investment expenditure or on both. Finally the sources of data used in the estimation are varied and divergent so are the methods of estimation. As a result not only that various estimates may admittedly contain even large and indeterminate sources of errors, some set of aggregates based on one method do not match with another set based on some other method (or combination of methods). Therefore the official agencies could come to terms with the end product of certain key and consistent estimations only after making some informed judgement on the relative merit of one set of sources as against the other. Thus, its assumption that aggregate saving estimation is reasonably more reliable than the estimation of aggregate investment is to be appreciated in this light.

The basic steps involved in the CSO's estimation procedure as described by the Raj Working Group [RBI 1982] is as follows. First, aggregate gross domestic capital

formation (GDCF) is estimated for the economy as a whole for each year, separately for three forms of assets, namely construction machinery and equipment, and change of stock. Second, from the total of GDCF so estimated, the independently estimated amounts of gross investment of the public sector and the private corporate sector are deducted to derive the 'residual investment said to take place in the household sector. At the third stage the aggregate saving or the same as total finance available for investment is derived as the sum of domestic saving plus foreign saving (i.e. net capital inflow from abroad). Finally, though in principle estimates of GDCF and aggregate saving should match in practice, they do not. Implicitly assuming that estimates of aggregate saving (including net foreign capital inflows) are more reliable of the two, the difference which is described as 'errors and omissions' is adjusted in the original estimate of GDCF. It is this adjusted estimate of GDCF that is treated as the official estimation of aggregate gross investment in the domestic economy each year, though assetwise and sectorwise distributions of GDCF as estimated at the first two stages above continue to be based on the unadjusted series because there is no plausible way of distributing the errors and omissions amongst assets or sectors.

An example based on concrete data for two sample years as depicted in Table A explaining the step-by-step estimation procedure is self explanatory. For instance aggregate saving was higher than the estimated GDCF by Rs 7 598 crore in 1990-91 and hence the GDCF was adjusted

upwards by that amount. In 1993-94, it was the other way about the GDCF had to be adjusted downwards by Rs 6 911 crore. But the assetwise and institutionwise distributions shown in Steps 1 and 2 in Table A remain unadjusted.

As the household sector saving in physical assets is common to both gross saving and investment estimates, the 'errors and omissions' referred to above essentially represent the difference between the estimates of investment in the "organised" segment of the economy (that is, public and private corporate sectors) and the investible funds available for that segment. Thus, for 1993-94 the investible funds available for the organised sectors in the form of their own saving, net transfer of investible resources from the household sector (i.e. household financial savings) and inflow of foreign saving, aggregated Rs 1,16,372 crore and their gross investment was of the order of Rs 1,23,283 crore thus leaving behind a difference of Rs 6,911 crore equivalent to the estimated errors and omissions.

It may be argued that any independent errors in the estimation of investment by the public and private corporate sectors should normally affect the size of 'errors and omissions' also. If, for instance, in 1993-94 the actual size of gross capital formation undertaken by the organised segment was higher than Rs 1,23,283 crore as estimated the implied arithmetic would bring about a corresponding reduction in the size of 'errors and omissions'. But in reality it need not be so because many of the possible sources of error in the estimation of organised sector investment would affect the estimation of

TABLE A STEPS IN ESTIMATION OF GROSS DOMESTIC SAVING AND CAPITAL FORMATION

(Rupees crore)

	1990-91	1993-94
Step 1		
1. GDCF by Assets (i+a+b)	1,37,391	1,67,553
(i) Construction	58,363	79,373
(a) Machinery and equipment	65,641	85,106
(b) Change of stocks	13,387	3,174
Step 2		
2. GDCF by Institute (a+b)	1,37,391	1,67,553
(a) Organised sectors (i+ii)	76,853	1,23,283
(i) Public sector	52,150	69,819
(ii) Private corporation sector	24,703	53,464
(b) Household sector (residual)	60,538	44,270
Step 3		
3. Aggregate Saving (A+B)	1,44,989	1,60,642
(A) Foreign capital (inflow net)	18,196	2,149
(B) Gross domestic saving (a+b)	1,26,793	1,58,493
(a) Organised sectors (i+ii)	19,879	33,997
(i) Public sector	5,436	1,941
(ii) Private corporate sector	14,443	31,153
(b) Household sector	1,06,914	1,25,396
(iii) Financial assets	44,376	81,120
(iv) Physical assets	60,538	44,270
Step 4		
1. Aggregate saving (Finance for investment)	1,44,989	1,60,642
2. GDCF (as estimated in step 1 or 2)	1,37,391	1,67,553
3. Errors and omissions	7,598	(-) 6,911
4. Adjusted GDCF (as in 1 or 2+3 in this step)	1,44,989	1,60,642

the sector's saving also symmetrically [RBI 1982 7-8] and hence they would have generally no effect on errors and omissions. Thus when the proportion of expenditure going into capital formation in the public sector is overestimated the resulting underestimation of consumption expenditure shows up in an equivalent increase in saving within the sector. Similarly, when the estimates of private corporate sector are based on samples of companies, the blowing up factors may give but limited asymmetric effects [RBI 1982 7].

III

Methodology and Data Sources – Key Elements

Gross Domestic Capital Formation (GDCF)

GDCF estimates are presented in three separate sets. Apart from those by type of assets and by institutional sectors, GDCF estimates are also presented by industry of use (agriculture, manufacturing, etc.).

Of the three types of assets, assets created under construction and machinery and equipment constituting *gross fixed capital formation* (GFCF) are measured through the commodity flow method except for kutchha construction which is estimated using the expenditure approach. The commodity flow method envisages estimation of net availability of various commodities entering into fixed assets creation which is derived from production of commodities used in construction and of various items of machinery and equipment adjusted for uses elsewhere, changes in stocks, imports and exports. In construction, the value of all pure construction undertaken with the use of construction materials – five basic ones (cement, steel, timber, bricks and tiles and fixtures and fittings) and other materials is estimated by the commodity flow method. The value of kutchha labour intensive construction using the estimated expenditure figures is done separately for public, private corporate and household sectors, and in the household sector, estimates are also made for rural and urban residential buildings/houses, non-residential buildings and other construction works (i.e. various forms of land improvements, digging of wells and other irrigation sources, afforestation, etc.). The RBI's decennial survey of AIDIS is the major source of data for this estimation. The expenditure on current repairs and maintenance of construction works is netted from their total value.

Similarly, various items of machinery and equipment domestically produced, imported, exported and re-exported are classified into (i) capital goods, (ii) parts of capital goods, (iii) partly capital goods and (iv) parts of partly capital goods. The total availability of the items classified under (i) is taken for

capital formation. In the case of parts of capital goods and other partial capital goods, on the basis of ASI data and details from users, estimated proportions of the value of each of them are taken as capital formation and the rest treated as intermediate consumption.

By Type of Institutions

The estimates of GDCF separately for construction, machinery and equipment and change in stocks for the public sector and private corporate sector are prepared by the expenditure approach on the basis of analysis of budget documents and annual reports of enterprises. These estimates of public and private corporate sectors by type of asset are subtracted from the corresponding aggregate estimates to arrive at the estimates for the household sector. Incidentally, the estimates of capital formation compiled by the RBI have been adopted in respect of the joint foreign companies.

By Industry of Use

An independent set of estimates of gross fixed capital formation for each of the industrial categories such as agriculture, manufacturing and all other sectors are prepared primarily following the expenditure approach (the data sources being AIDIS and such other field survey results for informal sectors and ASI for registered manufacturing). The estimates of change in stocks, on the other hand, are prepared only by the industry of use based on similar data sources as explained below. These two estimates of GFCF and change in stocks are aggregated at the industry level to prepare the estimate of gross capital formation (GCF) by industry of use.

Change in Stocks

The estimates of change in stocks are estimated separately for public sector, private corporate sector and household sector within each industry of use based on data provided by the budget documents, annual reports and benchmark survey results carried backward and forward with appropriate current indicators. In the case of agricultural commodities, the stocks with producers are assumed to be negligible. The estimates of stocks of foodgrains with the private traders is estimated as equivalent to the difference between net availability and the estimated public consumption which is said to be on a weak foundation [Minhas and Kansal 1989].

Estimates at Constant Prices

Estimates of the value of output from construction at current prices are adjusted to obtain the corresponding constant price figures, appropriate price indicators and deflators for different types of construction are specially prepared for the purpose. Similarly, separate indicators are used to obtain the constant price estimates for

machinery and equipment. These are also deflated separately for domestic production and net imports.

Domestic Saving

The GFCF estimates of domestic saving are prepared only at current prices though some private estimates have been attempted (see Roy Choudhury, Bhatia 1990). On the recommendation of the Key Working Group, some caution has been agreed to between the CSO and the RBI in saving and capital formation estimation so as to ensure uniformity in the use of methodology and definitions. Thus the RBI is said to be responsible in the estimation of saving and capital formation in respect of the joint stock companies in the private sector and saving of households in almost all of the financial instrument.

Domestic saving is estimated sector wise for public and private corporate sectors (again based on their published accounts) and for the household sector. Its share in gross investment represents its saving in physical assets. The other component of household sector saving in the form of net financial assets (defined as increase in financial assets over the increase in financial liabilities) each year, this is also estimated by the residual method by deducting from the economy wide aggregate financial assets and financial liabilities, the holding of financial assets (and liabilities) of the public and the private corporate sectors separately for each major group of financial assets and liabilities (for details see Table 5).

Public Sector

The gross saving of government administration, non-departmental enterprises is defined as the excess of current receipts over current expenditure. This is derived from the economic classification of the budgets of Central & State Governments and local bodies. The Issue Department of the RBI which is considered to be more akin to administrative activities of the Government is also included here. The gross saving of the non-departmental enterprises (except the LIC and the Issue Department of the RBI) is estimated from the results of the analysis of annual returns of these companies and corporations. The gross saving is obtained as an aggregate of transfers of certain reserves, profits and retained earnings from profit & loss and appropriation accounts to the balance sheet, duly adjusted for expenditure/income relating to previous years. The gross saving of the Banking Department of the RBI is estimated as the sum of annual changes in various long term and stabilization funds established by the Bank (CSO 1989).

Private Corporate Sector

Based on RBI sample studies on company finances, the gross saving of public and

private limited companies in the private sector (including those of foreign controlled rupee companies) has been taken as equivalent to the retained profits (excluding non operating surplus/deficit) gross of depreciation provision. The blow up for both corporate sector saving and capital formation is the paid up capital series revised every five years by the Department of Company Affairs (Government of India) on the basis of its quinquennial census of companies.

Treatment of Retained Profits of Foreign Controlled Rupee Companies and Branches of Foreign Companies

As per the UN SNA 1968 the CSO has been treating the reinvested earnings of foreign controlled rupee companies and branches of foreign companies as part of corporate and in turn total domestic saving. Simultaneously the same have been treated as part of the outflow of property and entrepreneurial income to the rest of the world and in turn as part of the outflow of factor income abroad. However in recent years the RBI studies on company finances have not been covering branches of foreign companies for want of sufficient number of branches eligible for the studies (Rama Rao, 1990). As a result the retained earnings of branches of foreign companies are not being treated as part of factor income outflow (CSO 1985).

IV

Misgivings on Saving and Capital Formation Estimations

Amongst the estimations of various national accounts aggregates those of saving and capital formation have received maximum attention and also misgivings. In the early 1980s faced with a situation of high levels of saving and capital formation without being accompanied by a corresponding improvement in the growth momentum of the economy the Government of India appointed the Raj Working Group on Saving (RBI 1982) to undertake a critical review and interpretation of the available estimates and to recommend improvements. The Working Group identified many but indeterminate sources of errors in the estimations for different sectors as also in the aggregate. Expenditure leakages and over- or under- estimation of the costs of public sector projects, the blowing up factors in the estimation of private corporate sectors based on sample studies, absence of accounts of several private limited companies as also those of non-departmental undertakings or the government were identified as possible sources of errors in the saving and capital formation estimates of the public and private corporate sectors. Likewise in the aggregate estimation of GDCF various benchmark ratios of remote periods and current indirect indicators for extrapolation can be major

sources of error. These errors in the estimations of the aggregate GDCF and those for the organised sectors are carried over to the estimations for the household sector.

The Raj Working Group interpretations as well as recommendations came in for severe criticism (Rakshit, 1983) and when some of those recommendations were implemented by the CSO there were misgivings in regard to the tenability of the revised estimates (Roy Choudhury 1988). This particularly concerned the revised estimates of corporate sector savings and capital formation which affected the household savings, consumption of fixed capital (CFC) and the need for CFC provision for government buildings (See also a rebuttal of these questions in Gothoskar, 1988). A glaring discrepancy which is increasingly getting widened relates to the difference between the estimation of GDCF by type of assets and by industry of use (See Tables 9A and 9B). Because of the varying impact of price deflators the two alternative estimates differ rather significantly (Kansal 1992). There are also the influences of unreported incomes on saving and investment and those of the failure to use appropriate double deflation methods for gross output and inputs of various sectors other than agriculture (See Part I of this series).

Against the above background and against the perception that the recent sharp decline in savings, particularly household savings, does not match with the increases in GDP and agricultural growth in particular, the Government of India have again appointed an expert group to review the methodology for estimating saving and capital formation in the economy and to recommend improvements with particular emphasis on the estimations for household and private corporate sectors (RBI Annual Report 1994-95).

V

Key Features of Domestic Saving and Investment Behaviour

Relative stagnation in the gross domestic saving (GDS) to GDP ratio or a distinctly declining trend in the net domestic saving (NDS) to NDP ratio since the second-half of the 1970s followed by a sharp decline in public sector savings, an improvement in corporate sector saving over a low base and an improvement in household saving in net terms are some of the features of the saving behaviour during the past four decades and a half (Table 4A). Within the public sector rapid widening of dissavings by government administration and within the household sector, an uptrend in financial savings since the middle of the 1980s, are the other highlights (Table 4B). The structure of household saving has been undergoing a gentle change in favour of shares and debentures and against claims on government (small savings, etc) (Table 5). The declining trend in the share

of bank deposits seems to have been arrested in the 1990s.

There has occurred a distinct decline in the ratio of gross capital formation (GCF) to GDP ratio since the beginning of the 1970s which is partly corroborated by (a) a sharp fall in net foreign capital inflow, and (b) a significant decline in change in stock. There has been a relatively higher rise in the prices of capital goods than in the general price level in the 1980s as evidenced by the behaviour of GCF to GDP ratios at current and constant prices (Tables 6A and 6B). While the ratio of fixed assets formation in the form of 'construction' has reasonably stood the ground since the beginning of the 1990s it is the 'machinery and equipment' segment of the fixed assets formation that has tended to decline, particularly in the household sector (Tables 7A, 7B and 8).

In GCF by industry-of-use while the rate of investment in agriculture has suffered that of manufacturing, particularly of registered manufacturing has remained firm (Tables 9A and 9B).

Notes

- 1 This note has relied heavily on definitions and descriptions contained in CSO (1980), CSO (1989), SNA 1968 and SNA 1993.
- 2 There is a minor inconsistency created in the two publications CSO (1987) and CSO (1989). While the former has revealed the exclusion of the retained earnings of the branches of foreign companies from net factor outflow, the latter continued to state that net factor income from abroad included such retained earnings.

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Table 4A: Gross and Net Domestic Savings by Type of Institutions at Current Prices

(Rupees, crore)

Year	GDP at Current Market Prices (2)	NDP at Current Market Prices (3)	Domestic Savings			Household Sector Savings			Private Corporate Sector Savings			Public Sector Savings		
			GDS (4)	CFC (5)	NDS (6)	Gross (7)	CFC (8)	Net (9)	Gross (10)	CFC (11)	Net (12)	Gross (13)	CFC (14)	Net (15)
1950-51	9366	9002	975(10.4)	364(3.9)	611(6.8)	718(7.7)	256(2.7)	462(4.9)	89(1.0)	45(0.5)	44(0.5)	168(1.8)	112(1.2)	56(0.6)
1951-52	9966	9555	1005(10.1)	411(4.1)	594(6.2)	621(6.2)	285(2.9)	336(3.4)	132(1.3)	52(0.5)	80(0.8)	252(2.5)	120(1.2)	132(1.3)
1952-53	9774	9332	806(8.2)	442(4.5)	364(3.9)	601(6.1)	365(3.7)	296(3.6)	60(0.6)	55(0.6)	5(0.1)	145(1.5)	127(1.3)	18(0.2)
1953-54	10638	10173	922(8.7)	465(4.4)	457(4.5)	709(6.7)	321(3.0)	388(3.6)	86(0.8)	56(0.5)	30(0.3)	127(1.2)	133(1.3)	-6(-0.1)
1954-55	10073	9562	1054(10.5)	511(5.1)	543(5.7)	789(7.8)	354(3.5)	435(4.3)	114(1.1)	64(0.6)	50(0.5)	151(1.5)	142(1.4)	9(0.1)
1955-56	10258	9712	1430(13.9)	546(5.3)	884(9.1)	1128(11.0)	371(3.6)	757(7.4)	130(1.3)	72(0.7)	58(0.6)	172(1.7)	158(1.5)	14(0.1)
1956-57	12217	11606	1599(13.1)	611(5.0)	988(8.5)	1217(10.0)	407(3.3)	810(6.6)	151(1.2)	80(0.7)	71(0.6)	231(1.9)	181(1.5)	50(0.4)
1957-58	12598	11936	1370(10.9)	662(5.3)	708(5.9)	1008(8.0)	430(3.4)	578(4.6)	117(0.9)	89(0.7)	28(0.2)	245(1.9)	206(1.6)	39(0.3)
1958-59	14034	13262	1409(10.0)	772(5.5)	637(4.8)	1046(7.5)	514(3.7)	532(3.8)	136(1.0)	100(0.7)	36(0.3)	227(1.6)	231(1.6)	-4(-)
1959-60	14793	13951	1765(11.9)	842(5.7)	923(6.6)	1349(9.1)	542(3.7)	807(5.5)	180(1.2)	114(0.8)	66(0.5)	236(1.6)	261(1.8)	-25(-0.2)
1960-61	16201	15261	2063(12.7)	940(5.8)	1123(7.4)	1362(8.4)	588(3.6)	774(4.8)	276(1.7)	136(0.8)	140(0.9)	425(2.6)	298(1.8)	127(0.8)
1961-62	17177	16124	2093(12.2)	1053(6.1)	1040(6.5)	1284(7.5)	629(3.7)	655(3.8)	315(1.8)	172(1.0)	143(0.9)	494(2.9)	34(1.2)	153(0.9)
1962-63	18476	17319	2476(13.4)	1157(6.3)	1319(7.6)	1572(8.5)	668(3.6)	904(4.9)	338(1.8)	198(1.1)	140(0.8)	564(3.1)	394(2.1)	172(0.9)
1963-64	21237	19936	2826(13.3)	1301(6.1)	1525(7.6)	1730(8.1)	717(3.4)	1013(4.8)	387(1.8)	244(1.1)	143(0.7)	709(3.3)	457(2.2)	252(1.2)
1964-65	24765	23302	3135(12.7)	1463(5.9)	1672(7.2)	1937(7.8)	767(3.1)	1170(4.7)	381(1.5)	285(1.2)	96(0.4)	817(3.3)	539(2.2)	278(1.1)
1965-66	26145	24493	3791(14.5)	1652(6.3)	2139(8.7)	2586(9.9)	860(3.3)	1726(6.6)	396(1.5)	302(1.2)	94(0.4)	809(3.1)	630(2.4)	179(0.7)
1966-67	29571	27627	4514(15.3)	1944(6.6)	2570(9.3)	3432(11.6)	1020(3.4)	2412(8.2)	414(1.4)	345(1.2)	69(0.2)	668(2.3)	729(2.5)	-61(-0.4)
1967-68	34611	32427	4497(13.0)	2184(6.3)	2313(7.1)	3431(9.9)	1150(3.3)	2281(6.6)	399(1.2)	365(1.1)	34(0.1)	667(1.9)	817(2.4)	-150(-0.4)
1968-69	36674	34297	4697(12.8)	2377(6.5)	2320(6.8)	3412(9.3)	1242(3.4)	2170(5.9)	427(1.2)	390(1.1)	37(0.1)	858(2.3)	896(2.4)	-38(-0.1)
1969-70	40387	37751	6044(15.0)	2636(6.5)	3408(9.0)	4475(11.1)	1400(3.5)	3075(7.6)	536(1.3)	409(1.0)	127(0.3)	1033(2.6)	989(2.4)	44(0.1)
1970-71	43163	40242	6783(15.5)	2921(6.8)	3862(9.6)	4873(11.3)	1485(3.4)	3388(7.8)	657(1.5)	457(1.1)	200(0.5)	1253(2.9)	1120(2.6)	133(0.3)
1971-72	46257	43017	7508(16.2)	3240(7.0)	4268(9.9)	5477(11.8)	1621(3.5)	3856(8.3)	753(1.6)	497(1.1)	256(0.6)	1278(2.8)	1256(2.7)	22(0.1)
1972-73	51005	47344	7833(15.4)	3661(7.2)	4172(8.8)	5713(11.2)	1804(3.5)	3909(7.7)	788(1.5)	559(1.1)	229(0.5)	1332(2.6)	1426(2.8)	-94(-0.2)
1973-74	57740	57740	11432(18.4)	4267(6.9)	7165(12.4)	8562(13.8)	2050(3.3)	6512(10.5)	1063(1.7)	649(1.0)	414(0.7)	1807(2.9)	1689(2.7)	118(0.2)
1974-75	73235	67777	12726(17.4)	5458(7.5)	7268(10.7)	8610(11.8)	2575(3.5)	6035(8.2)	1440(2.0)	866(1.3)	574(0.8)	2676(3.7)	2113(2.9)	563(0.8)
1975-76	78761	72438	14928(19.0)	6323(8.0)	8605(11.9)	10534(13.3)	2911(3.7)	7623(9.7)	1055(1.3)	1039(1.3)	160(0.1)	3339(4.2)	2465(3.1)	874(1.1)
1976-77	84894	78114	18030(21.2)	6780(8.0)	11250(14.4)	12698(15.0)	3113(3.7)	9585(11.3)	1147(1.4)	1055(1.2)	92(0.1)	4185(4.9)	2727(3.2)	1458(1.7)
1977-78	96067	88698	20230(21.1)	7369(7.7)	12861(14.5)	14686(15.3)	3321(3.5)	11365(11.8)	1376(1.4)	1072(1.1)	304(0.3)	4168(4.3)	3054(3.2)	1114(1.2)
1978-79	104190	95764	24138(23.2)	8426(8.2)	15712(16.4)	17374(17.0)	3833(3.7)	13914(13.4)	1611(1.5)	1190(1.1)	421(0.4)	4780(4.6)	3446(3.3)	1334(1.3)
1979-80	114356	104085	24698(21.6)	10271(9.0)	14427(13.9)	17374(17.0)	4666(4.1)	12713(11.1)	2352(2.1)	1442(1.3)	1210(1.2)	4967(4.3)	4173(3.6)	794(0.7)
1980-81	136013	123926	28786(21.2)	12087(8.9)	16699(13.5)	21848(16.1)	5492(4.0)	16356(12.0)	2284(1.7)	1700(1.2)	584(0.5)	4654(3.4)	4895(3.6)	-241(-0.2)
1981-82	159760	145301	31597(19.8)	14459(9.1)	17138(11.8)	21847(13.7)	6600(4.1)	15247(10.5)	2496(1.6)	2001(1.3)	495(0.3)	7254(4.5)	5858(3.7)	1396(0.9)
1982-83	178132	161246	33774(19.0)	16886(9.5)	16888(13.5)	23044(12.9)	7566(4.2)	15478(9.6)	2960(1.6)	2340(1.3)	568(0.4)	7822(4.4)	6980(3.9)	842(0.5)
1983-84	207589	188360	39294(18.9)	19229(9.3)	20065(10.7)	29341(14.1)	8391(4.0)	20950(11.1)	3172(1.5)	2782(1.3)	300(0.2)	6781(3.3)	8016(3.1)	-1275(-1.2)
1984-85	231343	209252	42178(18.2)	22091(9.5)	20087(9.6)	31705(13.7)	9487(4.1)	22218(10.6)	4947(1.7)	3196(1.4)	751(0.4)	6526(2.8)	9408(4.1)	-2882(-2.2)
1985-86	262243	236006	51933(19.8)	26237(10.0)	25696(10.9)	38158(14.6)	10918(4.2)	27240(11.5)	5318(2.0)	4931(1.5)	1387(0.6)	8457(3.2)	11388(4.3)	-2931(-1.1)
1986-87	292949	263126	54801(18.7)	29823(10.2)	24978(9.5)	41587(14.2)	12106(4.1)	29431(11.2)	5212(1.8)	4619(1.6)	594(0.2)	8062(2.2)	13098(4.5)	-5096(-1.7)
1987-88	33201	299860	69631(20.9)	33341(10.0)	36240(12.1)	56618(17.0)	14214(4.0)	43197(14.4)	5790(1.7)	4992(1.5)	798(0.3)	7223(2.2)	1428(4.3)	-7705(-2.3)
1988-89	395782	356861	85275(21.8)	38921(9.8)	46354(13.0)	68443(17.0)	15324(3.9)	53119(14.9)	8731(2.2)	6044(1.5)	2687(0.8)	5101(2.0)	1755(3.4)	-9452(-2.4)
1989-90	45821	411175	101970(22.3)	45646(10.0)	56324(13.7)	82747(18.1)	17495(3.8)	65252(15.9)	11800(2.6)	7287(1.6)	4513(1.1)	7423(1.6)	20864(4.6)	-13441(-2.9)
1990-91	535517	483322	126793(23.7)	52195(9.7)	74598(15.4)	106914(20.0)	19759(3.7)	87155(18.0)	14432(2.7)	8086(1.6)	5757(1.2)	5436(1.0)	23750(4.4)	-18314(-3.8)
1991-92	616061	553109	142059(23.1)	62952(10.2)	79977(14.3)	109804(17.8)	22866(3.7)	86938(15.7)	19490(2.6)	11315(1.8)	8175(1.5)	12735(1.7)	28771(4.7)	-16036(-2.9)
1992-93	702829	630564	140635(20.0)	72265(10.3)	108938(10.8)	108938(10.8)	25081(3.6)	83857(13.3)	20804(2.8)	14129(2.0)	6675(1.1)	10894(2.1)	33051(4.7)	-22162(-3.5)
1993-94	786355	706286	158494(20.2)	80069(10.3)	125396(15.9)	125396(15.9)	26837(3.4)	98559(14.0)	21153(4.0)	16923(2.2)	14230(2.3)	19440(2.1)	36309(4.6)	-34365(-4.9)

Figures in brackets are as percentages to GDP at current market prices except those for net savings in Cols (6), (9), (12) and (15) which are as percentages to NDP at current market prices

Table 4B: Domestic Savings by Type of Institutions at Current Prices

(Rupees, crore)

Year	Household Sector				Private Corporate Sector	Public Sector				Gross Domestic Savings (2+5+6)	Consumption of Fixed Capital (CFC)	Net Domestic Savings (10-11)	Personal Disposable Income (PDY)	As per cent of PDY			GDP at Market Prices
	Total (4+6)	Savings in Financial Assets (3)	Savings in Physical Assets (4)	Total (6+7+8)		Government Administration (7)	Departmental Enterprises (8)	Non-Departmental Enterprises (9)	Col (2)					Col (3)	Col (15)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(16)	
1950-51	718(7.7)	62(0.7)	656(7.0)	89(1.0)	168(1.8)	159(1.7)	*	9(0.1)	975(10.4)	364	611(6.8)	8312	8.6	0.7	9366	9366	
1951-52	621(6.2)	14(0.1)	607(6.1)	132(1.3)	252(2.5)	243(2.4)	*	9(0.1)	1005(10.1)	411	594(6.2)	8729	7.1	0.2	9966	9966	
1952-53	601(6.1)	72(0.7)	529(5.4)	60(0.6)	145(1.5)	129(1.3)	*	16(0.2)	806(8.2)	442	364(3.9)	8687	6.9	0.8	9774	9774	
1953-54	709(6.7)	142(1.3)	567(5.3)	86(0.8)	127(1.2)	107(1.0)	*	20(0.2)	922(8.7)	465	457(4.5)	9497	7.5	1.5	10638	10638	
1954-55	789(7.8)	282(2.8)	507(5.0)	114(1.1)	151(1.5)	126(1.1)	*	25(0.2)	1054(10.5)	511	543(5.7)	8801	9.0	3.2	10073	10073	
1955-56	1128(11.0)	429(4.2)	699(6.8)	130(1.3)	172(1.7)	145(1.4)	*	27(0.3)	1430(13.9)	546	884(9.1)	8963	12.6	4.8	10258	10258	
1956-57	1217(10.0)	333(2.7)	884(7.2)	151(1.2)	231(1.9)	193(1.6)	*	38(0.3)	1599(13.1)	611	988(8.5)	10705	11.4	3.1	12217	12217	
1957-58	1008(8.0)	291(2.3)	717(5.7)	117(0.9)	245(1.9)	195(1.5)	*	50(0.4)	1370(10.9)	662	708(5.9)	10945	9.2	2.7	12598	12598	
1958-59	1046(7.5)	362(2.6)	684(4.9)	136(1.0)	227(1.6)	170(1.2)	*	60(0.4)	1409(10.0)	772	637(4.8)	12214	8.6	3.0	14034	14034	
1959-60	1349(9.1)	433(2.9)	916(6.2)	180(1.2)	236(1.6)	176(1.2)	*	60(0.4)	1765(11.9)	842	923(6.6)	12784	10.6	3.4	14793	14793	
1960-61	1362(8.4)	456(2.8)	906(5.6)	276(1.7)	425(2.6)	362(2.2)	*	63(0.4)	2063(12.7)	940	1123(7.4)	13681	10.0	3.3	16201	16201	
1961-62	1284(7.5)	489(2.8)	795(4.6)	315(1.8)	494(2.9)	426(2.5)	*	68(0.4)	2093(12.2)	1053	1040(6.5)	14349	8.9	3.4	17177	17177	
1962-63	1572(8.5)	499(2.7)	1073(5.8)	338(1.8)	566(3.1)	486(2.6)	*	86(0.5)	2476(13.4)	1157	1319(7.6)	15243	10.3	3.3	18476	18476	
1963-64	1730(8.1)	743(3.5)	987(4.6)	387(1.8)	709(3.3)	586(2.8)	*	123(0.6)	2826(13.3)	1301	1525(7.6)	17324	10.0	4.3	21237	21237	
1964-65	1937(7.8)	714(2.9)	1223(4.9)	381(1.5)	817(3.3)	679(2.7)	*	138(0.6)	3135(12.7)	1463	1672(7.2)	20502	9.4	3.5	24765	24765	
1965-66	2586(9.9)	1072(4.1)	1514(5.8)	396(1.5)	809(3.1)	635(2.4)	*	184(0.7)	3791(14.5)	1652	2139(8.7)	21477	12.0	5.0	26145	26145	
1966-67	3432(11.6)	864(2.9)	2566(8.7)	414(1.4)	688(2.3)	496(1.7)	*	172(0.6)	4514(15.3)	1944	2570(9.3)	24563	14.0	3.5	29571	29571	
1967-68	3431(9.9)	865(2.5)	2566(7.4)	399(1.2)	667(1.9)	458(1.3)	*	209(0.6)	4497(13.0)	2184	2313(7.7)	29143	11.8	3.0	34611	34611	
1968-69	3412(9.3)	795(2.2)	2617(7.1)	427(1.2)	858(2.3)	635(1.7)	*	223(0.6)	4697(12.8)	2377	2320(6.8)	30613	11.1	2.6	36674	36674	
1969-70	4475(11.1)	919(2.3)	3556(8.8)	536(1.3)	1033(2.6)	724(1.8)	*	309(0.8)	6044(15.0)	2636	3408(9.0)	33461	13.4	2.7	40387	40387	
1970-71	4873(11.3)	1371(3.2)	3502(8.1)	657(1.5)	1253(2.9)	576(1.3)	*	396(0.9)	6783(15.7)	2921	3862(9.6)	35434	13.8	3.9	43163	43163	
1971-72	5477(11.8)	1555(3.4)	3922(8.5)	753(1.6)	1278(2.8)	530(1.4)	*	414(0.9)	7508(16.2)	3240	4268(9.9)	37512	14.6	4.1	46257	46257	
1972-73	5713(11.2)	2128(4.2)	3585(7.0)	788(1.5)	1332(2.6)	515(1.0)	*	506(1.0)	7833(15.4)	3661	4172(8.8)	41557	13.7	5.1	51005	51005	
1973-74	8562(13.8)	3612(5.8)	4950(8.0)	1063(1.7)	1807(2.9)	937(1.5)	*	681(1.1)	11432(18.4)	4267	7165(12.4)	51218	16.7	7.1	62007	62007	
1974-75	8610(11.8)	2374(3.2)	6236(8.5)	1440(2.0)	2676(3.7)	1475(2.0)	*	973(1.3)	12726(17.4)	5458	7268(10.7)	59510	14.5	4.0	73235	73235	
1975-76	10534(13.3)	3918(5.0)	6616(8.4)	1055(1.3)	3339(4.2)	2094(2.7)	*	890(1.1)	14928(19.0)	6323	8605(11.9)	63437	16.6	6.2	78761	78761	
1976-77	12698(15.0)	4852(5.7)	7846(9.2)	1147(1.4)	4185(4.9)	2130(2.5)	*	1415(1.7)	18030(21.2)	6780	11250(14.4)	67627	18.8	7.2	84894	84894	
1977-78	14686(15.3)	5853(6.1)	8833(9.2)	1376(1.4)	4168(4.3)	2102(2.2)	*	1534(1.4)	20230(21.1)	7369	12861(14.5)	78252	18.8	7.5	96067	96067	
1978-79	17747(17.0)	6658(6.4)	11089(10.6)	1611(1.5)	4780(4.6)	2518(2.4)	*	1534(1.5)	24138(23.2)	8426	15712(16.4)	83905	21.2	7.9	104190	104190	
1979-80	17379(15.2)	6081(5.3)	11298(9.9)	2352(2.1)	4967(4.3)	2586(2.3)	*	1655(1.4)	24698(21.6)	10271	14427(13.9)	91348	19.0	6.7	114356	114356	
1980-81	21848(16.1)	8610(6.3)	13238(9.7)	2284(1.7)	4654(3.4)	2559(1.9)	*	1850(1.4)	28786(21.2)	12087	16699(13.5)	113105	19.3	7.6	136013	136013	
1981-82	21847(13.7)	9614(6.0)	12233(7.7)	2496(1.6)	7254(4.5)	3767(2.4)	*	3153(2.0)	31597(19.8)	14459	17138(11.8)	130313	16.8	7.4	159760	159760	
1982-83	23044(12.9)	12739(7.2)	10305(5.8)	2908(1.6)	7822(4.4)	2896(1.6)	*	4302(2.4)	33774(19.0)	16886	16888(10.5)	143312	16.1	8.9	178132	178132	
1983-84	29341(14.1)	13294(6.4)	16047(7.7)	3172(1.5)	6781(3.3)	1201(0.6)	*	4902(2.4)	39294(18.9)	19229	20065(10.7)	169827	17.3	7.8	207589	207589	
1984-85	31705(13.7)	17879(7.7)	13826(6.0)	3947(1.7)	6526(2.8)	-315(-0.1)	*	6109(2.6)	42178(18.2)	22091	20087(9.6)	188523	16.8	9.5	231343	231343	
1985-86	38158(14.6)	18538(7.1)	19620(7.5)	5318(2.0)	8457(3.2)	-474(-0.2)	*	7512(2.9)	51933(19.8)	26237	25696(10.9)	209140	18.2	8.9	262243	262243	
1986-87	41587(14.2)	23336(8.0)	18251(6.2)	5212(1.8)	8002(2.7)	-2400(-0.8)	*	8908(3.0)	54801(18.7)	29823	24978(9.5)	233308	17.8	10.0	292949	292949	
1987-88	56618(17.0)	26820(8.0)	29798(8.9)	5790(1.7)	7223(2.2)	-5384(-1.6)	*	10530(3.2)	69631(20.9)	33341	36290(12.1)	265893	21.3	10.1	333201	333201	
1988-89	68443(17.3)	27180(6.9)	41263(10.4)	8731(2.2)	8101(2.0)	-7748(-2.2)	*	13330(3.4)	85275(21.5)	38921	46324(13.0)	314946	21.7	8.6	395782	395782	
1989-90	82747(18.1)	37167(5.9)	45580(10.0)	11800(2.6)	7423(1.6)	-11659(-2.6)	*	1608(3.5)	101970(22.3)	45646	56324(13.7)	363706	22.8	7.5	456821	456821	
1990-91	106914(20.0)	46376(6.9)	60538(11.3)	14443(2.7)	5436(1.0)	-14977(-2.8)	*	16793(3.1)	126793(23.7)	52195	74598(15.4)	429721	24.9	8.6	535517	535517	
1991-92	109804(17.8)	61984(10.1)	47820(7.8)	19490(2.6)	12735(1.7)	-12753(-2.1)	*	21087(3.4)	142029(23.1)	62952	79077(14.3)	491172	22.4	12.6	616061	616061	
1992-93	108938(15.5)	54947(7.8)	53991(7.7)	20804(2.8)	10893(2.1)	-13608(-1.9)	*	19522(2.8)	140635(20.0)	72265	68370(10.8)	563446	19.3	9.8	702829	702829	
1993-94	125396(15.9)	81126(10.3)	44270(5.6)	31153(4.0)	19440(2.2)	-29631(-3.8)	*	23035(2.9)	158493(20.2)	80069	78424(11.1)	631392	19.9	12.8	786355	786355	

Figures in brackets are as percentages to GDP at current market prices, except in Col (12) which are as percentages of NDP at current market prices
 * included under government administration

Table 5: Financial Assets and Liabilities of the Household Sector at Current Prices

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
1. GROSS FINANCIAL ASSETS																								
SAVINGS																								
1.1 Currency																								
A	(0.9)	(0.3)	(0.6)	(1.2)	(3.7)	(5.0)	(3.7)	(3.3)	(3.4)	(3.8)	(3.1)	(3.9)	(3.7)	(4.8)	(3.5)	(4.2)	(3.8)	(3.3)	(3.6)	(3.8)	(4.9)	(5.0)	(5.8)	(5.8)
B	80	-115	-22	25	85	190	52	55	121	132	147	99	174	217	135	287	126	161	271	336	355	404	637	769
1.2 Bank Deposits																								
A	(0.9)	(-1.2)	(-0.2)	(0.8)	(2.3)	(3.7)	(11.3)	(13.4)	(25.1)	(23.3)	(29.4)	(14.9)	(25.3)	(21.4)	(15.7)	(26.0)	(11.1)	(14.0)	(20.7)	(21.9)	(16.8)	(17.4)	(21.5)	(21.4)
B	(96.7)	(-427.6)	(-40.0)	(19.6)	(2.3)	(37.1)	(11.3)	(13.4)	(25.1)	(23.3)	(29.4)	(14.9)	(25.3)	(21.4)	(15.7)	(26.0)	(11.1)	(14.0)	(20.7)	(21.9)	(16.8)	(17.4)	(21.5)	(21.4)
1.3 Loans to Companies																								
A	(0.1)	(-0.2)	(0.2)	(0.1)	(0.6)	(0.8)	(0.8)	(0.9)	(0.8)	(1.0)	(0.4)	(1.2)	(1.0)	(1.4)	(1.4)	(1.4)	(1.5)	(1.2)	(1.1)	(1.4)	(1.7)	(2.2)	(2.4)	(2.4)
B	(11.8)	(-71.2)	(35.2)	(9.8)	(17.2)	(16.5)	(21.8)	(27.8)	(23.0)	(27.4)	(14.1)	(31.2)	(25.8)	(29.0)	(39.2)	(32.9)	(38.6)	(35.6)	(31.6)	(35.7)	(35.7)	(44.1)	(40.7)	(42.2)
1.4 Insurance Funds																								
A	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
B	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
1.5 Provident & Pension Fund																								
A	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.4)	(0.4)	(0.3)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
B	(25.9)	(57.8)	(39.6)	(21.2)	(8.4)	(6.9)	(5.5)	(5.4)	(7.3)	(8.1)	(12.3)	(11.0)	(13.2)	(9.3)	(11.3)	(8.1)	(12.5)	(13.1)	(14.0)	(12.3)	(9.8)	(10.8)	(10.3)	(10.0)
1.6 Claims on Government																								
A	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.5)	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.7)	(0.8)	(0.7)	(0.9)	(1.1)	(1.0)	(1.0)	(1.0)
B	(23.1)	(67.5)	(40.7)	(34.0)	(11.8)	(9.8)	(13.2)	(17.6)	(14.1)	(14.0)	(21.8)	(17.2)	(18.8)	(15.3)	(21.2)	(17.9)	(18.5)	(23.5)	(20.9)	(25.3)	(23.2)	(20.4)	(17.5)	(16.9)
1.7 Shares & Debentures																								
A	(-0.9)	(1.0)	(-)	(-)	(1.1)	(1.0)	(1.1)	(0.4)	(0.7)	(0.4)	(0.6)	(0.2)	(0.4)	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)	(0.2)	(-0.1)	(0.2)	(-)	(0.2)	(0.1)
B	(97.5)	(388.4)	(1.1)	(4.2)	(29.3)	(19.8)	(30.5)	(12.9)	(19.3)	(10.2)	(17.9)	(5.9)	(10.2)	(9.9)	(10.6)	(9.5)	(6.8)	(9.1)	(4.4)	(-1.8)	(5.0)	(-0.1)	(2.7)	(2.4)
1.8 Units of UTI																								
A	(0.4)	(0.2)	(0.1)	(0.2)	(0.4)	(0.5)	(0.4)	(0.4)	(0.2)	(0.4)	(0.8)	(0.4)	(0.1)	(0.5)	(-)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(-)	(-)	(-)
B	(40.0)	(85.1)	(23.4)	(19.6)	(10.3)	(9.9)	(11.9)	(12.2)	(5.4)	(9.7)	(25.0)	(10.5)	(3.6)	(11.2)	(1.2)	(1.9)	(1.4)	(2.5)	(1.9)	(1.7)	(3.2)	(0.9)	(0.9)	(-0.4)
1.9 Other Assets																								
A	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
B	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
2. FINANCIAL LIABILITIES																								
2.1 Bank Advances																								
A	(0.7)	(0.5)	(0.1)	(0.4)	(0.6)	(1.2)	(0.9)	(0.4)	(0.7)	(0.9)	(0.8)	(0.8)	(0.9)	(1.2)	(0.8)	(1.0)	(1.2)	(0.9)	(1.4)	(1.7)	(1.4)	(1.5)	(1.2)	(1.3)
B	47	26	-8	21	32	84	90	34	75	114	92	87	133	200	131	156	261	178	487	629	484	511	504	710
2.2 Loans by Financial Corporation and non Banking Companies																								
A	(0.5)	(0.5)	(-0.1)	(0.2)	(0.3)	(0.8)	(0.7)	(0.3)	(0.5)	(0.8)	(0.6)	(0.5)	(0.7)	(0.9)	(0.5)	(0.6)	(0.9)	(0.5)	(1.3)	(1.6)	(1.1)	(1.1)	(1.0)	(1.2)
B	(72.1)	(55.6)	(-75.0)	(50.8)	(56.5)	(68.6)	(82.9)	(61.9)	(72.1)	(84.4)	(69.7)	(60.8)	(76.0)	(76.3)	(66.5)	(57.9)	(71.6)	(58.9)	(93.5)	(89.7)	(81.9)	(73.9)	(82.1)	(91.5)
2.3 Loans & Advances from Government																								
A	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
B	(23.6)	(36.6)	(136.6)	(38.8)	(36.0)	(29.6)	(17.0)	(30.9)	(24.0)	(14.8)	(27.3)	(30.8)	(22.9)	(18.7)	(27.4)	(36.4)	(22.4)	(31.9)	(1.5)	(5.7)	(11.7)	(19.1)	(10.7)	(2.7)
3. SAVINGS (Net) of Household Sector in Financial Assets																								
A	17	-19	45	84	316	390	352	355	378	431	369	521	512	751	661	838	769	842	835	1487	1623	2368	2801	(4.5)
B	(0.2)	(-0.1)	(0.5)	(0.6)	(3.1)	(3.8)	(2.9)	(2.8)	(2.7)	(2.9)	(2.3)	(3.0)	(2.8)	(3.5)	(2.7)	(3.2)	(2.6)	(2.4)	(2.1)	(2.1)	(3.4)	(3.5)	(4.6)	(4.5)

Continued

(Continued)

Table 6A: Gross Capital Formation by Type of Institutions at 1980-81 Prices

Year	Gross Capital Formation (GCF)					Finances for Gross Capital Formation (Derived)	Errors and Omissions	Gross Capital Formation Adjusted (2+7)	Consumption of Fixed Capital	Net Capital Formation (NCF)	Net Capital Formation Adjusted (9+10)
	Aggregate Gross Capital Formation (3+4+5)	Public Sector	Private Corporate Sector	Household Sector		(6)	(7)	(8)	(9)	(10)	(11)
(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)
1980-81	28453(20.9)	11767(8.7)	3448(2.5)	13238(9.7)		10880	2427	30880(22.7)	12087	16366(13.2)	18793(15.2)
1981-82	34108(23.5)	15099(10.4)	8427(5.8)	10672(7.4)		30767	-3341	30767(21.2)	12788	21320(16.1)	17979(13.6)
1982-83	33185(22.1)	16261(10.8)	8971(6.0)	7953(5.3)		31013	-3082	30103(20.0)	13595	19500(14.3)	16508(12.1)
1983-84	32844(20.3)	15846(9.8)	5551(3.4)	11447(7.1)		31375	-1466	31378(19.4)	14469	18375(12.5)	16909(11.5)
1984-85	33411(19.9)	17718(10.6)	7705(4.6)	7988(4.8)		31018	2393	31018(18.5)	13448	17963(11.9)	15370(10.2)
1985-86	39847(22.6)	18504(10.5)	10085(5.7)	11258(6.4)		36641	-3206	36641(20.7)	16340	23501(14.7)	20301(12.7)
1986-87	40171(21.7)	19911(10.7)	10206(5.5)	10054(5.4)		36259	-3012	36259(19.6)	17293	22878(13.6)	18966(11.3)
1987-88	41786(21.5)	17734(9.1)	7769(4.0)	16283(8.4)		42657	871	42657(22.6)	18334	23452(13.3)	24323(13.8)
1988-89	50008(23.4)	19295(9.0)	9618(4.5)	21095(9.9)		50270	262	50270(23.6)	19476	30532(15.7)	30794(15.9)
1989-90	51045(22.5)	20639(9.1)	10474(4.6)	19932(8.8)		52619	1565	52619(23.1)	20767	30278(14.7)	31843(15.4)
1990-91	58071(24.2)	21588(9.0)	12032(5.0)	24451(10.2)		61203	3132	61203(25.5)	22035	36036(16.5)	39168(17.9)
1991-92	50892(21.1)	20033(8.3)	15530(6.4)	15329(6.3)		52521	1629	52521(21.8)	23376	27516(12.6)	29145(13.4)
1992-93	54975(21.3)	20449(8.1)	18442(7.3)	16084(6.4)		51908	3067	51908(22.0)	24805	30370(13.3)	27030(12.0)
1993-94	52822(20.2)	21848(8.4)	19891(7.6)	11083(4.2)		50649	2173	50649(19.4)	26703	26821(11.4)	24648(10.5)

Notes: Figures in brackets are as percentages to GDP at 1980-81 prices. Except for Cols (1), (2), and (3) which are as percentages to NDP at 1980-81 prices.

S Data in Col (6) are not available in the NAS. They are a derived series from the NAS estimates in Cols (2) and (7) they are equivalent to GCF adjusted. For definition see Table 6B

Table 7A: Capital Formation by Type of Assets and by Institutions at 1980-81 Prices

Year	Public Sector (GFCF)				Private Corporate Sector (GFCF)				Household Sector (GFCF)				Change in Stocks			
	Aggregate GFCF (1+6+9)	Total	Const- ruction	Machinery and Equipment	Total	Const- ruction	Machinery and Equip- ment Stock		Total	Const- ruction	Machinery and Equipment	Total	Public Sector	Private Sector	House- hold Sector	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	(11)	(12)	(13)	(14)	(15)	
1980-81	26276(19.3)	11693(8.6)	6900(5.6)	4793(3.5)	3541(2.6)	508(0.4)	3033(2.2)		11042(8.1)	6247(4.6)	4801(3.5)	2177(1.6)	74(0.1)	-93(-0.1)	2196(1.6)	
1981-82	28079(19.4)	13152(9.1)	7521(5.7)	5630(3.9)	5380(3.7)	755(0.5)	4612(3.2)		6577(6.5)	6542(3.4)	3667(2.7)	6029(4.2)	1857(1.4)	3150(2.3)	1113(0.8)	
1982-83	29296(19.5)	15247(10.1)	7660(5.6)	7581(5.0)	6576(4.2)	790(0.5)	5860(3.9)		7230(5.0)	4630(3.1)	2843(2.9)	3890(2.6)	1014(0.7)	2217(1.8)	1760(1.3)	
1983-84	29632(18.3)	15551(9.6)	7984(5.4)	7567(4.7)	5406(3.3)	699(0.4)	4601(2.9)		7230(5.0)	3111(2.4)	4319(3.6)	3212(2.0)	2056(1.2)	3111(1.1)	2726(1.7)	
1984-85	30784(18.3)	16433(9.8)	7913(5.2)	8524(5.2)	6184(3.3)	709(0.4)	5434(3.3)		8167(4.9)	3111(2.4)	4319(3.6)	2827(1.6)	1286(1.8)	3212(2.3)	2198(1.2)	
1985-86	32974(18.7)	17080(9.7)	8396(5.2)	8634(4.9)	6534(3.4)	753(0.5)	6076(3.4)		8461(5.1)	3111(2.4)	4319(3.6)	6172(3.9)	421(0.3)	3388(1.4)	1106(0.6)	
1986-87	35097(19.4)	19231(10.4)	9371(5.6)	9857(5.3)	7815(4.2)	876(0.5)	6943(4.7)		9948(6.8)	3111(2.4)	4319(3.6)	1831(1.0)	326(0.2)	1215(0.7)	1523(0.8)	
1987-88	39551(20.6)	18660(9.6)	9803(5.0)	9857(5.3)	6520(3.4)	876(0.5)	6943(4.7)		10362(7.0)	3111(2.4)	4319(3.6)	2138(1.2)	326(0.2)	279(0.1)	1733(0.2)	
1988-89	42900(20.1)	19539(9.2)	9264(4.5)	10751(5.3)	6806(3.5)	767(0.4)	5132(3.2)		10362(7.0)	3111(2.4)	4319(3.6)	2138(1.2)	326(0.2)	279(0.1)	1733(0.2)	
1989-90	46510(20.5)	19651(9.6)	8225(4.3)	11423(5.0)	7076(3.5)	781(0.5)	5132(3.2)		10362(7.0)	3111(2.4)	4319(3.6)	2138(1.2)	326(0.2)	279(0.1)	1733(0.2)	
1990-91	51117(21.3)	20601(8.6)	8851(4.1)	11750(4.9)	9753(4.1)	993(0.4)	8759(3.6)		20764(8.6)	8914(3.7)	11850(4.9)	6954(2.9)	987(0.4)	2280(1.0)	3687(1.5)	
1991-92	49063(20.3)	21093(8.7)	9166(4.2)	10590(4.2)	10220(4.6)	135(0.0)	1043(3.6)		13511(5.6)	8671(3.6)	4840(3.2)	537(0.3)	511(0.2)	1043(0.6)	1785(0.7)	
1992-93	49825(19.7)	19550(7.7)	8751(3.8)	10590(4.2)	10220(4.6)	135(0.0)	1043(3.6)		13511(5.6)	8671(3.6)	4840(3.2)	537(0.3)	511(0.2)	1043(0.6)	1785(0.7)	
1993-94	51696(19.8)	20440(7.8)	8871(3.8)	11560(4.2)	10220(4.6)	135(0.0)	1043(3.6)		13511(5.6)	8671(3.6)	4840(3.2)	537(0.3)	511(0.2)	1043(0.6)	1785(0.7)	

Note: Figures in brackets are as percentages to GDP at 1980-81 prices

Table 6B: Gross Capital Formation by Type of Institutions at Current Prices

(Rupees, crore)

Year	Gross Capital Formation (GCF)				Gross Domestic Savings	Net Foreign Capital Inflow	Finances for Gross Capital Formation (6+7)	Errors and Omissions (8-2)	GCF Adjusted (2+9)	Consumption of Fixed Capital (CFC)	Net Capital Formation (NCF)	Price Deflators		
	Aggregate (3+4+5)	Public Sector	Private Sector	Household Sector								GIXF (1980-81=100)	GDP	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1950-51	1034(11.0)	259(2.8)	214(2.3)	56(1.6)	975	-21	954	-80	954(10.2)	364	670(7.4)	590(6.6)	14.2	20.5
1951-52	1162(11.7)	303(3.0)	252(2.5)	60(1.6)	1005	183	1188	26	1188(11.9)	411	751(7.9)	777(8.1)	15.1	21.1
1952-53	859(8.8)	256(2.6)	74(0.8)	52(1.5)	806	-34	772	-87	772(7.9)	442	417(4.5)	330(3.5)	14.9	20.2
1953-54	864(8.1)	292(2.1)	50(0.5)	56(1.4)	922	-13	909	45	909(6.7)	465	399(3.9)	444(4.4)	15.4	26.6
1954-55	1088(10.8)	436(4.3)	145(1.4)	50(1.5)	1054	16	1070	-18	1070(10.6)	511	577(6.1)	559(5.8)	16.3	18.7
1955-56	1416(13.8)	499(4.9)	218(2.1)	69(1.6)	1430	39	1469	53	1469(14.3)	546	870(9.0)	923(9.5)	16.1	18.4
1956-57	1891(15.5)	666(5.5)	341(2.8)	884(7.2)	1599	360	1959	68	1959(16.0)	611	1280(11.0)	1348(11.6)	16.7	20.8
1957-58	1940(15.4)	833(6.6)	390(3.1)	717(5.7)	1370	473	1843	-97	1843(14.6)	662	1278(10.7)	1181(9.9)	16.1	21.4
1958-59	1737(12.4)	815(5.8)	238(1.7)	684(4.9)	1409	376	1785	-48	1785(12.7)	772	965(7.3)	1013(7.6)	18.9	22.3
1959-60	2114(14.3)	500(6.1)	298(2.0)	916(6.2)	1765	231	1996	-118	1996(13.5)	842	1272(9.1)	1154(8.3)	19.7	22.8
1960-61	2683(15.9)	1142(7.0)	535(3.3)	906(5.6)	2063	481	2544	-39	2544(15.7)	940	1643(10.8)	1604(10.5)	20.5	23.8
1961-62	2680(15.6)	1147(6.7)	738(4.3)	795(4.6)	2093	345	2438	-242	2438(14.2)	1053	1627(10.1)	1385(8.6)	21.5	24.3
1962-63	3051(16.5)	1445(7.8)	533(2.9)	1073(5.8)	2476	440	2916	-135	2916(15.8)	1157	1894(10.9)	1759(10.2)	22.1	25.3
1963-64	3529(16.6)	1681(7.9)	863(4.1)	986(4.6)	2826	440	3266	-263	3266(15.4)	1301	2228(11.2)	1965(9.9)	23.5	27.4
1964-65	4069(16.4)	1948(7.9)	898(4.3)	1223(4.9)	3135	600	3735	-334	3735(15.1)	1463	2606(11.2)	2272(9.8)	24.6	29.7
1965-66	4427(16.9)	2216(8.5)	696(2.7)	1515(5.8)	3791	599	4390	-37	4390(16.8)	1652	2775(11.3)	2738(11.2)	26.0	32.2
1966-67	5316(18.0)	2135(7.2)	615(2.1)	2566(8.7)	4514	923	5437	121	5437(18.4)	1944	3372(12.2)	3493(12.6)	30.6	36.5
1967-68	5707(16.5)	2331(6.7)	809(2.3)	2567(7.4)	4497	837	5334	-373	5334(15.4)	2184	3523(10.9)	3150(9.7)	32.9	39.7
1968-69	5540(15.1)	2167(5.9)	757(2.1)	2616(7.1)	4697	416	5113	-427	5113(13.9)	2377	3163(9.2)	2736(8.0)	33.4	40.6
1969-70	6476(16.0)	2259(5.6)	661(1.6)	3556(8.8)	6044	241	6285	-191	6285(15.6)	2636	3840(10.2)	3649(9.7)	35.7	41.9
1970-71	7379(17.1)	2808(6.5)	1030(2.4)	3541(8.2)	6783	394	7177	-202	7177(16.6)	2921	4458(11.1)	4256(10.6)	37.9	42.6
1971-72	8546(18.5)	3290(7.1)	1287(2.8)	3998(8.6)	7508	478	7986	-560	7986(17.3)	3240	5306(12.3)	4746(11.0)	40.1	44.8
1972-73	8723(17.1)	3740(7.3)	1331(2.6)	3652(7.2)	7833	297	8130	-593	8130(15.9)	3661	5062(10.7)	4469(9.4)	43.7	49.7
1973-74	1329(18.3)	4751(7.7)	1630(2.6)	4948(8.0)	11432	392	11824	495	11824(19.1)	4267	7062(12.2)	7557(13.1)	50.0	58.7
1974-75	14475(19.8)	5557(7.6)	2707(3.7)	6211(8.5)	12726	653	13379	-1096	13379(18.3)	5458	9017(13.3)	7921(11.7)	62.7	68.5
1975-76	16406(20.8)	7583(9.6)	2139(2.7)	6684(8.5)	14928	-117	14811	-1595	14811(18.8)	6323	10083(13.9)	8488(11.7)	67.3	67.5
1976-77	17776(20.9)	8584(10.1)	1290(1.5)	7902(9.3)	18030	-1309	16721	-1055	16721(19.7)	6780	10996(14.1)	9941(12.7)	69.2	71.5
1977-78	19017(19.8)	7846(8.2)	2338(2.4)	8833(9.2)	20230	-1465	18765	-252	18765(19.5)	7369	11648(13.1)	11396(12.8)	71.3	75.5
1978-79	23218(22.3)	9883(9.5)	2245(2.2)	11090(10.6)	24138	128	24266	1048	24266(23.3)	8426	14792(15.4)	15840(16.5)	79.4	77.4
1979-80	26145(22.9)	11818(10.3)	3030(2.6)	11297(9.9)	24698	580	25278	-867	25278(22.1)	12271	15874(15.3)	15007(14.4)	89.0	89.6
1980-81	28453(20.9)	11767(8.7)	3448(2.5)	13238(9.7)	28786	2094	30880	2427	30880(22.7)	12087	16366(13.2)	18793(15.2)	100.0	100.0
1981-82	37951(23.8)	16600(10.4)	9118(5.7)	12233(7.7)	31597	2611	34208	-3743	34208(21.4)	14459	23492(16.2)	19749(13.6)	111.3	110.3
1982-83	40103(22.5)	19713(11.1)	10085(5.7)	10305(5.8)	33774	2566	36340	-3763	36340(20.4)	16386	23217(14.4)	19454(12.1)	120.8	118.5
1983-84	43790(21.1)	20787(10.0)	6956(3.4)	16047(7.7)	39294	2517	41811	-1979	41811(20.1)	19229	24561(13.0)	22582(12.0)	133.3	128.5
1984-85	49012(21.2)	25075(10.8)	10111(4.4)	13826(6.6)	42178	3292	45470	-3542	45470(19.7)	22091	26921(12.9)	23379(11.2)	146.7	138.1
1985-86	63442(24.2)	29417(11.2)	14405(5.5)	19620(7.5)	51933	6234	58167	-5275	58167(22.2)	26237	37205(15.8)	31930(13.5)	159.2	148.5
1986-87	67899(23.2)	34142(11.7)	15506(5.3)	18251(6.2)	54801	6355	61156	-6743	61156(20.9)	29823	38076(14.5)	31333(11.9)	169.0	158.1
1987-88	74882(22.5)	33059(9.9)	12025(3.6)	29798(8.9)	69631	6825	76456	1574	76456(22.9)	33341	41991(14.0)	43115(14.4)	179.2	171.7
1988-89	97054(24.5)	39364(9.9)	16427(4.2)	41263(10.4)	85275	12304	97579	525	97579(24.7)	38921	58133(16.3)	58658(16.4)	194.1	185.5
1989-90	110791(24.3)	45566(10.0)	19645(4.3)	45580(10.0)	101970	12279	114249	3458	114249(25.0)	45570	65221(15.9)	68679(16.7)	217.0	201.0
1990-91	137391(25.7)	52150(9.7)	24703(4.6)	60538(11.3)	126793	18196	144989	7598	144989(27.1)	51884	85507(17.7)	93105(19.3)	236.6	222.9
1991-92	140864(22.9)	56506(9.2)	36540(5.9)	47820(7.8)	142029	3377	145406	4542	145406(23.6)	62275	78589(14.2)	83131(15.0)	276.8	255.2
1992-93	163756(23.3)	62356(8.9)	47409(6.7)	53991(7.7)	140635	13816	154451	-9305	154451(22.0)	72265	91491(14.5)	82186(13.0)	297.9	278.3
1993-94	167553(21.3)	69819(8.9)	53464(6.8)	44270(5.6)	158493	2149	160642	-6911	160642(20.4)	80069	87484(12.4)	80573(11.4)	317.2	300.9

Note: Figures in brackets are as percentages to GCF at current prices, except for net capital formation in Cols. (13) and (14) which are as percentages to NDP at current market prices.

Table 7B: Capital Formation by Type of Assets at Current Prices

Year	Aggregate GFCF (1+6+9)	Public Sector (GFCF)			Private Corporate Sector (GFCF)			Household Sector (GFCF)			Change in Stock			House- hold Sector
		Total	Const- ruction	Machinery and Equipment	Total	Const- ruction	Machinery and Equipment	Total	Public Sector	Private Corporate Sector	(13)	(14)	(15)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1950-51	8749.3	2242.4	1691.8	550.6	840.9	150.2	690.7	5666.0	4494.8	1171.2	1601.7	350.4	1301.4	-5(-0.1)
1951-52	9649.7	2632.6	2092.1	530.5	920.9	190.2	730.7	6106.1	4464.5	1641.6	1982.0	410.4	1601.6	-30(0.1)
1952-53	8869.1	2812.9	2302.4	510.5	1011.0	160.2	850.8	5045.2	3663.7	1381.4	-270.3	-250.3	-270.3	250(0.3)
1953-54	8938.4	3273.1	2622.5	650.6	630.6	140.2	440.4	5034.7	3453.2	1581.5	-290.3	-350.3	-58(-0.5)	640(0.6)
1954-55	102110.1	3943.9	3033.0	910.9	1171.2	170.2	1001.0	5195.1	3763.7	1341.3	670.7	420.4	280.3	-30(0.0)
1955-56	128312.5	5335.2	4234.1	1101.1	1011.0	220.2	790.8	6496.6	3653.6	2842.8	1331.3	-340.3	1171.1	500(0.5)
1956-57	162113.3	6155.0	4543.7	1611.3	1841.5	300.2	1541.3	8226.7	5424.4	2802.3	2702.2	510.4	1571.1	620(0.5)
1957-58	169213.4	6435.1	4943.9	1491.2	2221.5	570.5	2341.9	7586.9	4263.4	3322.6	2482.0	1901.5	990.8	-410(-0.3)
1958-59	170712.2	7015.0	5293.8	1721.2	2261.6	500.4	1761.3	7805.6	5083.6	2721.9	300.2	1140.8	120.1	-960(-0.7)
1959-60	187012.6	8846.0	5413.7	3332.3	2221.5	520.4	1701.1	7645.2	5934.4	1711.2	2441.6	160.1	760.5	1521(0.1)
1960-61	215613.3	10556.5	6764.2	3792.3	3262.0	1010.6	2251.4	7754.8	5603.5	2151.3	4272.6	870(0.5)	2091(0.3)	131(0.8)
1961-62	241014.0	11076.4	7524.4	3552.1	5062.9	980.5	4082.4	7974.6	6083.5	1891.1	2701.6	400.2	2321.4	-20(0.0)
1962-63	266414.4	13127.1	9124.9	4092.2	4012.2	1000.5	3011.6	9515.1	5362.9	415.2	5872.2	1330.7	1320(0.7)	1220(0.7)
1963-64	314914.8	15621.7	11445.4	4182.2	6483.1	1460.7	5022.4	9391.4	4812.3	4582.2	3801.8	1190.6	2141.0	470(0.2)
1964-65	365914.8	18247.4	12485.0	5762.5	5892.4	1590.6	4301.8	12355.6	6862.6	6082.3	4101.7	1240.5	3091.2	-230(-0.1)
1965-66	413215.8	20467.8	13775.3	6692.6	3951.5	1120.7	2841.1	16586.5	8693.4	813.1	2951.1	1700.7	2981.1	-1730(-0.7)
1966-67	460115.6	20476.9	13164.5	7312.5	4631.6	600.2	4031.4	20331.1	13382.5	753.2	7152.4	800.3	1520.5	4751(0.6)
1967-68	508414.7	20125.8	12473.6	7652.2	5381.6	1200.3	4181.2	25327.3	17415.0	793.2	6231.8	3190.9	2710(0.8)	330(0.1)
1968-69	537614.7	21115.8	12993.5	8122.2	5231.4	1350.4	3881.1	27217.5	19025.1	840.2	640.4	560.2	-126(-0.6)	-126(-0.6)
1969-70	589814.6	21901.5	14993.7	6911.7	4561.1	1240.3	3320.8	32521.8	20545.1	1198(0.3)	578(1.4)	690(0.2)	2050(0.5)	3040(0.8)
1970-71	630514.6	23945.5	15473.6	8472.0	6201.4	1050.2	5151.2	32917.6	23081.5	983(2.3)	1074(2.5)	414(1.0)	4100(0.9)	2500(0.6)
1971-72	708415.3	28026.1	19144.1	8881.9	7821.7	1860.4	5961.3	35007.6	21744.7	13262.9	14623.2	4881.1	5051.1	4691(0.1)
1972-73	813015.9	36197.1	24744.8	11922.3	8241.6	1480.3	6761.3	36877.2	22024.3	14852.9	5931.2	1210(0.2)	-350(-0.1)	-350(-0.1)
1973-74	906914.6	40096.5	25894.2	14202.3	10631.7	1780.3	8851.4	39976.4	22073.6	17942.9	22603.6	7421.2	5670(0.9)	9511(0.5)
1974-75	1003015.0	42725.8	24763.4	17962.2	11591.6	1650.2	9941.4	45727.6	23863.3	23863.3	34724.7	12851.8	15482.1	6390(0.9)
1975-76	133016.9	56007.1	28723.6	27283.5	17632.2	226.0	15372.2	50677.6	42425.4	17252.2	30763.9	1983.5	3760.5	7170(0.9)
1976-77	1530318.0	70488.3	37304.4	33183.9	11171.3	1970.2	9161.1	71228.4	45735.5	25693.0	27302.9	15361.8	1770(0.2)	7600(0.9)
1977-78	1721917.9	76978.0	44184.6	32793.4	15301.6	2470.3	12831.1	70025.8	52815.5	27112.8	17901.9	1490.2	8060.8	8410(0.9)
1978-79	1887618.1	83761.8	51334.9	32433.3	11391.1	1580.2	9810.9	93619.0	72643.3	33354.2	43424.2	15071.1	11061.1	17291(0.7)
1979-80	2130718.6	99748.7	60565.3	38883.4	15561.6	2870.3	15491.2	10773.3	45814.0	45964.3	44842.2	18441.6	11751.0	18201(0.6)
1980-81	2627619.3	116938.6	69005.1	47933.5	35412.6	5080.4	30336.2	110428.1	62414.6	48013.5	21771.6	740.1	-93(-0.1)	21961(0.6)
1981-82	3145519.7	145989.1	84094.5	61893.9	58281.6	5040.6	40337.3	132266.5	70974.4	4322.5	64964.1	29621.1	29621.1	-2540(0.8)
1982-83	3576920.1	185861.9	98225.5	87043.9	73044.2	9450.6	67993.6	139817.0	84293.9	50522.2	33441.5	11270.9	26401.5	5160(0.9)
1983-84	3999119.3	204504.9	112625.4	91553.4	67323.2	10550.5	56772.7	128006.2	73223.5	54772.6	37991.8	3700.2	2241.1	32381(0.6)
1984-85	4536819.7	233061.0	125555.4	108115.4	81913.5	12350.5	69563.0	134817.0	84293.9	50522.2	33441.5	11270.9	26401.5	5160(0.9)
1985-86	5455520.7	275011.9	152965.8	122954.7	108433.8	13500.6	55513.3	167110.6	106934.1	6013.3	41813.3	1066.7	43621.7	29091(0.1)
1986-87	6205212.1	335411.4	185964.5	146568.5	121944.2	18770.6	10373.5	166145.5	110980.4	65062.2	58472.0	8800.3	3321.1	16470(0.9)
1987-88	7219421.7	345711.0	193085.8	152534.6	102503.1	15700.5	86412.6	274308.2	134064.2	33590.4	26860.8	-5120.5	16204.5	23980(0.7)
1988-89	8566921.6	398661.0	222775.6	175594.4	120513.0	19230.5	103282.6	335525.5	174064.2	165014.2	133852.9	502.3	4376.1	75111(0.9)
1989-90	10277522.5	436622.6	210744.8	218883.8	152103.3	18510.4	133892.9	437134.6	240675.3	196564.3	80161.8	7440.4	44551.0	18770(0.4)
1990-91	12400422.2	501761.9	254864.8	246904.6	202913.8	28860.5	174053.3	5353710.0	299915.6	235464.4	133872.5	19740.4	44120(0.8)	70011(0.3)
1991-92	13677622.2	587149.5	300764.9	286384.3	24515.6	44900.7	298611.8	326305.5	326305.5	119721.8	30000.7	-22100.4	21890(0.4)	41090(0.7)
1992-93	15117821.5	596691.8	316544.5	280194.6	42108.6	54950.8	366185.2	494317.9	362635.2	31331.9	12573.5	26870(0.4)	53610(0.8)	45900(0.7)
1993-94	16437920.9	660048.5	449544.4	310803.9	564727.2	73420.9	401306.2	419035.3	370771.7	48260.6	51740.4	38150(0.5)	-3008(-0.4)	23670(0.3)

Note: Figures in brackets are as percentages to GDP at current market prices

Table 8: Institutionwise Distribution of Capital Formation by Type of Assets

Year	Construction				Machinery and Equipment				Change in Stock				Shares in GFCF				Shares in GCF				In percentages
	Total			Household Sector	Total			Household Sector	Total			Household Sector	Total			Household Sector	Total			Household Sector	
	Public Sector	Private Sector	Household Sector		Public Sector	Private Sector	Household Sector		Public Sector	Private Sector	Household Sector		Public Sector	Private Sector	Household Sector		Public Sector	Private Sector	Household Sector		
1950-51	100.0	26.7	2.4	70.9	100.0	22.8	28.6	48.5	-3.1	100.0	21.9	81.3	-3.1	100.0	25.6	9.6	64.8	100.0	25.0	20.7	54.3
1951-52	100.0	31.0	2.8	66.2	100.0	18.3	25.2	56.6	-1.5	100.0	20.7	80.8	-1.5	100.0	27.2	9.5	63.3	100.0	26.1	21.7	52.2
1952-53	100.0	37.6	2.6	59.8	100.0	18.6	31.0	50.4	-92.6	100.0	92.6	100.0	-92.6	100.0	31.7	11.4	56.9	100.0	29.8	8.6	61.6
1953-54	100.0	41.9	3.0	55.1	100.0	24.3	16.5	59.2	-220.7	100.0	120.7	200.0	-220.7	100.0	36.6	7.1	56.3	100.0	33.8	0.6	65.6
1954-55	100.0	43.5	2.4	54.0	100.0	28.0	30.8	41.2	-4.5	100.0	62.7	41.8	-4.5	100.0	38.6	11.5	50.6	100.0	40.1	13.3	46.6
1955-56	100.0	52.2	2.7	45.1	100.0	23.3	16.7	60.0	37.6	100.0	25.6	88.0	37.6	100.0	41.5	7.9	50.6	100.0	35.2	15.4	49.4
1956-57	100.0	44.2	2.9	52.8	100.0	27.1	25.9	47.1	23.0	100.0	18.9	58.1	23.0	100.0	37.9	11.4	50.7	100.0	35.2	18.0	46.7
1957-58	100.0	50.6	5.8	43.6	100.0	20.8	32.7	46.4	-16.5	100.0	76.6	39.9	-16.5	100.0	38.0	17.2	44.8	100.0	42.9	20.1	37.0
1958-59	100.0	48.7	4.6	46.7	100.0	27.7	28.4	43.9	-320.0	100.0	380.0	40.0	-320.0	100.0	41.1	13.2	45.7	100.0	46.9	13.7	39.4
1959-60	100.0	45.6	4.4	50.0	100.0	50.1	24.9	25.0	62.3	100.0	6.6	31.1	62.3	100.0	47.5	11.9	40.9	100.0	42.6	14.1	43.3
1960-61	100.0	50.6	7.6	41.9	100.0	46.3	27.5	26.3	30.7	100.0	20.4	48.9	30.7	100.0	48.9	15.1	35.9	100.0	44.2	20.7	35.1
1961-62	100.0	51.6	6.7	41.7	100.0	37.3	42.9	19.9	-0.7	100.0	14.8	85.9	-0.7	100.0	45.9	21.0	33.1	100.0	42.8	27.5	29.7
1962-63	100.0	58.9	6.5	34.6	100.0	35.8	27.0	37.2	31.5	100.0	34.4	34.1	31.5	100.0	49.2	15.1	35.7	100.0	47.4	17.5	35.2
1963-64	100.0	64.6	8.2	27.2	100.0	30.3	36.4	32.2	12.4	100.0	31.3	56.3	12.4	100.0	49.6	20.6	29.5	100.0	47.6	24.4	27.9
1964-65	100.0	61.3	7.4	31.3	100.0	35.5	27.0	37.5	-5.6	100.0	36.2	75.4	-5.6	100.0	49.8	16.1	34.1	100.0	47.9	22.1	30.1
1965-66	100.0	58.3	4.8	36.8	100.0	37.8	16.0	46.2	-58.6	100.0	57.6	101.0	-58.6	100.0	49.5	9.6	40.9	100.0	50.1	15.7	34.2
1966-67	100.0	48.5	2.2	49.3	100.0	38.7	21.4	39.9	66.4	100.0	12.3	21.3	66.4	100.0	44.5	10.1	45.4	100.0	40.2	11.6	48.3
1967-68	100.0	40.1	3.9	56.0	100.0	38.7	21.2	40.1	5.3	100.0	51.2	43.5	5.3	100.0	39.6	10.6	49.8	100.0	40.8	14.2	45.0
1968-69	100.0	38.9	4.0	57.0	100.0	39.8	19.0	41.2	-76.8	100.0	34.1	142.7	-76.8	100.0	39.3	9.7	51.0	100.0	39.1	13.7	47.2
1969-70	100.0	40.8	3.4	55.9	100.0	31.1	14.9	53.9	52.6	100.0	11.9	35.5	52.6	100.0	37.1	7.7	55.1	100.0	34.9	10.2	54.9
1970-71	100.0	39.1	2.7	58.3	100.0	36.1	22.0	41.9	23.3	100.0	38.5	38.2	23.3	100.0	38.0	9.8	52.2	100.0	38.1	14.0	48.0
1971-72	100.0	44.8	4.4	50.9	100.0	31.6	21.2	47.2	32.1	100.0	33.4	34.5	32.1	100.0	39.6	11.0	49.4	100.0	38.5	15.1	46.4
1972-73	100.0	50.8	3.1	46.1	100.0	35.6	20.2	44.3	-5.9	100.0	20.4	85.5	-5.9	100.0	44.5	10.1	45.4	100.0	42.9	15.3	41.9
1973-74	100.0	52.1	3.6	44.3	100.0	34.6	21.6	43.8	42.1	100.0	32.8	25.1	42.1	100.0	44.2	11.7	44.1	100.0	41.9	14.4	43.7
1974-75	100.0	42.5	2.8	54.7	100.0	34.7	19.2	46.1	18.4	100.0	37.0	44.6	18.4	100.0	38.8	10.5	50.6	100.0	38.4	18.7	42.9
1975-76	100.0	39.1	3.1	57.8	100.0	45.5	25.7	28.8	23.3	100.0	64.5	12.2	23.3	100.0	42.0	13.2	44.8	100.0	46.2	13.0	40.7
1976-77	100.0	43.9	2.3	53.8	100.0	48.8	13.5	37.8	30.7	100.0	62.1	7.2	30.7	100.0	46.1	7.3	46.7	100.0	48.3	7.3	44.5
1977-78	100.0	44.4	2.5	53.1	100.0	45.1	17.6	37.3	46.8	100.0	8.3	44.9	46.8	100.0	44.7	8.9	46.4	100.0	41.3	12.3	46.4
1978-79	100.0	49.8	1.5	48.7	100.0	37.9	11.5	50.6	39.8	100.0	34.7	25.5	39.8	100.0	44.4	6.0	49.6	100.0	42.6	9.7	47.8
1979-80	100.0	55.6	2.6	41.8	100.0	37.6	15.2	47.3	37.6	100.0	38.1	24.3	37.6	100.0	45.8	8.7	44.5	100.0	45.2	11.6	43.2
1980-81	100.0	50.6	3.7	45.7	100.0	38.0	24.0	38.0	100.9	100.0	3.4	-4.3	100.9	100.0	44.5	13.5	42.0	100.0	41.4	12.1	46.5
1981-82	100.0	51.3	5.5	43.3	100.0	41.1	32.8	26.1	18.5	100.0	30.8	50.6	18.5	100.0	46.4	18.5	35.1	100.0	43.7	24.0	32.2
1982-83	100.0	53.6	5.4	41.0	100.0	50.2	36.7	13.1	11.9	100.0	26.0	62.1	11.9	100.0	52.0	20.7	27.4	100.0	49.2	25.1	25.7
1983-84	100.0	57.3	5.4	37.3	100.0	45.2	27.9	26.9	85.2	100.0	9.9	5.9	85.2	100.0	51.1	16.8	32.0	100.0	47.5	15.9	36.6
1984-85	100.0	55.3	5.4	39.3	100.0	47.4	30.4	22.1	-4.5	100.0	48.8	55.7	-4.5	100.0	51.3	18.0	30.7	100.0	51.2	20.6	28.2
1985-86	100.0	55.7	5.3	39.0	100.0	45.5	32.0	22.4	31.7	100.0	20.9	47.5	31.7	100.0	50.7	18.5	30.8	100.0	46.4	22.7	30.9
1986-87	100.0	60.8	6.1	33.0	100.0	46.6	32.8	20.7	28.2	100.0	15.2	56.6	28.2	100.0	53.6	19.7	26.8	100.0	50.3	22.8	26.9
1987-88	100.0	55.5	4.5	40.0	100.0	40.8	23.1	36.1	89.2	100.0	-56.3	67.0	89.2	100.0	47.9	14.2	38.0	100.0	44.1	16.1	39.8
1988-89	100.0	53.8	4.6	41.6	100.0	39.8	22.9	37.3	66.0	100.0	-4.4	38.4	66.0	100.0	46.5	14.1	39.4	100.0	40.6	16.9	12.5
1989-90	100.0	45.9	3.9	50.3	100.0	39.9	24.3	35.8	23.4	100.0	21.3	55.3	23.4	100.0	42.7	14.8	42.5	100.0	41.1	17.7	41.1
1990-91	100.0	43.7	4.9	51.4	100.0	37.6	26.5	35.9	52.3	100.0	14.7	33.0	52.3	100.0	40.5	16.4	43.2	100.0	38.0	18.0	44.1
1991-92	100.0	44.8	6.7	48.6	100.0	41.2	42.9	15.9	100.5	100.0	-54.1	53.5	100.5	100.0	42.9	25.1	32.0	100.0	40.1	25.9	33.9
1992-93	100.0	43.1	7.5	49.4	100.0	36.0	47.1	16.9	36.5	100.0	21.4	42.1	36.5	100.0	39.5	27.9	32.7	100.0	38.1	29.0	33.0
1993-94	100.0	44.0	9.2	46.7	100.0	36.5	57.8	5.7	74.6	100.0	120.2	-94.8	74.6	100.0	40.2	34.4	25.5	100.0	41.7	31.9	26.4

Table 9A: Gross Capital Formation by Industry of Use at 1980-81 Prices

Year	Agriculture, etc		Agriculture		Mining and Quarrying		Manufacturing		Registered		Unregistered		Elect Gas and Water Supply	
(1)	GFCF (2)	GFC (3)	GFCF (4)	GFC (5)	GFCF (6)	GFC (7)	GFCF (8)	GFC (9)	GFCF (10)	GFC (11)	GFCF (12)	GFC (13)	GFCF (14)	GFC (15)
1950-51	1272	1310	1224(5.9)	1262	46	53	1034(21.2)	1052	1012(43.8)	948	220(9)	104	125	137
1951-52	1482	1486	1436(6.8)	1439	99	108	1092(21.7)	1661	1069(45.0)	1618	230(9)	43	188	191
1952-53	1290	1279	1244(5.6)	1332	47	51	953(18.3)	1179	936(39.3)	1119	190(7)	60	161	168
1953-54	1476	1414(5.9)	1414(5.9)	1342	59	64	1008(18.0)	812	906(36.4)	638	102(3.3)	174	146	159
1954-55	1440	1409	1367(5.5)	1335	86	90	980(16.3)	771	813(29.4)	560	167(5.2)	201	410	420
1955-56	1587	1670	1500(6.2)	1582	64	68	1280(19.8)	1585	1138(36.7)	1498	142(4.2)	177	448	473
1956-57	1613	1659	1489(5.8)	1534	33	29	1886(27.1)	2588	1616(46.8)	2281	270(7.7)	307	534	691
1957-58	1588	1700	1473(6.0)	1585	46	58	2314(32.0)	2728	2143(59.3)	2533	171(4.7)	195	520	445
1958-59	1521	1618	1413(5.2)	1510	58	58	1686(22.2)	1508	1513(40.7)	1271	173(4.5)	217	436	534
1959-60	1367	1373	1288(4.8)	1294	65	71	1912(23.6)	2850	1744(42.6)	2648	168(4.2)	202	411	423
1960-61	1694	1777	1585(5.5)	1668	163	194	2354(26.8)	3326	2125(46.2)	3012	229(5.5)	314	486	510
1961-62	1768	1773	1665(5.8)	1670	183	170	1719(18.1)	2959	1475(29.4)	2627	247(5.5)	332	795	850
1962-63	1884	1928	1804(6.4)	1848	230	227	2265(22.2)	3283	2020(36.7)	2942	245(5.2)	341	940	1223
1963-64	2033	2094	1939(6.8)	2000	241	294	2368(21.2)	3962	2113(34.5)	2677	251(5.0)	385	1129	1270
1964-65	2237	2262	2103(6.7)	2128	377	372	2647(22.1)	3727	2328(35.1)	3323	319(6.0)	404	1112	1173
1965-66	2428	2478	2258(8.3)	2308	175	173	3230(26.7)	4334	2829(41.3)	3915	301(7.5)	419	1283	1381
1966-67	2450	2486	2313(8.7)	2346	274	295	3402(28.0)	5286	2706(39.4)	3486	696(13.1)	770	1204	1271
1967-68	2704	2714	2580(8.2)	2589	261	261	3230(26.5)	4168	2418(36.3)	3245	822(14.8)	928	1284	1347
1968-69	2700	2838	2558(8.2)	2694	194	201	2822(22.4)	3341	2099(28.3)	2412	873(15.1)	929	1263	1250
1969-70	2899	3016	2754(8.2)	2871	331	335	3110(21.8)	4495	2206(26.5)	3502	904(15.2)	993	1357	1384
1970-71	2748	2884	2625(7.3)	2758	212	228	3090(21.2)	4746	2183(25.6)	3633	907(14.9)	1113	1409	1538
1971-72	2902	3059	2767(7.9)	2924	307	326	2822(19.7)	5022	1851(21.3)	3656	971(15.2)	1366	1383	1495
1972-73	3073	3317	2938(8.9)	3180	268	287	3277(20.9)	4010	2263(25.3)	2635	1014(15.1)	1375	2032	2118
1973-74	3048	3352	2902(8.1)	3208	361	507	3207(19.6)	5763	2534(26.7)	4172	1074(15.4)	1591	1327	1286
1974-75	2857	3123	2709(7.8)	2975	342	590	3707(22.0)	7500	2534(26.7)	5702	1173(15.9)	1598	1331	1462
1975-76	3104	3556	2935(7.4)	3388	592	1092	5234(30.6)	6352	4075(42.5)	5029	1179(15.5)	1523	1925	1991
1976-77	3846	4457	3646(9.8)	4258	972	1101	4130(22.1)	4876	2818(26.4)	3459	1288(16.2)	1417	2184	2154
1977-78	3945	4281	3744(8.9)	4073	1013	953	4506(22.7)	5795	3170(27.1)	4113	1397(16.7)	1682	2472	2557
1978-79	4444	5447	4246(9.9)	4246	725	770	5634(25.2)	4393	4132(32.4)	6482	1502(15.7)	1818	2632	2795
1979-80	4640	5414	4450(12.0)	5215	875	975	4674(21.6)	5875	3173(25.4)	5952	1503(16.5)	1843	2642	2571
1980-81	4765	4864	4537(10.7)	4636	952	962	4977(23.0)	4844	3385(27.6)	2923	1592(17.0)	1921	2894	3170
1981-82	4587	4741	4346(9.6)	4499	1356	1516	5930(35.6)	7259	4263(32.2)	6056	1720(16.9)	2193	3543	3829
1982-83	4676	4865	4409(9.9)	4575	2352	2714	5024(23.8)	8643	4155(26.5)	6344	1791(17.2)	2009	3943	4062
1983-84	4259	4406	3957(8.0)	4197	2121	2314	4133(26.1)	7817	5527(31.6)	5704	1850(17.5)	2173	3514	3937
1984-85	4597	4888	4287(8.6)	4551	1952	2172	5072(25.3)	8750	3767(26.8)	5931	2909(18.0)	2004	3746	3991
1985-86	4374	4641	4068(8.2)	4322	2470	2652	4730(25.7)	9576	5659(30.7)	6688	2131(18.0)	2348	4523	4543
1986-87	4147	4360	3798(7.8)	4114	2547	2772	4730(25.3)	8509	5270(27.4)	6049	2241(17.7)	2513	3512	3712
1987-88	4577	4778	4219(8.6)	4414	2268	2435	5871(25.5)	10159	6336(31.3)	7444	2336(16.8)	2715	5633	5855
1988-89	4651	4734	4260(7.4)	4377	2336	2547	6352(27.4)	13722	6428(27.8)	10165	2924(17.8)	3771	5746	5857
1989-90	4614	4791	4191(7.2)	4791	2775	2962	10021(23.7)	12222	9051(26.8)	8584	2475(18.6)	445	5433	5771
1990-91	4025	5074	4459(7.3)	4593	2750	2845	11634(25.9)	13923	8512(30.8)	10365	3122(18.1)	3558	6161	6150
1991-92	4915	4980	4434(7.5)	4407	2260	2380	11342(26.1)	10746	8060(30.6)	7891	3037(18.4)	3525	6026	6932
1992-93	5018	5120	4597(7.2)	4617	2120	2220	11515(25.7)	11970	8485(30.5)	8537	3630(18.4)	3793	6273	6334
1993-94	5204	5228	4666(7.2)	4695	2237	2115	12147(26.2)	11756	8964(31.2)	4416	3156(18.5)	3740	6563	6910

(Continued)

Table 9A Gross Capital Formation by Industry of Use at 1980-81 Prices (Concluded)

Year	Construction		Trade Hotels and Restaurant		Transport and Communication		Railways	Financing Insu and Business	Community Social and Personal Services	Public Admini stration and Defence	Capital Formation by Industry of Use	GCF by Type of Assets Adjusted	Other
	GFCF	GCF	GFCF	GCF	GFCF	GCF	GFCF	GCF	GFCF	GCF	GFCF	GCF	
(1)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
1950-51	28	41	107	726	587	635	360	1220	472	572	312	412	1515
1951-52	25	35	107	310	619	634	365	1258	472	606	315	524	1341
1952-53	21	30	90	265	545	528	332	1283	491	392	344	155	1411
1953-54	53	72	93	413	566	534	351	1342	618	343	424	199	1683
1954-55	146	215	92	393	727	715	495	1366	733	901	573	831	289
1955-56	198	303	109	650	974	1005	679	1398	1053	764	817	563	865
1956-57	202	264	140	456	1182	1222	708	1409	1059	782	855	855	1831
1957-58	66	102	160	261	1343	1554	968	1437	1051	761	761	300	2097
1958-59	116	115	149	317	1491	1566	1040	1562	1021	761	85	85	797
1959-60	128	156	172	418	1440	1446	873	1647	1150	854	923	923	1248
1960-61	315	461	124	704	1616	1494	916	1675	1366	1634	999	1267	762
1961-62	339	177	167	102	1683	1781	964	1693	1425	133	1033	918	1638
1962-63	194	268	236	286	2045	2219	118	1724	1517	155	1153	1171	1108
1963-64	368	528	269	714	2066	2305	1295	1672	1494	1263	1263	1357	1460
1964-65	285	375	237	394	2240	2384	1255	1679	1556	1320	1320	1332	2298
1965-66	300	356	330	430	2282	2376	1255	1679	1556	1320	1320	1332	2298
1966-67	302	361	321	466	1650	1711	746	1822	1493	1366	1366	1372	1901
1967-68	311	374	297	647	1697	1658	658	1950	1458	1065	1065	1065	2476
1968-69	324	390	345	434	1702	1627	620	2065	1503	1115	1115	1115	3325
1969-70	273	311	756	1418	1878	2009	599	1915	1491	1501	1237	1247	3014
1970-71	303	380	816	1563	1912	2125	593	2022	1895	1949	1613	1662	2911
1971-72	313	366	663	613	2205	2472	659	2098	2348	2405	1944	1997	3355
1972-73	312	388	821	19	2198	2266	634	2226	2555	2309	1865	1885	2344
1973-74	371	366	878	1680	2280	2301	586	2296	1531	1531	1177	1151	2667
1974-75	392	419	622	3109	2401	2443	601	2405	1519	1541	1171	1151	2352
1975-76	386	566	660	2678	2388	2324	631	2597	1710	1735	1308	1334	1476
1976-77	420	713	692	1191	2305	2321	560	2693	1851	1914	1408	1438	3202
1977-78	407	526	689	2548	2488	2570	569	2830	2343	1781	1781	1825	4249
1978-79	409	620	726	1621	2410	2607	607	2905	2373	2436	1807	1807	2252
1979-80	508	696	740	2325	2725	2907	738	3311	2752	2715	2200	2162	2041
1980-81	690	1208	842	5098	3027	3191	819	3429	2927	2926	2314	2323	2659
1981-82	796	1032	357	1930	3301	3367	832	3536	3072	3127	2434	2434	3420
1982-83	659	607	464	2439	3534	3592	868	3275	2960	2946	2360	2359	3190
1983-84	673	790	1051	1976	4179	4262	903	3667	3284	3275	2602	2627	62
1984-85	538	837	1051	5204	3980	3968	902	3776	3479	3559	2751	2814	2997
1985-86	611	690	1104	3250	4964	4845	1255	4114	3776	3826	2450	2450	1617
1986-87	696	772	1166	999	4501	4570	963	4542	3544	3826	2766	2766	1900
1987-88	726	669	1354	4287	5286	5381	1093	4988	3794	3827	2766	2766	4578
1988-89	1020	995	508	3450	5763	5876	979	5336	4278	3827	2766	2766	5108
1989-90	958	1039	1670	5757	5850	6042	1060	6339	3805	2796	2796	2796	7121
1990-91	727	769	57	3839	6025	4953	1031	6899	3646	2711	2711	2711	10157
1991-92	755	809	479	5937	6629	6776	1390	6713	3736	2586	2586	2586	6468
1992-93	846	826	593	3017	7207	7337	1490	6685	4038	3056	3056	3056	2263
1993-94													2767

Note: Figures in brackets are percentages to GDP originating from respective sectors at 1980-81 prices, except for total, FCF GCF in Col. (20), (31), and (32) which are percentages to aggregate GDP at 1980-81 market prices.

Table 9B: Gross Capital Formation by Industry of Use at Current Prices

Year	Agriculture, etc				Agriculture				Mining and Quarrying				Manufacturing				Registered				Unregistered				Elect Gas and Water Supply	
	GFCF		GFC		GFCF		GFC		GFCF		GFC		GFCF		GFC		GFCF		GFC		GFCF		GFC		GFCF	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
1950-51	228	228	235	222(4.7)	229	7	8	124(12.0)	128	121(24.8)	110	3(0.6)	18	19	21											
1951-52	277	277	278	271(5.6)	272	17	18	149(13.0)	261	146(27.1)	254	3(0.5)	7	31	31											
1952-53	254	254	257	247(5.2)	260	9	9	139(12.9)	177	136(27.8)	167	3(0.5)	10	25	27											
1953-54	284	284	273	275(5.2)	264	11	12	156(12.9)	121	140(26.1)	92	16(2.4)	29	20	22											
1954-55	283	279	279	270(6.1)	266	16	16	173(12.7)	138	144(24.9)	104	29(4.3)	34	71	73											
1955-56	324	337	337	309(7.2)	322	12	12	216(16.7)	265	192(31.0)	235	24(3.6)	30	76	82											
1956-57	354	364	364	333(6.1)	343	6	6	311(20.2)	438	265(34.8)	385	46(5.9)	53	95	131											
1957-58	368	368	389	349(6.5)	370	9	10	367(22.4)	444	337(41.2)	410	30(3.6)	34	99	81											
1958-59	371	390	390	349(5.6)	368	13	12	342(19.5)	258	307(35.9)	211	35(3.9)	47	85	110											
1959-60	355	355	358	339(5.4)	342	14	14	389(19.8)	578	355(36.0)	537	34(3.5)	41	81	84											
1960-61	430	448	448	406(6.2)	424	38	43	509(22.3)	717	460(38.7)	650	49(4.5)	67	116	123											
1961-62	417	418	418	393(5.8)	394	44	42	392(15.6)	658	336(25.7)	584	56(4.6)	74	191	206											
1962-63	457	457	467	438(6.3)	448	59	58	528(18.9)	755	471(31.5)	676	57(4.4)	79	226	309											
1963-64	503	503	518	480(5.9)	495	77	78	598(18.7)	762	536(30.7)	668	62(4.3)	94	284	329											
1964-65	601	601	610	566(5.6)	575	104	102	690(19.7)	973	608(31.3)	869	82(5.2)	104	302	322											
1965-66	706	720	720	657(6.6)	671	53	53	886(23.7)	1204	782(37.0)	1089	107(6.6)	115	371	405											
1966-67	792	792	806	747(6.5)	792	93	97	1104(27.0)	1761	887(38.2)	1469	217(12.3)	241	365	391											
1967-68	927	933	933	882(6.1)	888	91	91	1111(25.4)	1334	840(34.5)	1135	271(13.9)	309	414	438											
1968-69	967	1022	1022	913(6.1)	967	71	72	1008(21.3)	1171	710(27.2)	853	298(14.1)	318	433	438											
1969-70	1107	1156	1156	1047(6.4)	1096	125	126	1138(20.9)	1648	812(25.6)	1290	326(14.3)	358	492	502											
1970-71	1161	1214	1214	1102(6.6)	1154	88	93	1204(20.2)	1848	856(25.1)	1420	348(13.7)	428	593	647											
1971-72	1314	1314	1378	1248(7.3)	1312	133	139	1155(17.5)	2057	961(25.9)	1501	398(13.8)	556	618	666											
1972-73	1496	1496	1606	1425(7.6)	1534	126	132	1451(19.8)	1782	1006(24.5)	1174	445(14.8)	608	652	690											
1973-74	1718	1718	1881	1633(6.6)	1797	190	242	1578(17.8)	2966	1049(21.4)	2156	529(13.3)	810	732	713											
1974-75	1916	2089	2089	1813(6.7)	1986	221	241	2297(20.2)	4740	1577(24.8)	3731	720(14.3)	1009	873	948											
1975-76	2225	2523	2523	2103(7.9)	2402	425	703	3628(30.6)	4366	2829(42.6)	3470	799(15.3)	896	1379	1463											
1976-77	2881	3296	3296	2734(10.1)	3150	695	774	2891(22.0)	3399	1998(26.4)	2417	893(16.1)	982	1579	1579											
1977-78	3120	3357	3357	2967(9.2)	3199	722	713	3195(21.7)	4126	2206(26.5)	2931	989(15.5)	1195	1871	1936											
1978-79	3682	4404	4404	3523(10.7)	4243	581	613	4355(25.7)	6280	3197(33.2)	4894	1158(15.9)	1386	2124	2228											
1979-80	4326	4976	4976	4140(12.3)	4791	714	881	4296(21.7)	6847	2861(25.9)	5214	1345(16.1)	1633	2439	2653											
1980-81	4765	4864	4864	4537(10.7)	4636	952	962	4977(23.0)	4844	3385(27.6)	2923	1592(17.0)	1921	2894	3170											
1981-82	5217	5385	5385	4937(10.3)	5104	1503	1652	6779(26.8)	9232	4796(33.3)	6697	1983(18.3)	2535	4206	4206											
1982-83	5868	6088	6088	5522(10.9)	5715	2852	3157	7379(26.3)	10256	5029(30.4)	7675	2350(20.4)	2581	4626	4626											
1983-84	5865	6055	6055	5433(8.9)	5615	2697	2927	9416(28.5)	10291	6733(33.2)	7356	2683(21.1)	2935	4919	5061											
1984-85	6603	7006	7006	6107(9.4)	6475	2790	2933	10367(27.8)	11153	7290(31.3)	8074	3065(22.1)	3076	5548	5548											
1985-86	7177	7613	7613	6625(9.5)	7037	3777	4180	12139(29.1)	15155	8540(33.1)	11035	3599(22.5)	4323	7240	7240											
1986-87	7586	7775	7775	6699(9.0)	7079	4201	4537	12600(27.3)	15614	8467(30.0)	10775	4133(23.1)	2535	9634	9634											
1987-88	8828	9181	9181	8045(9.6)	8389	3952	4217	15210(28.8)	17086	10547(32.7)	11871	3663(22.6)	2535	10388	10388											
1988-89	9825	9825	9825	8896(8.5)	9062	4479	4780	17860(27.1)	23589	11592(29.7)	17544	5594(23.5)	6045	11560	11560											
1989-90	10741	11112	11112	9681(8.4)	10025	5976	6304	20584(27.1)	24385	13606(29.0)	16719	6886(24.5)	7716	12344	12344											
1990-91	12509	12852	12852	11279(8.3)	11592	6465	6626	26177(29.4)	30577	18303(32.9)	21865	7874(23.4)	8712	14425	14406											
1991-92	14031	14226	14226	14031(8.8)	14226	6336	6336	29975(30.6)	27713	20361(33.3)	19453	8710(24.4)	8269	18895	18895											
1992-93	15667	15965	15965	14144(7.9)	14462	6369	6581	32295(29.2)	33232	23711(22.9)	22919	9524(22.7)	13313	19002	18683											
1993-94	17260	17368	17368	15521(7.3)	15642	6988	6697	35590(29.1)	34589	24971(32.9)	23577	10619(23.9)	11012	20972	21085											

(Continued)

Table 9B: Gross Capital Formation by Industry of Use at Current Prices (Concluded)

Year	Construction		Trade, Hotels and Restaurant		Transport, Storage and Communication		Railways		Financing, Insu. and Real Estate		Community, Social and Personal Services		Public Administration and Defence		Capital formation by Industry of Use		GCF by Type of Assets Adjusted		Difference (32-31)
	GFCF (16)	GCF (17)	GFCF (18)	GCF (19)	GFCF (20)	GCF (21)	GFCF (22)	GCF (23)	GFCF (24)	GCF (25)	GFCF (26)	GCF (27)	GFCF (28)	GCF (29)	GFCF (30)	GCF (31)	GCF (32)		
(1)																			(33)
1950-51	5	7	14	131	97	106	53	60	328	328	73	91	50	68	895	1055	954	101	
1951-52	5	7	16	57	120	125	64	68	265	265	80	116	60	96	960	1158	1188	30	
1952-53	5	9	15	34	112	109	62	57	218	218	89	57	64	32	866	839	727	67	
1953-54	11	14	17	82	120	114	69	62	199	199	105	56	82	33	923	894	909	15	
1954-55	33	44	14	65	157	156	46	93	233	233	126	169	98	141	1106	1173	1070	103	
1955-56	45	61	14	99	193	198	125	129	219	219	192	151	150	109	1291	1424	1469	45	
1956-57	50	59	23	81	256	273	167	181	331	331	199	212	158	171	1625	1895	1959	64	
1957-58	16	23	25	40	306	345	212	248	268	268	207	313	157	243	1665	1913	1843	70	
1958-59	26	28	35	71	339	354	230	242	312	312	219	237	167	185	1742	1722	1785	13	
1959-60	33	38	46	95	337	318	195	176	373	373	250	264	189	203	1878	2122	1996	126	
1960-61	84	113	27	155	376	350	205	176	347	347	328	386	249	307	2255	2682	2544	138	
1961-62	38	46	39	25	409	430	222	221	376	376	350	333	268	242	2265	2535	2438	97	
1962-63	57	72	56	65	484	523	283	308	333	333	406	410	311	311	2606	2993	2916	77	
1963-64	109	145	67	170	531	588	323	360	341	342	449	407	349	307	2959	3239	3266	73	
1964-65	89	111	61	98	605	635	352	372	360	361	484	494	388	398	3296	3706	3715	29	
1965-66	97	120	94	1	654	681	345	344	525	525	528	573	418	393	3914	4212	4390	178	
1966-67	102	123	69	240	611	638	249	255	840	839	545	401	430	286	4521	5236	5437	201	
1967-68	109	129	106	283	539	561	232	242	1076	1076	559	600	433	474	4932	5555	5340	221	
1968-69	114	135	98	210	581	567	213	212	1199	1200	561	391	427	257	5032	5196	5113	83	
1969-70	124	147	124	168	600	573	194	175	1298	1298	592	562	446	414	5602	6180	6285	105	
1970-71	111	124	291	537	721	772	228	251	856	860	577	581	487	491	5602	6676	7177	501	
1971-72	130	158	330	633	793	880	254	304	1061	1063	793	815	685	705	6327	7891	7986	173	
1972-73	144	165	291	254	1000	1098	312	351	1302	1302	1034	1060	886	916	7496	8089	8130	159	
1973-74	161	196	399	981	1100	1137	329	321	1578	1577	1163	1187	997	1008	8619	10879	11824	191	
1974-75	173	229	540	1092	1365	1434	355	350	1982	1984	928	910	742	724	10295	14171	13797	388	
1975-76	208	250	424	2019	1556	1584	389	387	2241	2239	1040	1085	805	816	13126	16170	16202	1391	
1976-77	277	393	415	1797	1525	1481	398	327	2443	2450	1220	1244	949	967	19400	16413	16721	308	
1977-78	307	502	490	866	1602	1613	421	392	2628	2634	1430	1446	1197	1120	15395	17193	18765	1572	
1978-79	315	421	531	1870	1866	1925	483	485	2973	2977	1838	1889	1458	1492	18265	22607	24266	1659	
1979-80	366	553	651	1406	2238	2405	576	643	3598	3602	2184	2237	1759	1792	20722	25560	25278	282	
1980-81	508	696	740	2325	2725	2907	738	814	3304	3311	2752	2715	2200	2162	23617	29833	30880	5086	
1981-82	767	1328	657	5656	3614	3802	966	977	4116	4133	3254	3287	2544	2554	28617	38711	34208	4503	
1982-83	891	1138	1177	2200	4271	4360	1109	1071	4981	4994	3860	3921	3025	3072	35925	40940	36340	4600	
1983-84	820	714	1289	3065	4443	4510	1232	1185	5208	5221	4083	4066	3225	3223	38740	41910	41811	99	
1984-85	882	1071	1508	2746	5608	5712	1432	1404	6468	6514	4931	4915	2862	3895	44378	47598	45470	2128	
1985-86	785	1279	1638	4599	6189	6406	1648	1685	7429	7429	6087	6243	4707	4832	51981	60347	58167	2180	
1986-87	945	1081	1888	6841	8054	7984	2310	2310	8828	8965	7059	7172	5453	5546	60217	69608	61156	8452	
1987-88	1085	1241	2018	1709	7950	8058	2087	2152	10483	10483	7185	7162	5542	5508	66829	79205	76456	6939	
1988-89	1266	1134	2605	7209	10485	10544	2607	2637	12281	12262	8243	8300	6204	6224	77820	89205	97579	8374	
1989-90	1953	1892	3173	6622	12618	12822	2602	2643	14129	14166	8073	7997	5701	5578	89678	97694	92496	16555	
1990-91	1999	2211	3792	11546	13938	14333	3087	3078	17811	17821	10034	10165	7428	7513	107150	120537	144989	24452	
1991-92	1750	1876	3925	9014	16205	16045	3393	3317	21680	21696	10872	10832	8247	8227	125456	126634	145406	18773	
1992-93	1992	2165	4190	15019	19383	19748	4806	4921	22846	22854	12457	12532	9514	9584	142019	146799	154451	7672	
1993-94	2306	2236	4717	8594	21721	22065	5073	5208	24807	24819	14252	14334	10792	10854	148613	151787	160642	8855	

Note: Figures in brackets are percentages to GDP originating from respective sectors at current prices, except for total GFCF/GCF in Cols (30) and (32) which are percentages to aggregate GDP at current market prices

THE TNPL ISSUE

ISSUE OPENS ON 27TH NOV, 1993

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- First commercially successful Integrated Newsprint Mill in the World with bagasse (sugar cane waste) as the primary raw material. Applicable for India which is one of the World's largest sugarcane producer and facing dwindling forest cover.
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- Current significantly higher than Average Utilisation of 101% in the last 3 years.
- Excellent diversified product portfolio created by year end zero stock of finished Products for the past six consecutive years.
- Rank of AAAA (Highest Credit Rating) by CRISIL for Fixed Deposits.
- Currently one of the largest paper mills in the country producing 300 Tons of Newsprint/Paper and is now implementing a project for doubling of capacity to 600 TPD.
- World Bank supported project. World Bank Loan of US\$ 75 million for the Expansion Project is approved and funded by IDBI.
- Expansion Project in an advanced stage of implementation on Commercial Production scheduled for January 1996.
- Flexibility to shift Product mix between Newsprint and Printing and Writing Papers depending upon market situation.
- Raw Material available in plenty and the Company has a unique arrangement with sugar mills for assured supply of bagasse.
- First paper mill to introduce Pink and High Bright Newsprint in the country.
- Company also exports Printing and Writing Paper to Egypt, Dubai, Singapore, Jordan, Malaysia, Nigeria and other countries.

Note: Investors are advised to refer to the Prospectus on "Justification of Premium" before investment in the Issue.

RISK FACTORS

- Removal of quota restriction on import of Newsprint and reduction in customs tariff on import of Printing and Writing Paper may make imports more attractive if international prices come down. Currently international prices are about the same as domestic prices for Newsprint of comparable quality and higher than domestic prices for Printing and Writing Paper. Also, the company has the flexibility to shift its product mix depending upon the market situation.
- Loans and advances on March 31, 1995 include a sum of Rs. 9.31 crores (representing principal of Rs. 8.28 crores and interest and other charges of Rs. 1.03 crores) due from ABFSL. Interest on funds placed has not been recognised

as income from 1st April 1993. Against these dues the Company's possession of TIFR Bonds of face value Rs. 2.00 crores received from ABFSL. Legal suit has been filed against ABFSL for recovery of the principal and interest/other charges thereof.

- The loan from the World Bank for the expansion project is out of a basket of currencies and the Company is exposed to the risk of foreign exchange fluctuation on the same. The risk will be hedged to the extent of exports made by the Company.
- Some appeals have been filed by the Revenue Department before Madras High Court on orders made by lower courts for enhancing compensation payable for land acquisition. Any higher compensation awarded by the High Court is payable by TNPL as the Resolving Body. The liability that may arise on this account is estimated by the Company at about Rs. 97.21 lakhs.
- A demand of Rs. 3.68 crores has been raised by Central Excise Department for delay in submission of RNI authorisations to various Assistant Collectors. The delay was on account of practical difficulties in submission of authorisation to AC's scattered all over the country. Recognising the difficulty GOI has subsequently modified the requirements. The Company has filed a writ petition before the Madras High Court against the above demand which has passed an interim stay against collection of duty.
- An appeal has been filed before the Commissioner of Income Tax (Appeals) against a demand of Rs. 7.31 crores for AY 1992-93 which arose due to disallowance of set off of carry forward losses against interest on surplus funds change in the method of valuation of inventories and few other items. The Company has been advised that the return filed by it is supported by past judgements and well established principles. The appeal is yet to come up for

hearing. The Commissioner has passed orders for staying the collection till the disposal of the appeal or 31.12.95 whichever is earlier.

- Certain claims from customs authorities amounting to Rs. 1.54 crores have been disputed and shown as claims against the Company not acknowledged as debts.

If the Company does not receive the Minimum Subscription equivalent to 40% of the size including devolvement on Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received for delay beyond 78 days. If any refund of subscription the Company shall pay interest as per Section 73 of the Companies Act, 1956.

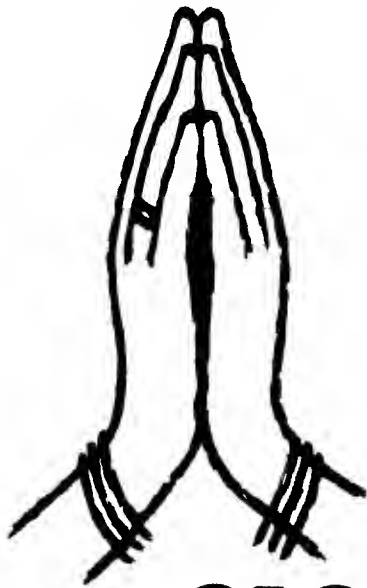
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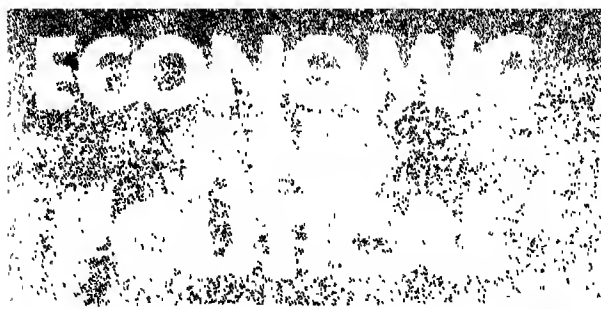
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WEEKLY

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❖ LIBERALISING AGRICULTURAL
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❖ LENINISM AND SOCIALIST
DEMOCRACY: CONTEMPORARY
PROBLEMS

❖ TAMIL NADU: WEDDING AS
POLITICS

❖ NATIONAL ACCOUNTS: PRIVATE
CONSUMPTION AND PUBLIC
SECTOR TRANSACTIONS

❖ STRUCTURAL ADJUSTMENT
ON BALTIC

❖ MAKING KERALA MODEL MORE
INTELLIGIBLE

❖ PROHIBITION AND STATE
FINANCES: THE SOUTHERN STATES

❖ LATIN AMERICA: ELECTIONS AND
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❖ NATIONAL REHABILITATION
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DISPLACEMENT

❖ BIOTECHNOLOGY'S LOST DECADE

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Vol XXX No 48

Commodity Exports

A basic apprehension regarding the policy of promoting exports of agricultural products is its impact on food security, in particular on domestic food prices. This concern becomes important in the light of the evidence of the weak supply response of agricultural production. The experience of tea suggests that a policy of export of agricultural commodities, particularly essential commodities cannot be recommended without caution.

3070

Rehabilitating Socialist Alternative

The significance of the revolutionary upheavals of 1989 and its aftermath in the former second world cannot be minimised. Disillusionment about the desirability and feasibility of a socialist alternative has never been greater. What is required today is the rehabilitation of the very idea of the possibility and the necessity of a socialist alternative itself. What are the goals, concepts, methods, practices and models that we must preserve?

3075

Biotech Blues

The department of biotechnology, set up a decade ago to help Indian expertise to move into the mainstream of an emerging new field, is stagnating.

3049

Insights into Kerala Model

Sri Lanka shares with Kerala the achievement of remarkably good social indicators, made in the context of slow economic growth. While there are differences in the political economy of the two regions, a significant commonality is the presence of marxist/radical parties in mainstream politics.

3085

Alcohol and State Excise

Can governments reduce their financial dependence on taxes on alcohol so as to improve the overall health, efficiency and productivity of labour and the general welfare of the people? Pattern of excise revenue from alcohol in southern states.

3051

Wedding as Politics

With but a few months to go for the general election, the AIADMK was, through the mammoth wedding which made such big news, beaming a few strategic signals to its faithful folk and to its political opponents.

3053

Voters' Choice

In the last decade voters in Latin American countries have tended to vote for responsive leaders who can provide instant solutions to pressing problems, no matter the nature of governance.

3059

Landmines and Laser Weapons

India needs to take a keener interest and fight with greater clarity on the menace of landmines that lie scattered over the globe, and the use of laser weapons for blinding soldiers and civilians.

3047

Baltic Rejuvenation

If the future of the world belongs to small states, then the three newly-independent Baltic countries, Estonia, Latvia and Lithuania, herald the new world order. Despite the severe slump they experienced as a result of the break-up of the Soviet Union, the three countries have today gone a long way in restructuring their economies.

3062

Development and Resettlement

The national policy for resettlement and rehabilitation continues to view displacement only as an appendix. What is needed is a policy which places displacement in the context of the development process and deals with the problems that arise.

3055

Consumption Expenditure

The CSO estimates on the distribution of private final consumption expenditure by major items of consumption show some interesting features. National accounts statements on the transactions of the public sector show the sector's share in the respective economywide aggregates.

3095

Political Intrigue

SANJIB BARUAH's Western Cultural Boundary of Assam (November 4) sets out on an intrepid journey with a breath taking historical howler and arrives at a destination much in favour with bureaucrats of the home ministry in New Delhi. Instead of promoting structural changes in the economy of this neglected state New Delhi has helped maintain the old colonial pattern in a new guise with the people of the state importing from the rest of India most of the goods in daily use including essential food articles and sullenly witnessing the spoliation of the natural resources of the state by metropolitan industry and trade. No wonder there is seething discontent and unrest among different sections of the population. Since foreign and Indian big capital have no intention of abandoning their right to plunder they tackle this problem by fomenting discord among the different local communities and dismembering the state into smaller and smaller units. All in the name of the right of self determination!

Without industrialisation Assam can scarcely solve the myriad problems that follow from prolonged underdevelopment. It is here that in spite of raucous publicity the government has failed dismally. And western Assam is the part of the state that has suffered most in recent decades from the burden of underdevelopment. Various militant ethnic movements are already on the boil in this part of the state. As usual, instead of addressing the fundamental problem the government of India seems to be thinking of creating a new state out of parts of western Assam and north Bengal. The process of nationality formation in Assam already slowed down and hindered by such underdevelopment, is bound to suffer a serious setback if that vile scheme is carried through.

As a matter of fact people of western Assam speak a dialect of Assamese. It differs from standard Assamese but there are definite links with both standard Assamese and other Assamese dialects. In fact Assamese literature was born here in the 14th century under the patronage of the kings of Kamata, a kingdom that claimed descent from ancient Kamarupa. Kamata covered parts of western Assam and northern Bengal. For the record it must be said that

the people of Assam feel a cultural affinity with north Bengal that people from the rest of Bengal are unlikely to feel even today. When the SRC was re-demarcating state boundaries there was a strong groundswell of opinion in Assam demanding incorporation of Cooch-Bihar with Assam.

The great scholar of Assamese language Banikanta Kakoti was actually referring to the birth of a distinctive Assamese literature in Kamata long before Sankardev, and the quotation from his work refers precisely to that and not to Sankardev's contribution. In fact Sankardev in his literary works makes it clear that he is following in the footsteps of other writers. Barua fails to understand that not only out of ignorance but in his blind urge to support the GOI intrigues against Assam. Incidentally GOI is funding research to prove and promote independence of the west Assamese dialect so as to create a separate state there!

NIRANJAN PHUKAN

Guwahati

Data on Minorities

WHILE welcoming the UNDP Report 1995 which included gender-related development

and empowerment index, the Minorities Council of India urges the UN to undertake the study and analysis of the share of minorities in economic progress in national development of each country. Publication of such data will help initiating action by states under law and policy programmes envisaged in Article 4(5) and 5(1) and (2) of the UN Declaration on Persons Belonging to Minorities (December 18, 1992) ensuring their participation in economic progress in national development.

We have also asked the UN to observe December 18, on which UN Declaration on Minorities was adopted as the Minorities Day, and to declare 1996 and 1997 as the year of the minorities so that attention of the world community may be focused on the condition of minorities in each country in terms of their security of life and property and in terms of their development and identity right. We specially appeal to political parties, NGOs and human rights groups in the SAARC countries to make similar appeal to their respective governments and to the UN.

IQBAL A. ALI

Minorities Council of India
Aligarh

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Forgotten People

FOR the victims of the Bhopal gas disaster, each passing year brings more evidence of the systematic efforts being made to erase their histories. The story began soon after the gas leak, but it was the Indian government's decision in 1989 on the settlement arrived at with unseemly haste that made estimate the process of obliteration. The following October, the Supreme Court upheld the decision and pronounced the settlement amount as adequate. The fact that this amount was allocated on the basis of inadequate data—for less than half the victims had been medically examined and only a fraction of the death claims processed—was set aside ostensibly in the interest of bringing relief to victims. The death toll according to official figures available with the directorate of claims is now over 1,500, more than double the number for which compensation was worked out at the time of the settlement. But even this represents only a proportion of the deaths—the directorate has rejected over 43 per cent of the claims on what activists have reported as being flimsy grounds.

Over 597,000 people have claimed that they have been injured by the gas leak. This ironically enough excludes the 1,50,000 young adults who were under 18 years of age at the time of the disaster. This despite the fact that the Supreme Court order on interim relief acknowledges the right of minors to compensation. In other words a whole generation has been, in a sense, wiped out of existence as far as the state and the courts are concerned.

The situation among those who are legitimately allowed to file claims for compensation is no better. Corruption is rampant at every level. And worse, once a compensation amount has been decided upon by the court, there is no way the victim can seek a revision. For, once the claim has been processed the interim relief ceases and is not restored when a review application is submitted. All other rehabilitation activity in Bhopal has ceased. Of the 152 sheds built at great cost for setting up industries which were to provide employment exclusively to the victims, more than 50 have now been converted into barracks for the Rapid Action Force and not a single industrial unit employs gas victims. All but one of the 30 odd workshops built for women victims soon after the disaster have closed down. The sole remaining unit is a stationery production centre which is open only because of the determined fight put up by the women, who have formed a union.

Perhaps the most telling illustration of the sustained effort to obliterate the disaster from all record, is the termination of the more than 30 ICMR research studies most with a long term objective of monitoring various indicators of health damage. In years to come, there will not be, even in medical literature, data on the multiple effects of the gas disaster. Meanwhile

victims continue to throng Bhopal's four hospital meant for survivors. There are over 4,000 out patients every day. While there are plans to set up two more hospitals, the medicare allocations have come down by 25 per cent. With little follow up or community based services, patients tend to alternate between government hospitals and private practitioners ending up over dosing themselves.

It is in this situation that the so-called Bhopal Gas Hospital Trust, set up by the Union Carbide Company (UCC) has proposed the setting up of a specialist hospital. To the victims and to those who have worked in Bhopal the proposition is ridiculous. For one thing, there is a grave lack of information on treatment procedures—the UCC has chosen not to part with medical and toxicological information on the leak gases. Moreover, without an efficient primary and tertiary level medicare base, the specialist hospital cannot function with any degree of specialisation. And thirdly, according to reports, the site picked for the hospital is way outside Bhopal—ideal perhaps for a sophisticated superspecialty institution, but not for the victims who live miles away in the gas-affected areas.

This proposal in fact, constitutes the last act in the well-orchestrated campaign to permanently erase the gas disaster in Bhopal from public and corporate memory. It was on a plea made by the trust that the Supreme Court decreed it fit to revise its own earlier order and of its lower court to allow the trust to have access to Rs 60 crore of the amount realised by the sale of shares attached by the chief judicial magistrate, Bhopal in 1992, in a criminal case against the company and its chief office holders. It expressed confidence that the hospital project, now being executed with the full support of the central government's concerned departments, would be completed in three years. Yet it is a fact that at no point has a detailed plan of action or a programme for the hospital been submitted. The hospital trust has now petitioned the Supreme Court for the release of a further amount from the frozen securities. It has also made a plea that the criminal case against the company be dropped because it would affect the realisation of a good price for the securities in the international market.

Victims groups, it may be recalled, had even earlier protested the very setting up of the trust by UCC pointing out that the trust came into being only in March after UCC had been declared an absconder in the criminal case against it. The trust, they argued, was merely a ploy to refurbish the image of UCC and a pretext to dispose of the attached assets of the company and to continue to remain out of the reach of Indian courts. Judging by the reported and unreported activities of the trust, in attempting to seek alliances with victims groups, to seek concessions from the government etc., it would seem that the

victims' fears were not unfounded. It is clear that if Bhopal is not to happen again ever anywhere, then there has to be an apportioning of blame—reckoning of the burden of guilt and recompense to the victims.

At a practical level, it is the UCC which holds the information necessary to fully assess the nature and type of damage to the survivors. Moreover, there are other issues like the ground and environmental contamination that it has occurred and which will continue to affect those who live in the area unless something is done to identify the toxic material, to neutralise and control its spread. All of this requires the co-operation of the company which produced the hazard in the first place. It is not however a matter of access to information alone. The gruesome disaster in Bhopal was a criminal act of negligence by a multinational and was compounded by the devastating gap that the company has had on the state and its agencies. In the emerging ethos of liberalisation, multinational—albeit will have longer reach than before in third world countries. In such circumstances, to let UCC go scot free by withholding the criminal case against it would be an invitation to even worse disasters in developing countries.

BSE RIL AFFAIR

Mud All Round

The squabble between the Bombay Stock Exchange (BSE) and Reliance Industries has drawn predominantly cynical responses. Understandably, this is tantamount to preferring one group or the other in the gang war that is known to have been going on in the city of Bombay. From a broader societal consideration, there is a parallel between the two in that both the types of going wars are taking place right under the nose of the authorities. In fact, the street level goings and the apparently more sophisticated BSE RIL types of goings have been nurtured by a so-called political system which thrives on money power. For the BSE, it has been shown up time and again to be a den of speculation and corruption. It has consistently opposed all effort by the authorities and the Securities and Exchange Board of India (SEBI) to reform the capital market and to introduce modern practices in share trading. Stopping of trading on one pretext or the other, such as payment of fees to the SEBI and reconstitution of the stock exchange's board, concerted attempts to get the erstwhile chairman of SEBI, C. V. Ramesh Babu, out of the way because he sought effective reforms including banning forward trading and finally its success in getting the decision to restart forward trading—all these have been sufficiently chronicled. Even the issue of duplicate share certificates fraudulently by companies is not new. Many companies have been resorting to such certificates for hypothecation with banks and financial

institutions and the BSE has remained silent about it. Instead of compelling the BSE board to fall in line with the capital market reforms, the authorities have resorted to the circuitous route of offering competition to it in the form of the National Stock Exchange of India (NSE). In the same way, however spectacular may have been its growth, the history of Reliance Industries has been a sordid one of manipulation of government regulations on an unprecedented scale. The issue of 15 lakh duplicate shares of which 8.70 lakh were to the Unit Trust of India (UTI) and the rest largely to RIL's investment subsidiaries and associates is of a piece with this, though the amount involved may be small compared with the much larger cases of alleged excise duty evasion, ante-dated letters of credit and now corporate tax avoidance with zero-tax status conferred on itself for the past 25 years since its inception.

If the BSE has suddenly woken up to the rules of the game and seen omission and negligence on the part of the company [RIL] and its transfer agents, Reliance Consultancy Services (RCS) and accordingly chooses to suspend trading in RIL shares for three days, there has to be more to it than meets the eye. There is evidently bitter rivalry among stock brokers who are divided on pro and anti RIL lines. But at least two cases of share switching and fraudulent issue of duplicate shares have come to light. First, one Rajul Vasa (physiotherapist of Dhirubhai Ambani) and Gajendra Vasa apparently collected cash from a broker for RIL shares and then applied for and obtained 26,650 duplicate shares on the ground that the original shares had been lost; these duplicate shares were also transferred to third parties. The second instance is that of the switching of 8.7 lakh RIL shares purchased by the UTI as long back as in December 1991. The UTI has admitted in a press release that among the 15 lakh shares of RIL restrained by the special court (of justice R.N. Varma appointed after the 1992 financial scam) from being registered and transferred and hence declared had delivery by the BSE, 8.70 lakh shares held by the UTI were included. The UTI says that it purchased these shares from the secondary markets in December 1991 but the shares returned to the UTI's custodians, the Stock Holding Corporation of India (SHCI) and Citibank NA, were different from the ones lodged with RIL's registrars for registration. This had apparently been noticed by the UTI only in January this year, what is more, the UTI took another 11 months to get it rectified in November after Fairgrowth Financial Services (FFS) filed a petition with the justice Varma court. RIL promptly replaced the lot of 8.70 lakh shares within a week of the BSF declaring the whole lot of 15 lakh shares as had delivery. The subsequent developments with the Ambanis serving notice on the BSE to terminate the listing agreements of the RIL and three other group companies, the massive inspired trading in RIL scrips on the NSE a

day thereafter at higher prices and the general adverse reaction from domestic and foreign investors and the resultant uncertainties in the capital market are well known.

The BSE RIL street-fight has exposed the richest corporate giant and the largest stock exchange in the country in a way that the operation of the whole capital market has come into dispute with the investing public. But what is sadder is that the images of three other institutions, namely the SEBI, the NSE, and the UTI have been tarnished jeopardising hopes of functioning of the stock exchanges on healthy lines. The SEBI as a body responsible for the development and regulation of the securities markets and for investor protection has failed to bring to bear its statutory powers and moral authority to ensure strict action which could have set a precedent for the future. SEBI has been receiving a massive number of investor complaints, with RIL generally topping with the largest number of complaints, which it faithfully records and publishes, but does nothing about. SEBI's initial wavering and the ultimate giving in to the dictates of the finance ministry on every major issue, such as allowing forward trading, now the enquiry into the malpractices in the BSE RIL imbroglio and in particular the switching of shares with the UTI have become commonplace.

SEBI's failure has become all the more apparent when the NSE welcomed the Ambanis' decision to treat the national stock exchange as a regional exchange for trading in RIL and group company shares. NSE preened itself because, with the large corporate body preferring it for trading in its shares, it would top the list of stock exchange in the country. There was an astonishing 8 percent jump in the screen-based NSI trading within a day from Rs 176 crore to Rs 320 crore in RIL shares which was clearly inspired by the company's desire to pressurise the BSE. Of that total turnover of Rs 568 crore on the NSF on the relevant day, Rs 322 crore (57 per cent) was attributable to RIL shares at a price of Rs 227 per share as against Rs 206 on the previous day. In a healthy market it would not have been possible to deploy such huge funds at one go without attracting the attention of the regulatory authorities as well as the tax authorities but not an eyebrow was raised. Obviously the NSF took a narrow view of the episode, ignoring its larger mandate of helping to evolve healthy practices amongst member companies in exchanges. Stock exchanges have a collective responsibility and misdemeanours of one company noted by one stock exchange cannot be condoned by another.

The UTI too has come out poorly from a whole episode. Its administrative structure seems to be ill equipped to handle the avalanche of investor complaints. The episode of the Mastergain units that was suspended from trading clearly indicates this. Even in the present case of 8.70 lakh RIL shares, it is intriguing that it had had no

nkling of the switching of shares until January this year. The UTI's claim that the matter had been under its active consideration all along does not carry conviction. And, interestingly, the company which had been dragging its feet for so long, suddenly replaced the whole lot of 8.70 lakh shares once the special court froze transfers in the 15 lakh RIL shares and it became known that the UTI holdings were part of them. The UTI's massive bulk purchase of the RIL shares on private placement has now been revealed to be worth Rs 1,080 crore, on which the UTI has lost Rs 400 crore so far. What had been known so far was the purchase of a block of over 20 lakh shares under the private placement at a price of Rs 385, Rs 7 higher than the market price, involving an investment of Rs 773 crore, on which there had been an erosion of Rs 290 crore in value. It has been now revealed that this had been the second private placement, the first one having been that of 16 per cent non-convertible debentures (NCDs) with warrants attached. The warrants, numbering nearly 75 lakh, were compulsorily exercisable at a price of Rs 401 per share between October 1994 and March 1995; the UTI exercised the warrants on March 10, 1995. With a market price of Rs 240, the erosion in investment amounted to another Rs 125 crore. Was this a simple case of failure of commercial judgment?

All told, there is a strong case for a comprehensive commission of enquiry into the different aspects of the BSE-RIL affair which clearly has major implications for the development of the capital market on sound lines.

DALIT CHRISTIANS

Victims of Injustice

THE step of the Catholic Bishops Conference in India (CBCI), National Council of Churches in India (NCCI) and All India United Christians Movement for Equal Rights (AIUCMER) to issue a directive to close all Christians educational institutions on November 21 to express solidarity with the cause of the dalit Christians is not as benign as it appears. The dalit Christians, especially of the catholic sect, have been agitating for long against the caste discrimination practised within their community and the church. They have been demanding the extension of constitutional privileges allotted to the SC and the ST communities belonging to Hindu, Sikh and Buddhist fold. But till late, the bishops rarely evinced interest in the issue despite the fact that the National Convention of Catholics held in Bombay in 1989 had declared 1990s as 'the decade of dalit Christians'. The growing assertion of the dalit Christians in the post-Mandal period on one hand, and the favourable response shown by the Congress in the election year to their demands on the other, has goaded the higher echelons within the church to openly espouse the cause of the dalit Christians.

The argument of the church establishment that it lacks resources for the upliftment of the dalits and hence has to demand reservations does not ring true. Moreover, to castigate the Indian government for practising a 'policy of apartheid' vis-a-vis dalit Christians does not go beyond rhetoric. By forwarding such arguments the catholic church is evading its responsibility in accepting its failure to eliminate casteism within its fold. Today, dalits form only 3 per cent of its clergy. Only three out of 125 bishops in the country hail from dalit background while merely 2 per cent of dalit Christians have secured college education.

This dismal state is even more true for dalits within the catholic sect. Dalits who opted for the protestant sect, the American mission or the seventh day adventist sect form a substantial portion of their clergy. These dalits were aided by the fact that hardly any caste Hindus got converted to these sects. Thus, the problem of casteism was mitigated. Even after 100 years the missionary schools for dalits in Ahmednagar district of Maharashtra teach up to 7th standard. This automatically eliminates any chances of dalits becoming priests since a 10th standard qualification is required for the priesthood. Converts from brahmin and kshatriya communities of Goa and Kerala usurp all the benefits of missionary institutions while converted dalits work as gardeners, attendants and sweepers. Dalits are denied access to missionary hospitals and schools, and in some instances, to churches. Catholic brahmin clergy even opened a technical school in Pune forwarding the cause of catholic dalits as a pretext. The school now caters largely to upper caste converts from other states.

Given these injustices, the catholic clergy first needs to own its mistakes before blaming any outside agency for the pathetic conditions of dalit Christians. This in no way underplays the need to bring the dalit Christians, who of late are increasingly becoming victims of caste atrocities in society at large, under the protective cover of Prevention of Atrocities Act and Protection of Civil Liberties Act.

SRI LANKA

Peace Still Far Away

THE LTTE's defeat in Jaffna, and the consequent sufferings of thousands of Tamils who have been forced to move out from their homes there and seek refuge elsewhere, have been brought about as much by the intransigence of LTTE boss Prabhakaran as by the newfound self-confidence of the Sri Lankan military forces. By rejecting president Chandrika Kumaratunga's offer for peace talks and violating the cease-fire in April this year, Prabhakaran lost the chance of gaining for himself a pause to reconsider the strategy of 'Eelam, now-or-never' and for his guerrillas the much-needed breather.

Leaders of rational liberation movements, whether Ho Chi-minh in the past or Nelson Mandela and Yasser Arafat recently, have always fought their wars step by step. They had chosen certain stages of their long drawn out struggles as intervals to negotiate with their foes, and managed thereby to gain a period of peace and stability for their people during which they prepared themselves for the next round of struggle.

As is quite evident now from the reverses suffered by the LTTE, Prabhakaran's guerrillas, in spite of their possession of sophisticated weaponry like rockets, have not yet been able to graduate into the position of a regular army that could take on the Sri Lankan army in a conventional war. In such circumstances, Chandrika's rather peace plan that gave the Tamils in the north a large degree of autonomy over education, local government, housing and agriculture (a virtual recognition of the LTTE-run parallel civil administration in Jaffna) could have been the best bet for Prabhakaran. It could have provided a temporary reprieve for the war-weary and beleaguered Tamils of Jaffna, before the LTTE could reorganise its followers and fighters.

But even if the Sri Lankan army clears Jaffna of the LTTE and establishes some semblance of governance by propping up an administration manned by local Tamils (like the anti-Prabhakaran political groups), it would not have a smooth sailing. The LTTE would revert to its terrorist acts and disrupt any prospect of peace. Notorious for its unscrupulous tactics, the LTTE could deploy the surviving stragglers from its defeated ranks to wreak vengeance on soft targets like Muslim or Sinhala civilians (which it had done before) to create a communal conflagration. The ordinary people of Sri Lanka - both the Sinhalese and the Tamils - may have to live with bomb blasts, political assassinations and senseless massacres, and share the lot of their comrades in Sri Nagar, Delhi, Karachi and other epicentres of violence.

Chandrika is well aware of this possibility and has been honest and bold enough to publicly admit that a military defeat of the LTTE is no solution. She therefore keeps on harping on her government's readiness for talks with the LTTE. She knows what she is talking about. She will never be able to wipe out terrorism as long as a defeated LTTE remains a sullen enemy and continues to carry out its destructive acts. A policy of escalating military confrontation with the LTTE would not only mean further alienation of the Tamil civilian population, but also increasing dependence on the army, and a hike in defence expenditure. A cabinet committee in Colombo is believed to have recommended the conscription of all able-bodied youth and setting up of factories to produce 'lethal items'. Such developments do not bode well for a country already reeling under economic hardships and a decade-long civil war.

SIEMENS

New Ventures

SIEMENS closed the financial year ended March 1995 with a turnover of Rs 793 crore up by 20 per cent from Rs 662 recorded in the previous year. Other income rose from Rs 24 crore to Rs 105 crore, a massive rise of 338 per cent. Total income rose by 31 per cent from Rs 686 crore to Rs 898 crore. Interest costs rose by 59 per cent. An 84 per cent increase in the provision for depreciation, though offset to a certain extent by an 8 per cent fall in the tax provision, took its toll on the bottom line and the company ended with a net profit of Rs 36 crore against Rs 28 crore in the previous year, up by 29 per cent. Exports for the year under review rose by 28 per cent to Rs 87 crore. A 49 per cent increase took imports to Rs 95 crore. A dividend of 55 per cent has been declared against 45 per cent last year.

The company with a 51 per cent foreign stake is into diverse activities. Its factory at Bombay manufactures radiological diagnostic systems, apparatus for high frequency physiotherapy and electrosurgery, its units at Kawk make switchgears, motors and switchboards, respectively. Industrial electronic products for instrumentation and controls, drives and automation systems are made at Nashik while the Joka works in Calcutta produces power/motor control centres, control desks/panels and non-standard custom designed switchboards. The factory at Amrabad makes switchgears and has set up facilities for the manufacture of solar photovoltaic modules and systems. At Goa the company is into the manufacture of medical industry products.

The automation systems division registered a growth of 40 per cent for the year under review. The division introduced a number of new products in the market, notable among them being the COROSLSB WIN, a windows based operator station for powerful man-machine communication. The company plans to introduce a new generation of programmable control systems.

The boom in the white goods sector augured well for the components division and sales increased by 47 per cent over the previous year. The division introduced new products like saw filters, film capacitors, ferrites into the entertainment field.

The uninterrupted power supply (UPS) division fared well as a result of the expansion in the information technology and telecom sectors. The importance given by the

government to non-conventional sources of energy such as wind energy also culminated in good orders for wind generators. The year saw the medical engineering division supply, install and commission the gamma camera system at the Hinduja National Hospital in Bombay which is used for studies of organs like the heart, liver and kidney. This followed the commissioning of the magnetic imaging resonance system used for whole body imaging.

The power transmission and the distribution systems division received good orders for medium voltage switchboards and low voltage switchboards, significant among them being the ones for supply of motor control centres to Calcutta Electric Co for their power plant at Budge Budge and outdoor vacuum circuit breakers to the Maharashtra State Electricity Board. The power generation division got a boost with a Rs 107 crore order from the Neyveli Lignite Power Corporation. It has also bagged another Letter of Intent for Rs 340 crore from Durgapur projects for the modernisation and augmentation of generating capacities of its power plants.

The company's project division has performed to satisfaction. Its strength in the non-iron and steel sector was seen from the orders it received from top Indian corporates.

While strengthening its position in railway signalling, the company has decided to diversify into manufacture of rolling stock, including railway engines, wagons and coaches. The company, the largest supplier of light rail vehicles in the world, has signed an agreement with the Rail Coach Factory at Kapurthala to manufacture light rail vehicles with know-how from Siemens AG.

The switchgear division, the company's most profitable division, grew significantly with new products. A four-year-old in the field of telecommunications, the company is into public switching equipment, transmissions systems, mobile telephone networks and optical fibre cables.

The company has a number of joint ventures on the anvil. It is setting up a 400 mw gas-based power plant in Gujarat in collaboration with Siemens AG, Germany and the Torrent group. The company plans to invest \$1 billion in India over the next five years, most of it in power and telecommunications. In the telecom sector the company has tied up with Bharti Telecom which makes the Beitel range of telecom equipment to form Siemens Telecom. The company will market the Siemens range of cellular phones, corded and cordless tele-

phone sets and fax machines, in addition to the Beitel range of products.

With the intention of manufacturing soft ferrites, the company has formed International Ferrites with ACC Siemens, Matsushita Components GmbH and W.B.H. Siemens with a 10 per cent stake in the project will be handling local sales in India. For developing communication software the company has floated a new venture, Siemens Communication Software. Targeted at the telecom segment for payphones, banking for ATMs and access control systems for strategic locations, the company has entered the Smart Card business through a memorandum of understanding signed with Asia Chip Card of Singapore and Semiconductor Corporation in Chandigarh. The prospects for the components division appear to be bright with the emergence of the paging systems and cellular mobile phones.

Siemens has been awarded the ISO 9000 and EN 46001 certification by TÜV covering the areas of design, development, production, installation and servicing of the entire range of products. Siemens is the first company in India to be honoured with such a certification specific to the field of medical devices.

SUNRISE DIAMONDS

Higher Profits

Incorporated in Bombay in 1985, Sunrise Diamonds shifted its base to Surat, India's largest diamond processing centre, in 1991. The company with plants in Basni in Rajasthan and Goregaon and SEEPZ in Bombay and branches all over the world is engaged in the manufacture and export of cut and polished diamonds and diamond studded gold and platinum jewellery. The company has access to a steady and assured supply of rough diamonds from De Beers, the world's largest supplier of diamonds.

For the year ended March 1995 the company recorded a sales turnover of Rs 572 crore up by 34 per cent from Rs 428 crore in the previous year. A reduction in other income notwithstanding, the company increased its total income by 40 per cent against last year. Interest costs moved up by 11 per cent. A 28 per cent rise in the provision for depreciation was taken care of by a 60 per cent decline in the provision for tax and the company closed the financial year with a net profit of Rs 48 crore, an increase of 68 per cent from Rs 29 crore recorded in

Financial Indicators	Siemens		Su-Raj Diamonds		Punjab Tractors	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	79277	66174	57193	42771	36096	26343
2 Value of production	79277	66174	58729	42104	35919	26326
3 Other Income	10508	2400	45	44	671	487
4 Total income	89785	68574	58774	42148	36590	26813
5 Raw materials/Stores and spares consumed	57560	41954	43813	32356	28470	20505
6 Other manufacturing expenses	793	684	6297	3887	309	240
7 Remuneration to employees	9735	8757	599	455	1933	1549
8 Other expenses	10274	8505	909	673	1204	1144
9 Operating profit	11423	8674	7156	4777	4674	3375
10 Interest	2389	1504	2233	2017	251	357
11 Gross profit	9051	6986	4977	2989	4633	3221
12 Depreciation	3209	1743	129	101	556	510
13 Profit before tax	5842	5243	4848	2888	4077	2711
14 Tax provision	2290	2480	2	5	1380	990
15 Profit after tax	3552	2763	4846	2883	2697	1721
16 Dividends	1562	1163	515	419	1013	810
17 Retained profit	1990	1600	4331	2464	1684	911
Liabilities/assets						
18 Paid-up capital	2840	2840	3727	1046	1013	1013
19 Reserves and surplus	23371	21422	26191	10513	8606	6922
20 Long term loans	10328	4399	0	196	1603	1480
21 Short term loans	14698	6595	411	5854	0	1226
22 Of which bank borrowings	14698	6595	411	5954	0	410
23 Gross fixed assets	37657	22257	1687	1386	10310	8691
Accumulated depreciation	14465	11618	504	376	3735	3196
25 Inventories	24061	18109	6767	4339	4410	4519
26 Total assets/liabilities	93022	65898	35444	23230	19954	16798
Miscellaneous items						
27 Excise duty	0	0	0	0	3389	2197
28 Gross value added	21068	16847	7867	5674	6467	4933
29 Total foreign exchange income	11227	9530	57194	0	320	530
30 Total foreign exchange outgo	11328	8191	41884	0	210	146
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	85.2	100.4	161.4	184.1	180.9	156.9
32 Sales to total net assets (%)	154.7	187.7	188.6	242.9	321.7	247.6
33 Gross value added to gross fixed assets (%)	55.9	75.7	466.3	409.4	62.7	56.8
34 Return on investment (gross profit to total assets) (%)	9.7	10.6	14.0	12.9	23.2	19.2
35 Gross profit to sales (gross margin) (%)	11.4	10.6	8.7	7.0	12.8	12.2
36 Operating profit to sales (%)	14.4	13.1	12.5	11.2	12.9	12.8
37 Profit before tax to sales (%)	7.4	7.9	8.5	6.8	11.3	10.3
38 Tax provision to profit before tax (%)	39.2	47.3	0.0	0.2	33.8	36.5
39 Profit after tax to net worth (return on equity) (%)	13.6	11.4	16.2	24.9	28.0	21.7
40 Dividend (%)	55.00	45.00	25.00	49.00	100.00	80.00
41 Earning per share (Rs)	12.51	9.73	13.00	27.56	26.62	16.99
42 Book value per share (Rs)	92.3	85.4	80.3	110.5	95.0	78.3
43 P/E ratio (based on latest and corresponding last year's price)	38.0	52.4	8.0	4.4	16.5	22.4
44 Debt-equity ratio (adjusted for revaluation) (%)	39.4	18.1	0.0	1.7	16.7	18.7
45 Short term bank borrowings to inventories (%)	61.1	36.4	6.1	137.2	0.0	9.1
46 Sundry creditors to sundry debtors (%)	102.4	9.4	22.3	10.3	638.9	448.1
47 Total remuneration to employees to gross value added (%)	46.2	52.0	7.6	8.0	29.9	31.4
48 Total remuneration to employees to value of production (%)	12.3	13.2	1.0	1.1	5.4	5.9
49 Gross fixed assets formation (%)	69.2	-	21.7	-	18.6	-
50 Growth in inventories (%)	32.87	-	55.96	-	-2.41	-

the previous year. According to company reports, actual performance could have been better had it not been for the plague which struck Surat in 1994, though the effects were nullified to a certain extent on account of the company having its units spread across the country. A dividend of 25 per cent has been recommended by the directors.

The diamond industry has witnessed a steady growth since the late eighties with the government laying emphasis on exports. Production of fully processed diamonds has gone up from 4 lakh carats in 1993-94 to 5 lakh carats in 1994-95, that of the diamond studded gold jewellery has shown a rise in production from 70 kg in 1993-94 to 124 kg in 1994-95. Exports of gems and jewellery from India during 1994-95 stood at Rs 14,618 crore compared to Rs 12,493 crore, an increase of 13 per cent. Gems and jewellery exports accounted for 18 per cent of the country's total export earnings.

The exports of the company for the year under review stood at Rs 570 crore, accounting for around 9 per cent of the country's exports. Imports for the same period stood at Rs 419 crore. Su-raj sells its diamonds to importers/wholesalers in New York, Antwerp, Tokyo and Hongkong. The company intensified its marketing efforts in the USA and South-East Asian countries. Entering the West Asian export market with its jewellery range for the first time, the company received an encouraging response. The company faces competition mainly from South East Asia and China.

The company has expansion projects on hand at Bangalore, Jodhpur and SEEPZ in Bombay. While the project at Bangalore is expected to process 53,000 carats of diamonds and 65,000 rings for the manufacture of jewellery, bottom press pots, required for the diamond industry are to be manufactured at Jodhpur. The centre at SEEPZ has been planned to cater to the needs of its overseas clients, with commercial functioning expected by December 1996.

The company received the largest diamond exporter award for 1993-94 from the Gem and Jewellery Export Promotion Council in March 1995 for exporting diamonds worth \$130 million.

PUNJAB TRACTORS

Rise in Sales

Promoted by the Punjab State Industrial Development Corporation (PSIDC), Punjab Tractors has been incorporated in 1970 with PSIDC holding 26 per cent of the equity, mutual funds and financial institutions 40 per cent, FHS 10 per cent and the public the rest. The company commenced

production in 1974 based on indigenously developed technology.

For the year ended March 1995, the turnover of the company stood at Rs 361 crore, up by 37 per cent from Rs 263 crore recorded in the previous year. Other income rose by 38 per cent from Rs 5 crore to Rs 7 crore. Total income of the company went up by 36 per cent from Rs 268 crore to Rs 366 crore. Interest costs came down by 30 per cent. Provision for depreciation and interest rose by 9 and 39 per cent, respectively, doing little harm to the bottomline and the company closed the financial year with a net profit of Rs 27 crore, up by 57 per cent from Rs 17 crore recorded in the previous year. The company has declared a dividend of 100 per cent against 80 per cent last year.

Tractors constitute the major product contributing about 95 per cent to the aggregate turnover of the company. The company has its presence in the low, medium and high power categories, with a market share of 14 per cent in its core tractor business. For the year under review, the company sold 23,211 tractors against 18,211 in the previous year, registering a growth of 27 per cent against the industry growth of 19 per cent.

An improvement was seen in the company's harvester combine division. The sale of Swaraj Harvester Combines and forklifts reached 112 and 100 against 65 and 80, respectively. The production at the foundry touched 5117 mt registering a 17 per cent growth over the previous year.

The demand for tractors is on the rise and for the year ended March 1995, the industry posted a sale of 1,64,000. The demand for tractors over the next decade is projected to grow at 8-9 per cent annually. The company has the advantage of a good marketing network of 250 dealers. The main strength of the company lies in its research and development facilities which manifest in better quality and reduced costs. Another strength of the company lies in its ability to develop models suited to local requirements. The tractors manufactured by the company are made wholly with local technology and know-how. This results in substantially lower capital costs, no royalty payments for technology transfer and no outgo of foreign exchange.

Punjab Tractors is expanding its capacity from 21,000 to 36,000 tractors per annum. The total outlay for the expansion programme has been set at Rs 25 crore. Over the next two years, the company is planning to gradually shift to the high power segment. Also on the anvil is a quality improvement programme at the cost of Rs 8 crore aimed at capturing the export market. Both the programmes are to run simultaneously.

The company has built up strong R and D capabilities. In anticipation of further growth opportunities and increasing competition, the company set up a new R and D and spare parts complex in 1991. Engines which account for around 30 per cent of the material

costs are procured from Swaraj Engines, group company and Kirloskar Oil Engine. Striving towards zero defect in production the company has reduced its warranty cost to Rs 240 per tractor, the lowest in the industry.

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The expansion in net RBI credit to the centre has again accelerated to Rs 16 729 crore as on November 3 (and has accounting for Rs 13 990 crore). Aggregate deposit growth continues to be sluggish at Rs 10 793 crore (2.8 per cent) as on November 10 compared to Rs 23 356 crore (7 per cent) in the comparable period of 1994-95. Non food credit expansion by banks has been faster than in the previous year (7.6 per cent compared to 4.6 per cent). Call money rates remained high and volatile during November, touching 142 per cent on November 3, reflecting the liquidity crunch. The RBI preferred 14 per cent fixed coupon floatation of dated securities. Six month forward premium on the dollar touched near 70 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Nov 11 1995		Over Month		Over 12 Months		Variation (Per Cent)		Point to Point			
		Latest	Previous	Latest	Previous	Latest	Previous	Fiscal Year 1995-96	So Far 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	298.6	0.5	8.2	9.5	4.7	6.8	10.4	10.8	0	13.6	13.6	13.6
Primary Articles	32.3	309.1	1.1	7.7	10.1	5.9	9.3	12.7	11.5	3.0	15.3	15.3	15.3
Food Articles	17.4	342.1	1.8	6.7	9.3	9.0	11.3	11.9	3.4	5.1	20.7	20.7	20.7
Non Food Articles	10.1	326.3	0.0	14.0	13.0	0.8	2.1	15.5	14.9	1.3	8.1	8.1	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.3	0.1	0.6	2.4	1.1	15.5	14.2	14.2	14.2
Manufactured Products	57.0	295.4	0.2	10.1	8.9	5.0	5.5	10.7	9.9	0	1.6	1.6	1.6
Food Products	10.1	283.0	0.4	5.5	5.8	3.9	6.4	8.1	12.3	4.8	10	10	10
Food Index (computed)	7.5	320.4	1.1	5.3	8.1	7.3	11.6	10.6	0.6	5.8	17.1	17.1	17.1
All Commodities (Average Basis) (April Nov 11 1995)	100.0	294.2			10.2	9.0	10.6	10.9	8.3	10.1	13.7	13.7	13.7

Cost of Living Indices		Latest		Over Month		Over 12 Months		Variation (Per Cent)		Point to Point			
		Latest	Previous	Latest	Previous	Latest	Previous	Fiscal Year 1995-96	So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982-100)		317	0.6	10.1	11.2	8.7	7.9	9	9.9	6.1	13.9	13.9	13.9
Urban Non Man Emp (1984-85-100)		247	1.2	10.3	8.7	12	0.9	9.9	8.3	6.8	13.6	13.6	13.6
Agricult (July 60 to June 61-100)		1413	0.6	12.9	10.3	8.7	6.5	10.6	11.0	0.7	21.9	21.9	21.9

Money and Banking (Rs crore)		Oct 27 1995		Over Month		Fiscal Year So Far		Variation					
		Latest	Previous	Latest	Previous	1995-96	1994-95	1995-96	1994-95	1994-95	1993-94	1992-93	1991-92
Money Supply (M ₃)		559301	9515 (1.7)	7819 (5.4)	35421 (7.8)	78617 (17.4)	3307 (19.3)	50916 (15.3)	50916 (15.3)	50916 (15.3)	50916 (15.3)	50916 (15.3)	50916 (15.3)
Currency with Public		113024	5786 (5.1)	12235 (12.1)	7826 (9.5)	18806 (2.9)	11170 (20.9)	7111 (11.7)	7111 (11.7)	7111 (11.7)	7111 (11.7)	7111 (11.7)	7111 (11.7)
Deposits with Banks		441105	3273 (0.7)	14172 (3.4)	26043 (7.1)	58956 (16.0)	57925 (18.7)	43377 (16.3)	43377 (16.3)	43377 (16.3)	43377 (16.3)	43377 (16.3)	43377 (16.3)
Net Bank Credit to Govt		242618	6691 (2.8)	20702 (9.1)	7764 (3.8)	16475 (7.9)	28315 (11.3)	18657 (11.7)	18657 (11.7)	18657 (11.7)	18657 (11.7)	18657 (11.7)	18657 (11.7)
Bank Credit to Comm'l Sector		305081	6689 (2.2)	15476 (5.3)	11195 (4.6)	43991 (18.3)	17147 (7.5)	30187 (15.3)	30187 (15.3)	30187 (15.3)	30187 (15.3)	30187 (15.3)	30187 (15.3)
Net Foreign Exchange Assets		75574	2507 (3.4)	350 (0.5)	18202 (34.6)	23298 (43.3)	27674 (110.9)	3776 (17.6)	3776 (17.6)	3776 (17.6)	3776 (17.6)	3776 (17.6)	3776 (17.6)
Reserve Money (November 03 1995)		185818	519 (0.3)	1653 (9.8)	19409 (14.0)	30607 (22.1)	27593 (25.2)	11274 (11.3)	11274 (11.3)	11274 (11.3)	11274 (11.3)	11274 (11.3)	11274 (11.3)
Net RBI Credit to Centre		115642	2835 (2.5)	1677 (16.9)	3048 (1.1)	2130 (3.2)	260 (0.3)	4257 (6.6)	4257 (6.6)	4257 (6.6)	4257 (6.6)	4257 (6.6)	4257 (6.6)
Ad-hoc Treasury Bills		37470	3380	13990	3950	1750	6400	6445	6445	6445	6445	6445	6445
Scheduled Commercial Banks (November 10 1995)													
Deposits		397652	1777 (0.4)	10793 (2.8)	23356 (7.0)	53630 (16.1)	52141 (18.6)	30017 (16.1)	30017 (16.1)	30017 (16.1)	30017 (16.1)	30017 (16.1)	30017 (16.1)
Advances		227251	5071 (2.3)	15691 (7.4)	11179 (6.5)	40648 (23.8)	11566 (7.3)	3757 (17.5)	3757 (17.5)	3757 (17.5)	3757 (17.5)	3757 (17.5)	3757 (17.5)
Non Food Advances		214524	4995 (2.4)	15239 (7.6)	7429 (4.6)	37797 (23.4)	8875 (5.8)	2684 (16.6)	2684 (16.6)	2684 (16.6)	2684 (16.6)	2684 (16.6)	2684 (16.6)
Investments		155142	1756 (1.1)	5589 (3.9)	11838 (8.8)	13965 (10.3)	28611 (26.9)	16870 (18.7)	16870 (18.7)	16870 (18.7)	16870 (18.7)	16870 (18.7)	16870 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	June 1995		Fiscal Year So Far		1994-95		Average for Full Fiscal Years					
		Latest	Previous	1995-96	1994-95	1994-95	1994-95	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
General Index	100.0	251.5	254.8 (13.3)	22 (9.2)	250.6 (8.4)	231.1 (5.6)	215.9 (2.3)	213.0 (0.0)	212.8 (8.7)	196.3 (8.6)	196.3 (8.6)	196.3 (8.6)	196.3 (8.6)
Mining and Quarrying	11.5	240.1	241.2 (0.4)	21.1 (1.0)	245.8 (6.3)	231.2 (4.4)	224.7 (0.6)	222.5 (1.1)	221.0 (6.3)	211.6 (7.9)	211.6 (7.9)	211.6 (7.9)	211.6 (7.9)
Manufacturing	77.1	241.2	244.6 (13.2)	216.0 (8.2)	241.8 (8.8)	222.3 (5.5)	210.7 (2.2)	206.7 (0.8)	207.8 (5.9)	190.7 (8.6)	190.7 (8.6)	190.7 (8.6)	190.7 (8.6)
Electricity	11.4	332.9	337.6 (12.3)	299.5 (6.9)	314.6 (8.5)	290.0 (7.4)	269.9 (5.0)	257.0 (8.5)	236.8 (7.7)	210.7 (10.9)	210.7 (10.9)	210.7 (10.9)	210.7 (10.9)

Capital Market		Dec 01 1995		Month Ago		Year Ago		1995-96 So Far		1994-95		End of Fiscal Year	
		Latest	Previous	Latest	Previous	Latest	Previous	1995-96	So Far	1994-95	1994-95	1994-95	1993-94
BSE Sensitive Index (1978-79=100)		3038 (26.0)	3469	4104 (24.6)	2944	3583	3233	4604	4261 (13.7)	3779 (65.7)	2281 (46.8)	2281 (46.8)	2281 (46.8)
National Index (1983-84=100)		1495 (28.4)	1568	1948 (21.3)	1342	1691	1572	2176	1606 (12.7)	1800 (79.7)	1021 (45.1)	1021 (45.1)	1021 (45.1)
BSE 200 (1989-90=100)		303 (35.3)	347	468 (23.8)	296	385	360	497	368 (18.2)	450 (22.3)	234 (60.0)	234 (60.0)	234 (60.0)
NSE (Nov 3 21 1994=100)		67 (-33.0)	76	100	72	83			79				

Foreign Trade		October 1995		Cumulative for Fiscal Year		So Far		1994-95		1993-94		1992-93	
		Latest	Previous	1995-96	1994-95	1994-95	1994-95	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	8538	55286 (27.5)	43353 (14.1)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44032 (35.3)	37553 (17.6)	37553 (17.6)	37553 (17.6)	37553 (17.6)	37553 (17.6)	37553 (17.6)
US \$ mn	2469	17204 (24.5)	13820 (13.9)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (1.5)	18143 (9.1)	18143 (9.1)	18143 (9.1)	18143 (9.1)	18143 (9.1)	18143 (9.1)
Imports Rs crore	9347	63967 (33.9)	47775 (19.9)	88705 (21.8)	72806 (15.7)	63375 (32.3)	47851 (10.8)	33193 (27.0)	33193 (27.0)	33193 (27.0)	33193 (27.0)	33193 (27.0)	33193 (27.0)
US \$ mn	2703	19905 (30.8)	15215 (19.8)	28251 (21.7)	21212 (6.8)	21882 (12.7)	19411 (19.4)	24073 (13.7)	24073 (13.7)	24073 (13.7)	24073 (13.7)	24073 (13.7)	24073 (13.7)
Non POL US \$ mn	2297	16249 (34.8)	12075 (30.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (22.2)	18045 (33.1)	18045 (33.1)	18045 (33.1)	18045 (33.1)	18045 (33.1)	18045 (33.1)
Balance of Trade Rs crore	809	-8680	4380	-6375	3259	9687	1809	10640	10640	10640	10640	10640	10640
US \$ mn	234	-2701	1395	2018	1039	3345	1545	5930	5930	5930	5930	5930	5930

Foreign Exchange Reserves (excluding gold)		Nov 17 1995		Nov 18 1994		Mar 31 1995		Month Ago		Year Ago		Fiscal Year So Far	
		Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	1995-96	1994-95
R		60726	61531	66028	3361	805	5302	13905	18407	27430	5385	10223	10223
US \$ mn		17548	19336	20816	-1286	-1788	3268	4160	5640	8724	731	3383	3383

Money Market Rates of Interest

(per cent per annum)

Weekended Fridays	November 1995				October 1995				September 1995				
Instruments	24(RF)	17	10(RF)	3	27(RF)	20	13(RF)	6	29(RF)	22	15(RF)	8	1(RF)
Call money rate (weekly weighted average RBI)	ns	37.64	37.29	38.32	15.07	15.56	15.84	16.36	11.51	13.80	10.81	10.98	10.44
Call money rate (Range weekly)	0.50 40.00	20.00 60.00	0.75 130.00	15.00 85.00	0.50 17.00	12.50 19.00	1.00 23.00	11.00 18.00	0.75 22.00	12.50 18.50	1.00 10.75	10.50 11.51	0.50 11.25
Treasury Bills													
91 Day (On tap or ad hoc)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91 Day (RBI Auction)													
Primary	12.97	12.97	12.97	12.97	12.88	12.80	12.75	12.67	12.68	12.67	12.54	12.54	12.54
Secondary DFHI (mid point of bid and offer)	12.88	12.88	12.60	12.60	12.60	12.60	12.60	12.60	12.60	12.38	12.08	12.05	12.10
All SGI trading (Weighted YTM)	12.68	13.11	13.11	13.73	12.83	13.12	13.19	12.55	13.02	13.05	12.45	12.35	12.47
364 Day (RBI Auction)													
Primary	12.99	*	12.99	*	12.94	*	12.93	*	12.91	*	12.87		12.8
Secondary DFHI (mid point)	11.75	11.75	11.58	11.48	11.38	11.38	11.38	11.38	11.38	11.48	11.35	11.40	11.4
All SGI trading (Weighted YTM)	12.83	17.37	12.80	12.80	12.91	12.83	13.01	13.22	13.38	13.76	11.87	12.87	13.04
State Govt loans (Coupon rates)			14.00										
All SGI trading (Weighted YTM)	13.99	13.13	13.75	12.25	11.83	13.66	12.35	11.00	13.11	13.96	13.71	13.55	13.78
GOI Securities													
Primary Auctions	*	*	*		*	13.50 (2 year)		*	13.73 (4 year)	*	14.00 (10 year)	*	13.50 (5 year)
Secondary All SGI trading (Weighted YTM)	16.27	16.76	13.93	5	13.48	13.47	12.83	13.42	1.23	6.29	3.55	7.97	7.7
PSU Bonds yield													
Tax free NSI													
(traded weighted)	12.09	11.94	11.64	11.92		11.60	11.59	11.77	11.97	11.43	12.13	11.01	11.41
NSI (Range weekly)	11.05	11.10	10.91	11.10		10.95	11.14	11.11	11.22	10.99	11.17	10.71	10.86
	12.51	11.98	11.81	11.43		11.68	11.99	11.90	12.13	11.46	12.55	11.15	11.45
Taxable NSI (traded weighted)	17.27	17.04		16.45	17.76	14.98	16.45	16.16	15.93	15.43	15.85	15.91	15.41
NSI (Range weekly)	17.27	15.89		5.61	15.01	14.97	15.95	15.54	15.8	15.19	15.61	15.91	15.06
		17.25		16.43	17.91	15.83	16.43	16.57	16.1	15.61	15.97		15.8
Commercial Bills													
DFHI (Rediscount rate)	14.55	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
	15.50												
CP Primary market (90 days)	14.00	14.00	16.00	14.50	14.50	14.50	14.50	14.50	13.50	13.50	13.50	13.50	13.50
	18.00	18.00	18.00	15.75	15.50	15.50	15.75	15.25	13.25	14.75	13.00	14.00	14.75
Secondary DFHI (Discount rate)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
	16.50												
Secondary market/NSI	17.00	17.10	16.75	14.75	14.55	11.25			15.50	14.27	13.75	13.44	13.50
			18.00	16.75	15.0				16.50		13.80	13.75	13.60
CDs Primary market (one year)	13.00	13.00	13.50	14.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
	16.00	16.00	16.00	16.00	15.75	15.5	15.75	15.75	15.75	15.75	15.25	15.75	15.00
Secondary DFHI (Discount rate)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	11.50	14.50	11.50	14.50	14.50
	15.50												
Inter corporate deposits (30/90/180 days)	19.75	21.00	16.00	17.00	17.50	17.50	17.50	17.50	17.00	17.00	17.00	17.00	16.00
	28.00	28.00	27.00	23.00	23.00	23.00	23.00	23.00	28.00	28.00	23.00	23.00	23.00
LIB 1964 Units (Week end secondary market price in rupees)	15.80	15.80	15.80	15.70	15.65	15.65	15.60	15.60	15.55	15.55	15.55	15.55	15.55
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items													
(i) Forward premium on the US dollar in the domestic inter bank market (annualised in per cent per annum) (Weekly average) ^(a)													
Spot/Cash	22.63	31.99	94.73	48.70	20.58	13.26	16.46	15.29	10.4	9.19	0.68	8.81	3.49
One month	17.02	24.45	31.63	23.97	18.69	10.95	10.46	7.64	5.43	5.25	1.04	0.03	1.41
Three month	15.61	19.73	21.21	15.89	14.43	9.31	8.58	6.94	6.17	5.37	2.45	1.70	2.82
Six month	14.99	17.51	17.52	12.99	12.82	8.86	8.35	7.05	6.54	5.98	4.03	3.64	4.43
(ii) Havala Rate (Rs/US\$) (Dubai)	36.80	36.80	36.85	36.60	36.50	36.25	36.15	36.35	36.15	34.95	35.00	34.95	34.9

no trading * no auction na not available () no floatation YTM yield to maturity

RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period

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Landmines and Blinding Laser Weapons

A G Noorani

Everyone is a 'realist' after his own fashion while the danger from landmines and laser weapons keeps mounting. India could combine some idealism with realism and give a lead. It is a challenge to India's creativity.

INDIA has ranged itself strongly against international terrorism and has begun enlisting support from other countries. It is only another aspect of that vice, another front in the good battle for India to take keener interest and fight with greater determination and clarity than it has the menace of landmines that he scattered over very large parts of the globe and the laser weapons that are used for blinding soldiers and civilians.

As the president of the International Committee of the Red Cross, Cornelio Sommaruga, said, "laser weapons suitable for blinding large numbers of soldiers or civilians at long distances are on the verge of large-scale production and export. Once produced in large numbers, these small arms will cost little more than an ordinary rifle and will proliferate rapidly not only to traditional armies but to terrorists and criminals. Whatever the intention of producers may be, like landmines, once they proliferate laser weapons are likely to be used indiscriminately" (italics mine, throughout).

Sommaruga was making a statement on September 26 in Vienna to the Review Conference of the states which are parties to the 1980 convention on 'prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious or to have indiscriminate effects' - to use its full title, regardless of the pain it inflicts on the jaws.

It is not difficult to perceive the dreadful peril to human life - a weapon that costs no more than a rifle but can be used by any terrorist to threaten or actually blind anyone he chooses to. Sommaruga appealed to the conference to adopt a new Fourth Protocol to the 1980 convention which would totally prohibit the use of laser beams to blind persons as a method of warfare, prohibit the production of weapons suitable for such use and prevent their proliferation. "It is essential to address this problem now. Later may simply be too late."

To turn to landmines, it is estimated that about 110 million unexploded mines are

scattered around the world and that they kill nearly 1,000 people every month while an equal number are maimed. A landmine costing as little as US \$ 3 to buy costs up to \$ 1,000 to clear. They were placed in Afghanistan by the Russians and in Angola, Cambodia, Bosnia and Croatia. The Russians have now repeated their performance in Chechnya.

Protocol II to the 1980 convention on 'prohibitions or restrictions on the use of mines, booby traps and other devices' says that mines may be directed only at military objectives, indiscriminate use is prohibited, and all feasible precautions must be taken to protect civilians, remotely-delivered mines may not be used unless their location is accurately recorded or they are fitted with an effective neutralising mechanism; records must be kept of the location of pre-planned minefields, and the parties to a conflict are also to keep records of other minefields laid during hostilities; at the end of hostilities, the parties are to try to agree, either among themselves or with other states or organisations, to take the necessary measures to clear minefields.

The ICRC, assisted by six NGOs, launched its campaign in April 1993 to increase public awareness of landmines. Expensive demining operations are afoot in Afghanistan, Angola, Cambodia, Mozambique, northern Iraq, Rwanda, Somalia and Yemen.

India ratified the 1980 convention on March 1, 1984 and Pakistan on April 1, 1985. As of July 7 this year only 50 states had ratified it. Sri Lanka is not one of them. The major weaknesses of the convention are that it does not apply to internal armed conflicts where most mines are used; assigns no clear responsibility for the removal of mines; does not prohibit the use of non-detectable mines and has weak provisions governing remotely-delivered mines; does not include any control regime for mine transfers and exports; and lacks implementation and enforcement mechanisms.

In 1994 the UN General Assembly endorsed the goal of "eventual elimination

of landmines" (Res. A/RES/49/75D). The greatest danger to life is posed by what are called 'dumb' or non-self-destructing landmines as distinct from the 'smart' ones which have self-destructing mechanisms.

International opinion is divided. Sri Lanka's former ambassador to the UN, Stanley Kalpage, said, "in the world of United Nations *realpolitik*, the member states appear convinced that an outright ban, given the combined problems of creating verifiable international agreements and implementing them, is little more than romantic humanitarianism." Kalpage's words are particularly saddening because, as well as serving with distinction as his country's high commissioner in India, he is also a teacher of high eminence. In fact his words highlight the need for a total ban.

Certain details are relevant in this context. As of July this year, over 20 states had announced comprehensive moratoria on the export of all anti-personnel mines, limited moratoria on transfers of non-self-destructing mines or moratoria on exports to states not party to the 1980 UN weapons convention. States which have declared a comprehensive moratorium are Argentina, Belgium, Cambodia, Canada, Czech Republic, France, Germany, Greece, Israel, Italy, Poland, Slovak Republic, South Africa, Spain, Sweden, US, Romania, Portugal and Japan. Limited moratoria have been announced by the Netherlands, Switzerland, Austria, the United Kingdom, Russia and the European Union. On March 2 this year Belgium became the very first country to enact a law that completely bans the manufacture, trade, use and stockpiling of anti-personnel mines, or any other weapon built for the same purpose, on its territory - even by its own army.

The following states have expressed support for a total prohibition of anti-personnel landmines: Afghanistan, Australia, Austria, Belgium, Cambodia, Colombia, Estonia, Iceland, Ireland, Laos, Malaysia, Mexico, New Zealand, Nicaragua, Norway, Peru, Slovenia, Sweden, Switzerland and the 52 countries of the Organisation of African Unity. India's omission in all the three lists is conspicuous and unfortunate.

The Vienna conference ended on October 13. Reports on the results are not very clear. M S Prabhakara reported from Cape Town, in the issue of *The Hindu* of October 14, a distressing similarity in the positions of India and South Africa. Both seek to continue to manufacture and use landmines for 'defensive purposes' within the limits of the none-too-satisfactory 1980 convention. This implies, according to the leader of the South African delegation, Abdul Minty, "the

exclusive use of reliable self destructing and self deactivating anti personnel landmines within a realistic time frame' and 'the destruction of existing stocks of long lived anti personnel mines'

Prabhakara added the Indian approach according to a weekly newsletter being published from Vienna by the International Campaign to Ban Landmines appears to correspond to the South African approach. At a presentation made to an open NGO briefing in Vienna the Indian ambassador Arundhan Ghosh said India did not want to focus on the use of landmines as a defensive weapon but to focus on lessening the impact of landmines on the civilian population. According to the newsletter the Indian ambassador said India did not have a problem with landmines and did not use them internally except in specific cases and under specific authority. While India wanted to move forward making landmines detectable and incorporate into them a self destructive feature it needed both the time and the technology to convert to these systems. India according to the CCW newsletter also had a major problem with verification. Verification the newsletter quoted the Indian ambassador as saying was a disarmament issue and with only five developing countries participating in the review conference India felt that the inclusion of intrusive measures would discourage countries from becoming party to the CCW.

According to Prabhakara,

Underlying the South African (and Indian) approach to the problem and the apparent reservations over the call for a total ban on the production of landmines is the issue of national sovereignty though such sensitivities and indeed the very concept of national defence in the case of the less developed countries tend to be scoffed at by NGOs occupying the moral high ground. India as an inheritor to an alleged Gandhian tradition of absolutist pacifism and non violence has had its share of such moral disapproval in the past in respect of its defence policy and huge defence allocations. It is now the turn of the new South Africa whose own high moral stature is still relatively intact to be the victim of similar disapproval.

India Pakistan and China rank among the producers of landmines. Jane's *Defence Week* of June 17 1995 reported that 'in closed door discussions held in Geneva earlier this year is part of the lead-up to the UN sponsored review conference set for this autumn. Chinese representatives opposed the introduction of a specific minimum moral content for landmines. China Cuba India Iran and Pakistan objected to provisions limiting export activities. China Cuba Iran and Pakistan further refused to accept verification provisions or enforcement measures. Cambodia is among the few countries (none other from Asia) that have

initially supported a complete ban on the production use and export of anti-personnel landmines." Jane's *Pointer* of June 1995 carried a report titled 'China Markets Blinding Laser'.

The Vienna conference is reported (*Indian Express*, October 11, 1995) to have agreed that all anti-personnel mines should be detectable, and discussed a Fourth Protocol to the 1980 Convention to restrict it not ban the use of laser blinding weapons.

The British foreign office minister, David Davis in a statement on the concluding day of the Vienna Conference October 13 said that he was disappointed that the conference was 'suspended' without agreement until December with a view to reaching agreement by May 1996. He attributed this to the determined obstruction of a number of countries. His country was against what he called 'the irresponsible use of anti personnel landmines'. Davis also said that this unfortunate outcome demonstrates that we were right from the start to argue for realism. Nobody can now believe that a total international ban on landmines effective in the regions where they are most used and abused would be practical politics.

This is in line with Kalpage's stand. Everyone is a realist after his own fashion while the danger keeps mounting. India could combine idealism with realism and give a lead. It is a challenge to India's creativity.



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Biotechnology's Decade of Stagnation

P M Bhargava

The department of biotechnology was set up a decade ago to facilitate rapid developments in an emerging field. What has been achieved today?

IT is widely recognised around the world today that advances in biotechnology, along with those in material science, computers, microelectronics, artificial intelligence, space sciences and new sources of energy, would be the major determinants of our life styles in the foreseeable future. Biotechnology, like computers, has now become a part of our common vocabulary. What has our government done in regard to biotechnology, specially when we have a full fledged department dedicated to it in Delhi?

The structure of biotechnology today rests largely on the following pillars:

(1) *Genetic engineering*: Allows a genetic capability of one organism to be transferred to another organism that may lack the capability. Thus, the common bacterium *E. coli* can be made to produce human insulin which has otherwise been a rare commodity, in large amounts by such a genetic transfer, using the technology of genetic engineering. In fact, the insulin that we generally buy in the market today, for the purpose of injection for certain kinds of diabetic patients, is human insulin made through genetic engineering.

(2) *Immunotechnology*: One of the ways in which we fight infection is by producing a class of chemical compounds called antibodies. Since the production of an antibody is extremely specific to the foreign substance or organism against which it is directed, one can use this specificity to identify the organism or the chemical agent causing a pathological condition much before it has given rise to clinical symptoms. Today, the technique of monoclonal antibodies, for which a Nobel Prize was given, allows us to produce such specific antibodies in the laboratory on a large scale rather inexpensively. Monoclonal antibodies are less than 15 years old, but last year accounted for a turnover of probably more than five billion dollars worldwide. Today, they are used, extensively in diagnosis and are also being increasingly used for treatment of certain diseases.

(3) *Tissue culture*: In this technique animal and plant cells can be grown outside of the animal or the plant in large numbers; it has been, in fact, possible for nearly half a century to grow a whole plant (for example, a carrot plant) from a single cell. In case of plants,

this technique can be used, for rapid propagation of elite plants which would have otherwise taken decades to be propagated in that number. This technique is also being increasingly used to produce substances of commercial importance in large amounts that are difficult to synthesise in the laboratory chemically.

(4) *Enzyme engineering and technology*: Enzymes are biological catalysts used by living organisms for the enormous number of chemical reactions that occur in them. Most chemical processes that have formed the basis of chemical industry since the Industrial Revolution of the 18th century have, however, used inorganic catalysts for increasing the rate at which the desired product is produced in the chemical reactions comprising the process. Inorganic catalysts require, often, high temperatures and high pressure, the creation of which conditions is energy-intensive and expensive. Enzymes, however, operate optimally at normal temperature (30-37°C) and pressure. They are, therefore, being increasingly used in industry for catalysing chemical reactions. A major problem with enzyme catalysts – that they are generally unstable – is now being overcome by several ingenious techniques.

(5) *New reproductive technologies*: These technologies, such as in vitro fertilisation (commonly known as the test-tube baby technique), allow an infertile couple to have a child of their own. There are many variations of these technologies available today that have been commercialised – such as the development of a couple's biological child in the uterus of a surrogate mother who would, therefore, have no relationship whatsoever to the child even though she would have delivered it.

(6) *New medical technologies*: Examples would be the new diagnostic techniques using various kinds of scanning such as ultrasound, computer aided tomography (Catscan), positron emission tomography (PET), or magnetic resonance imaging (MRI). Another example would be the use of specific carriers to deliver drugs to specific sites or organs needing it, so that the rest of the body is not exposed to the possible toxic effects of the drug.

(7) *New DNA based technologies*. DNA is the genetic material. A widely used example of a DNA technology would be DNA fingerprinting. There are two commonly used techniques of DNA fingerprinting available today, the one discovered by Sir Alec Jeffreys of the UK which is used in the west, and the other discovered by Lalji Singh of India which has been used extensively in our country. This technique allows unequivocal identification of an individual by a very small amount of the person's blood, semen, skin, tissue piece, hair-root or the like. It has many varied uses, including establishment of parentage, and identification of a rapist or murderer on the one hand and seeds of plants on the other.

SETTING UP OF THE DBT

To those of us who had a ringside seat in the drama of the biological revolution that began after the last world war, it was obvious by the late 1960s that unprecedented, unexpected and large-scale applications of biotechnology were upon us. Two major discoveries made subsequently, in the late 1970s and the early 1980s, were responsible for making this prediction come true: the discovery of genetic engineering and of the monoclonal antibody technique, for both of which Nobel Prizes were awarded.

Our science was then in the hands of some of the most committed and successful scientists of our country. During this period, I had occasion to discuss the question of our country's possible investment in biotechnology with most of these scientists – for example, those who headed our space, atomic energy and agriculture programmes, and those who were then the presidents of our academies of science. What came out clearly in these early discussions was that Indian must invest in research and development-cum-production activities in at least eight selected areas: genetic engineering, immunotechnology, tissue culture, enzyme-based technologies, photosynthesis, plant-based indigenous drugs, alcohol production from non-conventional sources (such as grass), and new biology-based energy technologies such as energy plantations using genetically engineered plants.

Following a meeting held in Delhi on July 28, 1981, chaired by M G K Menon (the then secretary of the department of science and technology (DST)), (for which I had the privilege of preparing the base paper) and a meeting of the Scientific Advisory Committee to the Cabinet (SACC) held on the following two days which was chaired by M S Swaminathan, a decision was taken

to set up the National Biotechnology Board (NBTB). The Board was actually set up after a couple of years but this step was inadequate for the development of biotechnology: the Board had very little funds and no independence. It had an executive secretary but all the real powers were vested in the secretary of the DST. It was therefore no surprise that the NBTB accomplished very little. After this was pointed out by some of us to the prime minister Rajiv Gandhi in 1985, the government of India decided to set up finally the department of biotechnology (DBT) in July 1986.

The DBT will complete 10 years at the beginning of 1996 which is a reasonable time to assess the performance of even a government department. One way to make this assessment would be to ask what would have happened if the department was not there. Unfortunately the DBT itself has been unwilling to do this exercise. Another way would be to list biotechnology based industries that the DBT has spawned. The answer is virtually none. Whatever has happened in the area of biotechnology in the country has been outside of the purview or influence of the DBT and would have happened even if the DBT was not there. In the eyes of the industry including the fledgling biotechnology industry in the country and the people of the country, the DBT has been a non entity. The only ones who have supported it are largely the small number of scientists in the country who have personally benefited from it through grants they have received from it for their personal research work that has had no direct relevance to the development of biotechnology in the country.

The DBT does not even have an information base (let alone a mechanism to keep it updated in real time) which on the basis of market information in the country and abroad would help private investors decide what they could reasonably safely invest in. The department has not surely earned the trust and faith of Indian industry. The DBT however has one major accomplishment for which it can take a part of the credit: the post going to N Seshagiri, earlier of the department of electronics and at present a secretary in the Planning Commission. This accomplishment is the setting up of the bioinformatics network in selected areas around the country: this network has been of the greatest use to scientific researchers.

For the rest the DBT has primarily (a) served as a grant giving agency which is precisely what it was not supposed to be and (b) supported selected universities by providing funds to set up teaching departments of biotechnology which essentially are departments of modern biology. In this connection it is noteworthy

that very few (less than 10 per cent) of those who have been products of these teaching departments financed by the DBT are working in an Indian industry.

DBT has not been able to show a significant upward trend in performance in spite of the fact that for the last two years or so the department has been fortunate in having a secretary whose commitment, purposefulness, integrity and concern have never been in doubt. It would therefore be pertinent to ask as to why this situation with our biotechnology programme? As it turns out the blame lies primarily with our scientific community responsible for the policies and activities of the DBT from within and without: that it has been with very few but notable exceptions unimaginative and selfish with a dog in the manger attitude.

As an example take the case of DNA fingerprinting in which the country established leadership as far back as 1989. The then prime minister Rajiv Gandhi had approved the setting up of a national centre for DNA fingerprinting and diagnostics based on the Indian technique developed by Lalji Singh. Lalji was invited to host the Third International Conference on DNA Fingerprinting (1st December) on the basis of Lalji Singh's accomplishments in the area but the centre for DNA fingerprinting has yet to come. On two occasions even the money for it had been approved: on one of these occasions Rs 50 lakh allocated specially for the national centre for DNA fingerprinting lay in a bank in Hyderabad but had to be returned to the government of India after a year or so as no significant steps were taken during the period to set up the DNA fingerprinting centre. The nodal agency for piloting the project of setting up the centre for DNA fingerprinting has been the DBT.

According to a report in *The Hindu* (April 2) the problem in the DBT was a tussle between the scientists and the IAS officers. It is probably partly true but then one should ask as to when such a tussle takes place. It occurs when a majority of the scientists at the top of the hierarchy in the organisation abrogate or misuse their authority: that is use it for their own ends and not for the purpose for which the organisation was set up. After a while this becomes the culture of the organisation, and difficult to change. We should remind ourselves that before the last World War it would have been unthinkable to have an IAS officer as the vice chancellor of any of our universities. But, then, a stage came in the progressive degeneration of our universities when an IAS officer could do much better as a vice chancellor than the academicians that had immediately preceded him and we had many universities with a civil servant as vice chancellor. The unfortunate day may not be far when the

government has no choice but to appoint a civil servant as secretary of the DBT. The superannuation according to the government rules of the present secretary of the DBT is not far off and I do not see anyone in our country today who would be suitable as his successor. On the contrary I am both amused and concerned by the extremely low collaboration of those among our scientists who seem to be actively lobbying for the position.

A part of the blame for the fact that the DBT has not been able to deliver any of the goods it was supposed to must lie with the government too which has sought no real accountability from it. Seeking accountability demands a concern and for that the government has had neither time nor inclination. In this connection it is noteworthy that the last meeting of the Scientific Advisory Committee of the DBT on June 6 and 7 was held after a gap of over a year. The only way to rectify this situation in an area that may be of the utmost importance to the country in the years to come would be for the government to seek the following three kinds of accountability in respect of the DBT through an appropriate mechanism.

(1) *Scientific accountability*. What is the quality and quantity of the scientific work done under the auspices of the DBT in relation to its major objective of establishing biotechnology industry in the country? It is not enough to have scientific papers published in good scientific journals by those who have been supported by the DBT. We must ask: Do these papers represent a breakthrough that would help the development of biotechnology in the country?

(2) *Financial accountability*. What has actually been achieved in the country in terms of production which is due entirely to the efforts of the DBT, specially in areas in which no other agency such as the ICAR has been working? This should be judged from stringent international standards.

(3) *Social accountability*. In what way has the department contributed to social progress: for example through development of technologies that could be used in the villages and could provide additional employment to those who work in the agricultural sector?

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Impact of Prohibition on State Excise Study of Four Southern States

Joseph Abraham

Can state governments reduce their financial dependence on taxes on various types of alcohol, so as to improve the overall health, efficiency and productivity of labour and the general welfare of the people? An examination of the pattern of excise revenue from alcohol in the four southern states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu

THE debate on whether economics is a science of wealth or a science of welfare can be traced to the time of Adam Smith and Alfred Marshall. The theory of welfare economics has rich literature analysing the ethical, moral and welfare dimensions of economic policies. The interrelationship between economic efficiency and ethics was given a rigorous theoretical and empirical foundation through the numerous works of renowned economists like Karl Polanyi, Fred Hirsch, Albert Hirschman, Amartya Sen and Kenneth F Arrow. It is now widely accepted that an effective economic policy demands serious consideration of its ethical and welfare implications also, though on several economic issues one may have difficulty in reconciling economic targets with the ethical and moral targets. One such issue is that of resource mobilisation through excise tax revenue and its welfare implications.

The concept of resource mobilisation is generally considered as falling within the domain of positive economics and is seldom included in the purview of normative economics. However, certain sources of resource mobilisation especially those from tax on alcohol, tobacco, etc. being demerit goods with negative externalities have considerable welfare and ethical and hence normative implications and therefore it is necessary to examine these issues from the welfare and ethical perspective also. This would enable the reconciliation of the twin goals of resource mobilisation through tax revenue for economic planning and that of maximisation of health, standard of living, productivity and efficiency of labour and overall net disposable income and saving of households and family welfare, etc. Today, we are commemorating the 126th birth anniversary of Mahatma Gandhi, whose battle against alcohol and drinking was a lifelong struggle and in this context, the issue of the ethics of revenue mobilisation from alcohol assumes particular significance and hence requires serious consideration.

In India, the state excise is a major source of revenue of state governments. The major part of state excise revenue of state government is derived from various types

of alcoholic beverages. But from the perspective of health, standard of living, overall productivity and efficiency of manpower, alcohol is highly injurious. There comes a point, however, when the economic benefits of excise revenues are outweighed by the social costs of heavy alcohol consumption like increasing crime, poor productivity, absenteeism and increasing number of problems of children of alcoholic parents, reduced life expectancy and alcohol related health problems all create a heavy burden on the state exchequer. A high proportion of road accidents are also caused by alcohol consumption. The excise revenues from alcohol will not cover the cost of negative effects of alcohol consumption. The general public health would be at risk and the time has now come to tackle the problem seriously. According to Mahatma Gandhi, 'Drugs and drinks are the two arms of the devil with which he strikes his helpless slaves into stupor and intoxication'.

Alcohol being a major source of tax revenue, many states are reluctant to reduce the dependence on this source of revenue for their resource mobilisation. Certain states like Andhra Pradesh and Tamil Nadu have only partial prohibition since prohibition is confined to only certain specific types of alcohol, i.e. country spirit and the loss of excise revenue from country spirit on account of prohibition is offset through higher tax revenue on other types of liquor like Indian Made Foreign Liquor (IMFL). The issue in this context is whether a state should seek alternative source of revenue other than from various types of liquor so as to improve the overall health, efficiency and productivity of labour and general welfare of the individual and family.

With this objective, this note examines the pattern of excise revenue on alcohol in the four southern states of India, i.e. Andhra Pradesh, Karnataka, Kerala and Tamil Nadu, for the period 1992-93, 1993-94 and 1994-95. The data base for this study has been drawn from the various budget documents on revenue receipts of the above state governments. Section I of this study highlights the importance of excise revenue for the state

government mentioned above, the proportion of excise revenue on alcoholic beverages to total state's own resource and the distribution of state excise revenue and state's own tax revenue between various types of alcoholic beverages for the four southern states. Section II is an analysis of trends in these revenues and suggestions on possible alternatives and Section III gives the summing of findings of this study as well as examining further research possibilities on quantifying the cost and benefits of prohibition.

I

As mentioned in Part I above, excise revenue is a major source of tax revenue of the state governments. In 1994-95 budget of the states under this study, the anticipated tax revenue from excise is Andhra Pradesh (Rs. 357.25 crore), Karnataka (Rs. 806.92 crore), Kerala (Rs. 310.92 crore) and Tamil Nadu (Rs. 410.00 crore). In the case of Andhra Pradesh, there was a ban on the sale of arrack from October 1993 resulting in a revenue loss of Rs. 675 crore per annum. Before the introduction of this ban, 70 per cent of the excise revenue of the state was from arrack or country spirit. Despite the revenue loss, the ban is expected to improve the health, productivity and well being of the labour force especially those of the lower income groups who were mainly the consumers of arrack. However, this is a normative issue for consideration whether the loss of revenue is offset by the gains on productivity, income and of welfare of arrack consumers.

TABLE 1

State	Total Excise Revenue 1994-95 (Rs Crore)	Revenue from Alc. (Rs Crore)	Proportion of Revenue from Alc. in State Excise Revenue (Per Cent)
Andhra Pradesh	357.25	350.00	97.9
Karnataka	806.9	782.41	96.9
Kerala	310.92	296.58	95.3
Tamil Nadu	410.00	392.97	95.8

TABLE 2 DISTRIBUTION OF EXCISE REVENUE FROM IMFL

State	Amount of Excise Revenue from IMFL	Per Cent of Revenue from IMFL to Total Revenue	Per Cent of Revenue from IMFL to Total States Own Tax Revenue
Andhra Pradesh	270.00	75.5	7.02
Karnataka	160.00	19.8	3.27
Kerala	23.10	23.5	2.97
Tamil Nadu	360.27	87.8	7.79

The major part of the revenue from state excise is derived through tax on various types of alcoholic beverages like country spirit, country fermented liquors, malt liquor and IMFL and spirits. We may term all these alcoholic beverages into a broad category termed as alcohol for human consumption (AHC). The proportion of AHC in total excise revenue of the four southern states for 1994-95 (BE) are as in Table 1.

It has been mentioned earlier that there is prohibition in Andhra Pradesh and Tamil Nadu. If a ban on the sale of arrack is introduced in the states of Karnataka and Kerala (as done by Andhra Pradesh and Tamil Nadu), anticipated revenue loss in 1994-95 (BE) would be about Rs 600 crore for Karnataka and Rs 210 crore for Kerala. If Andhra Pradesh and Tamil Nadu would forgo this source of revenue out of welfare considerations, Karnataka and Kerala can also take a normative or moral decision on this issue of banning the sale of arrack, especially when Andhra Pradesh had forgone about Rs 700 crore of excise revenue on arrack out of welfare and ethical considerations.

Further, there are various other types of AHC in each of the state where there is considerable scope for reduction in dependence on revenue from AHC. In Andhra Pradesh during 1994-95, Rs 270 crore of excise revenue is expected from IMFL and spirits, which constitutes about 75 per cent of the states' excise revenue and about 7 per cent of the states' total own tax revenue. However, during the same period, Karnataka gets only Rs 160 crore from excise revenue from IMFL, i.e. about 20 per cent of the state excise and 16 per cent of the states' tax revenue. The share of IMFL in states' excise and states' own tax revenue in the four southern states are illustrated in (Table 2).

The two states having partial prohibition, i.e. Andhra Pradesh and Tamil Nadu, have a very high dependence on excise revenue from IMFL, i.e. Rs 270 crore (75 per cent of total excise revenue) in the case of Andhra Pradesh and Rs 360.22 crore (88 per cent of total excise revenue) in the case of Tamil Nadu. In fact, from the normative and welfare perspective, the dependence on this source of revenue, i.e. IMFL, has also the same negative welfare effects as in the case of dependence on the revenue from country spirit by Karnataka and Kerala.

II Trends in Growth

Excise revenue as a percentage of states' tax revenue shows a downward trend in the case of Andhra Pradesh, a steady trend in the case of Karnataka, Kerala and Tamil Nadu. In the case of Andhra Pradesh, the

share of excise revenue from AHC in states' total tax revenue declined from 27 per cent in 1992-93 to about 9 per cent in 1994-95, primarily on account of prohibition. The average annual rate of growth of excise revenue on different types of AHC taken together is given in Table 3.

The overall situation is showing an upward growth in excise revenue from AHC in the states (Table 3), except Andhra Pradesh. Even in the case of Andhra Pradesh, if one analyses each type of AHC separately, it is observed that the excise revenue from IMFL in 1994-95 (BE) shows an increase of 80 per cent over that of 1993-94 (BE). In Andhra Pradesh, the revenue from malt liquor is also projected to increase by about 40 per cent in 1994-95 (BE) over that of 1993-94 (BE), though in absolute terms, the amount of revenue expected from malt liquor in 1994-95 is only Rs 35 crore, i.e. 9.8 per cent of total states' excise revenue and 0.91 per cent of the total states' own tax revenue.

In the case of Karnataka, though the overall annual average growth in excise revenue from AHC in 1994-95 is only 13.8 per cent, the corresponding figure for malt liquor is 60 per cent and that of IMFL about 45 per cent. Though in absolute terms, the excise from malt liquor in Karnataka for 1994-95 would be only Rs 23 crore (i.e. 2.83 per cent of states' excise revenue and 0.46 per cent of states' own tax revenue), the excise revenue from IMFL is Rs 160 crore (i.e. about 20 per cent of the states' excise revenue and 3.27 per cent of states' own tax revenue). From the normative perspective, this dependence on the source of revenue needs to be progressively reduced.

In the case of Kerala, the average aggregate growth in excise revenue in 1994-95, i.e. 34.5 per cent, is the highest among the southern states. In Kerala, the revenue from country spirit in 1994-95 is projected to increase by about 53 per cent over 1993-94 (BE). Country spirit, which is to earn Rs 210 crore excise revenue from 1994-95, constitutes about 67.43 per cent of the state excise revenue and 8.5 per cent of the states' own tax revenue. The excise revenue growth in IMFL is to increase by only 8.5 per cent in 1994-95 over 1993-94.

In the case of Tamil Nadu, the aggregate growth rate in excise revenue from AHC in 1994-95 is 16.5 per cent, which is made through revenue from IMFL. There is no increase in the excise revenue from other types of AHC.

The loss of revenue on account of an anticipated policy of prohibition in each of these southern states would be: Andhra Pradesh (Rs 357 crore), Karnataka (Rs 807 crore), Kerala (Rs 311 crore) and Tamil Nadu (Rs 410 crore). An illustrative model of alternate compensatory revenue mobilisation scheme to cover up the revenue loss on account of prohibition is given in Table 4.

III

The main findings of the study are:

(i) In absolute terms and also in terms of share in states' own tax revenue, among the four southern states, the highest excise revenue from AHC is observed for Karnataka followed by Kerala.

(ii) In all states, the proportion of revenue from AHC is about 95 per cent to 97 per cent of the states' excise revenue.

TABLE 3

	1993-94 (RI) (Rs. Crore)	Per Cent Growth PA	1994-95 (RI) (Rs. Crore)	Per Cent Growth PA 1993-94 (BE)
Andhra Pradesh	587.78	35.8	350.00	-61.8
Karnataka	662.33	+31.8	782.41	+13.8
Kerala	270.16	+27.3	296.58	+34.5
Tamil Nadu	380.14	30.6	392.97	+16.6

TABLE 4

	(Rs. crore)			
Item	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu
A. State taxes				
(1) Land revenue	30	68	26	34
(2) Sales tax	50	150	42	57
(3) Tax on goods and passengers	15	55	13	17
(4) Stamps and registration fee	50	75	44	57
(5) Electricity duty	20	45	17	23
(6) Luxury tax and other taxes	17	39	15	21
B. Non tax revenue	25	75	22	29
C. Other measures				
(1) Cut or subsidies	100	225	87	115
(2) Economy in expenditure	50	75	44	57
Total (A+B+C)	357	807	311	410

(iii) The share of IMFL in states total excise revenue is very high for Andhra Pradesh and Tamil Nadu.

(iv) The share of country spirit in states total excise revenue is very high for Karnataka (74 per cent) and Kerala (67 per cent).

(v) In all the four southern states, revenue from country fermented liquor and malt liquor is very low, which are relatively of lower alcohol content.

(vi) Revenue from AHC in all southern states except Andhra Pradesh is showing an upward trend. However, in the case of Andhra Pradesh there is a steep rise in the excise revenue from IMFL.

(vii) There is steep increase in excise revenue from country spirit in Kerala while the corresponding increase for IMFL is relatively low.

All the four southern states are showing a growing dependence on excise revenue from AHC. This obviously implies that the normative or ethical aspects of revenue mobilisation is given only a secondary importance as compared to the economic rationale. A reduced dependence on this

source of revenue may have the welfare effect of improving the health, productivity, savings, income and standard of living of labour. In fact the improved health due to lower alcohol consumption would reduce government expenditure on health in general and particularly for alcohol-related health disorders. The saving in health expenditure and overall improvement in income and welfare through prohibition may have to be quantified for weighing against the fiscal revenue loss from prohibition so as to estimate the net effect of prohibition on budget. Such a welfare cost/benefit analysis though difficult can act as a valuable guideline to policy on prohibition. This issue further confirms that positive and normative economics is closely interlinked and also that the conclusions of economic decisions need to be strongly grounded on moral commitments to public policy, so as to reconcile economic targets without jeopardising ethical and moral targets.

[The views expressed here are those of the author and not of the organisation to which the author belongs.]

is a mere private affair, extravagance and disturbance to the daily routine of the population living in the suburb where the function was performed are only of relative significance. After all even the simplest marriage performed in a narrow Mylapore lane has elements of extravagant waste and some inconvenience to the public.

The undeniable fact is that the wedding was not a private matter. The sheer scale of operations should indicate that it was not intended as such. Again it would be an incorrect assessment to treat the occasion as an aberrant act of the individuals concerned. The bride's father — being a mere salaried professor — could not have mounted such a gala affair even granting that an indulgent (admittedly more prosperous) maternal grandfather subsidised the event. The fact that bulk of the organisation was in the hands of the groom's foster mother and aunt, and they being key figures in Tamil Nadu politics tells its own tale.

There is no denying that it was an event of the times we are in at present. In these days when everything has a political dimension and use, it would be too much to expect our political operators not to use the occasion. Indeed the socio-political utilisation of marriage platforms is nothing new. In the reformed self-respect marriages which became common after India's freedom, the part played by 'purahits' performing religious rituals was more or less taken over by senior political figures who presided over and participated in the ceremony giving elaborate speeches about the current political and social situation. It almost always bordered on political propaganda.

The available evidence indicates that the ruling AIADMK with only a few months to go for the general election is beaming a few strategic signals to its own faithful flock as well as to its political opponents through this mammoth affair. First, the incongruity of a member from the caste that was at the receiving end of the ideological war waged by the Dravidian movement since the early days being the general secretary and chief minister needed a firm correction. This is especially when the state government is in a Catch-22 situation regarding the reservation issue. Was there any way for the party supremo to identify herself with her constituents most of whom belong to the backward and dalit castes? As there is no legal way to convert to another caste, the only course open was to adopt a child from those very castes to announce that the leader was being truly faithful to the ideology of the Dravidian movement. How can then anybody doubt her bona fides when she vociferously champions social justice? It was not a nominal adoption and the wide world had to be shown that she

TAMIL NADU

Politics of Wedding and Wedding as Politics

S Ambirajan

While the marriage of the foster son of the AIADMK supremo and Tamil Nadu chief minister has been widely, and rightly, criticised for its ostentation and vulgarity, what has not received as much attention is that, with but a few months to go for the general election, the AIADMK was beaming a few strategic signals to its faithful folk and to its political opponents through this mammoth affair.

THE recently consummated marriage of the foster son of AIADMK supremo and chief minister of Tamil Nadu was certainly the most written about and much discussed event of that genre in recent months. Both before and after the day of the holy matrimony, much frenetic activity took place in the courts, streets, and elsewhere in Madras. There have been other mega weddings performed by politicians, businessmen and princes, but this particular wedlock seems to have outdone all of them in terms of opulence, vulgarity, ostentation and of course controversy. The event itself came in for a good deal of adverse comment from a large number of concerned citizens of Madras, and rightly so. But a lot of condemnation in the popular press lost its effectiveness because of the exaggeration of the misdemeanours. Prior to the event, there

were rumours about 4,000 goats kept ready to be slaughtered for making 'mutton biryani', 101 captained elephants to be brought from Kerala to accompany the wedding procession, a helicopter arranged to shower flower petals on the couple, etc, etc. But when these didn't materialise, it led to the speculation that even the quite valid and legitimate criticisms were without foundation. Even the large plates with sarees and invitation cards given to the VIP invitees were found to be silver plated and not pure silver as it was claimed in some newspapers. Truth was bad enough without any need for imaginary embellishments.

In any case, to treat this wedding as a private affair and castigate it for its tasteless display of wealth is to miss the whole point of the exercise. Once it is accepted that it

is a doting mother who will deny nothing to make the son happy.

The second signal is to show the party members that AIADMK is 'one big family'. While other party bosses have performed weddings, this one was unique as every single AIADMK member was invited to participate with appropriate provision made for their stay in Madras. The message intended to be conveyed seems to be that while in other parties the party was controlled by the family, in AIADMK it is the party that makes the family. The blurring of the lines between a private function and a party palaver seems to be deliberate and carefully orchestrated. The third signal was to indicate that the present AIADMK is virtually invincible. The marriage was nothing short of a massive show of strength. There has been quite a few allegations of corruption, high-handedness and other acts of commission and omission by the present regime. The enquiry committees, cases hanging fire in the courts, relentless pursuit by gadfly politicians and the enforcement directorate and so on had given rise to a feeling that perhaps the supremo is afraid or defensive or too weak to face the charges. This exhibition of openness and even conviviality with both the party people and outside dignitaries was intended to help dispel the suspicion that the leader is running scared.

Sending signals through symbols have been key elements in the way Indian democracy has been practised. In a largely illiterate and semi-literate population, one has to take recourse to a discourse other than the coldly rational and reasoned prose. In any case, symbols have always been important in the Indian cultural ethos as a communication medium. While the Congress and more so the Dravidian movement, notably DMK under C. N. Annadurai and M. Karunanidhi, used symbols from the past history of Tamils to convey political messages effectively, they were also handicapped in going whole hog by their commitment to certain aspects of a modernist ideology associated with the Mahatma and the Periyar.

During the last decade and half, the modernist ideology which started an earlier generation is very much in decline. Even during their lifetime, both Gandhi and EVR saw their followers jettison important aspects of their teachings in their search for political power. Once in the seats of administration, numerous compulsions eroded their former commitment to principles, and they compromised easily. In South India, for example, EVR's key principles such as (a) anti-aryan/brahmin/north Indian hegemony; (b) rationalism that shunned religion, language, and other emotional issues; and (c) social reform that

stressed eradication of caste, greater gender equality, better redistribution of income/opportunities, and simple unostentatious living, have all more or less been diluted in very different ways. These ideals have either been abandoned or turned on their head to subserve the political and economic interests of powerful groups in the society. Other institutional and attitudinal changes coupled with current international trends have contributed to the weakening of the hold of old values and ideals in the minds of people.

The overall result has been a steady deterioration in our political culture. A macabre manifestation of this is the increasing monarchisation of the democratic polity. Regal symbols like presentation of gold/silver decorated swords, setting ornate crowns, and transferring the sceptre from

the leader to the chosen heir are continuously employed by political leaders to impress the citizens. Similarly the vocabulary prevalent in Indian political articulation is thick with militaristic and regal phraseology. We must also remind ourselves that marriages have been utilised since times immemorial as political instruments by ambitious rulers.

Over a period such monarchic symbols, practices and sentiments have entered the soul of our democratic process through dynastic succession and absolute powers acquired by the elected leaders. The present marriage resonating a royal flavour with all the pomp and pageantry that would have done a Chola or Pallava emperor proud is but yet another step in the descent towards a *de facto* monarchical form of government.

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Development and Displacement

National Rehabilitation Policy

D C Sah

The National Policy for Resettlement and Rehabilitation in its present form is based on a premise which sees displacement only as an appendix to development. What we need in its place is a development model which deals with displacement as an integral part of the process

AT present at least two drafts of policy document for Resettlement and Rehabilitation (R and R) prepared by the ministry of rural development, government of India, are under circulation. This note has two main objectives - to place the issue of displacement within the model of Indian development, and to identify missing links in the drafts which may eventually emerge as constraints in evolving a successful policy frame.

I Development Paradigm

It has been argued that alienation, deprivation and inequality are inherent in the strategy of Indian development. Independent India inherited an economy pervasive of intense poverty. Agricultural production was stagnating and productivity falling [Rtyn 1982]. The industrial sector was small and its traditional manufacturing and trade was stunted. Moreover, the trade and infrastructure was designed to feed its colonial interests. Modern industry was discouraged and the regime flooded the Indian market with low cost industrial goods which further depressed indigenous industry. The capability of the industry to absorb the workforce was marginal. Reduced death rates and increased pressure from a growing population fragmented the land and landless class increased rapidly. The system of collection of agricultural tax reinforced these tendencies. Consequently, the dominant sector of country, the agriculture, was characterised by massive mass of labour-force tilling small and fragmented plots with seed varieties just capable to feed its growing population.

This scenario was responsible for a desire and hence choice of development strategy in India. A few other factors also influenced the choice. First, false optimism with respect to capabilities of agriculture originated due to good rainfall and achievement of low targets fixed during 1951-56. Second, structural constraints of agriculture were misidentified as 'slack' between average and higher levels of yields that some farmers have achieved [GOI 1959] - it was wrongly

presumed that the 'slack' was due to inadequacy of supplies and ways to use it. Lastly, the tendency to equate modernisation with industrialisation.

The debate over the development strategy after independence was guided by these considerations. The prime need before the country was to 'accelerate the rate of material capital formation'. The limiting factor in this regard was low saving. It was argued that shortage of saving is mirrored in the inadequacy of production of capital goods. And thus came the Mahalanobis plan which considered source of growth was capital goods and the means of growth were allocation of resources for their acquisition. The more resources so allocated, the faster production capacity would grow. The basic premise in the strategy was that a rapid sustained growth would trickle down and bring distributive justice. But the growth remained too small to trickle down.

The situation further deteriorated with respect to distributive justice when second generation problems of new agricultural technology started emerging after 1970s. The new agricultural strategy created islands of prosperity amidst mass of poverty. Inequality across people and across locations intensified. Marginal farmers and landless labourers were losers and so were the areas which remained outside the purview of new agricultural technology. The lopsided investment in research and development between irrigated and dry farming technology affected adversely the tribals who depended on dry farming. This capital-intensive approach resulted in inequality and concentration on the one hand and insensitivity and violent social disruption on the other.

Large dams in India are no exception to this; it is estimated that owing to construction of over 1,500 major development projects since independence, over 20 million people were displaced from their habitat, about 40 per cent of this displacement belongs to tribal population. In a democratic set-up such involuntary migration is considered infringement of the right of people but we, in India, have treated this trauma very casually.

Viewing the R and R against this backdrop, there are many positive features in the Modified Draft National Policy for R and R (MDNP). It is heartening to note that MDNP recognises not only the ecological disequilibrium created due to submergence but also the human nose which brings on account of involuntary migration.

sites of these projects are located in remote and backward areas and then construction leads to submergence of substantial flora and fauna and home and hearts of people who are economically, socially and otherwise backward (MDNP 1).

Having recognised the need of R and R for those who suffer the consequence of development, the draft however fails to make appropriate efforts to evaluate the social and human cost of development. As a result instead of alternatives being evaluated what is highlighted is

one of the preconditions for the approval of any project should be a strict assessment of the land requirements of the project with a view to keeping the land acquisition to the minimum so that involuntary displacement is minimised (ibid).

Planning development projects with sensitivity, needs establishing strong linkages with processes and the institutions which identify and address the disequilibrium created by the projects. First, development has a hidden ecological, social and human cost which is paid by the people residing near the project site. This cost has to be minimised through an appropriate policy instrument. Amongst the alternatives the project which minimises this cost maximally, while at the same time keeping the benefits intact should be the project best suited for the area. The MDNP does not provide for re-evaluating projects for such planning failures. Alternatives for minimising these miseries associated with development remain unevaluated mainly because the state by and large remains unresponsive to them, while the critiques lack data on putting forth such alternatives. The state's unwillingness to share data and information, apart from political expediency, is also responsible for lack of alternate designs. Easy access to information would help in evaluating various options.

Not totally disassociated from displacement, development projects with least displacement and minimal ecological disequilibrium requires a thorough understanding of alternative project designs. This is a gigantic task and should be the responsibility of the planning institution. The R and R as a policy, however, can only be accepted if alternative projects are evaluated and their benefits and costs (including ecological and social costs) are elaborately spelled out at the planning stage.

Secondly, lack of provisions in project design to monitor second generation

environmental problems and their remedial measures render the projects non-functional, for such problems become threats to environment and the people. This happens over a time especially when no specific organisation has been made responsible for providing remedial measures to such ills. Such a measure would not only compel the planners to identify second generation environmental problems to the maximum extent at the planning stage, but would also call for fund allocation in order to respond to such problems as and when they arise. Another way to tackle these problems can be through the creation of a fund by imposing irrigation cess on the beneficiary farmers in the command area. This fund may eventually be utilised to tackle second generation ecological problems created by the project.

Lastly, in the prevalent paradigm of development, market plays an important role. Resettlers who are mainly tribals are unfamiliar with such market forces and mechanisms and remain alienated from these processes primarily because they are not able to obey its working rules. Consequently they end up bearing a variety of associated costs without benefitting from it. This increases economic inequality between host and new settlers. The provisions necessary for such economic integration is also missing from the present MDNP.

Development has been so isolated from displacement in the present MDNP that these issues are not even recognised. What is heretofore needed is a development policy where displacement and rehabilitation become parts of the policy frame.

One of the most controversial portion of the MDNP is a section on acquisition of land. This is so because the MDNP confers the sole right to the state to fix the price of land. The draft even extends in empowering the state further.

Acquisition of land for public purpose and consequential payment of compensation under various state and central laws should be brought in harmony with the provisions of the Land Acquisition Act 1894 as amended in 1984. The state should fix a categorywise price of land in respect of tribal lands based on capitalised value of productivity of previous ten years (MDNP 10).

Once this mode of acquisition is accepted, subjectivity in price fixing becomes inevitable. Tribal groups often residing in remote undulating areas maintain themselves under a low yield equilibrium. The low yields are compensated by cultivating larger area through encroachment of forest land. So with low yield and small size of owned land, the MDNP procedure of compensating by quality based pricing of land would bring not only subjectivity but also meagre compensation to the project affected peoples (PAPs). Instead of this procedure, 'land for and' may be accepted as a norm for

compensating for the loss of land because of submergence. This would reduce the ambiguities creeping in because of issues of quality of land and its alternative use. In order to accommodate non-agriculturist households and oustees who do not want land-based compensation, the R and R policy should be broad based. Provision should be made in the policy document to accommodate other modes of compensation and formation of institutions for carrying out evaluations for non-land based compensation.

Use of the term land for public purpose (p 10) is also unacceptable for it makes mandatory for displaced people to abide the state decree even if such acquisitions are being made on behalf of industry or private parties. Hence, the term 'public purposes' should be defined clearly before using it in the draft.

CORE PROVISIONS MISSING LINKS

While defining the project-affected family the MDNP brings in a gender bias.

Every major family member dependent upon landholding jointly or separately should be considered as a separate family unit for all purposes of land allotment. The title right will be no alienable (p 16).

While interpreting 'member dependent on land', unmarried women, widows and divorcees need to be identified as members. This is just not a question of justice and equality, but also reflects the attitude of policy-makers towards the needs and participation of women. This attitude further manifests in the form of ignoring the gender perspective in choosing relocation sites, selection of sites for house plot, locating drinking water sources (pumps and wells) in the new sites, et cetera. In a tribal society, female participation in day-to-day decision-making and in economic activity is equal to male. Patriarchal norms of non-tribal society restrict mutual decision-making. Revisions recognising women's need and concerns, and ensuring their participation in decision-making have to be incorporated in the MDNP. In fact, the relocation and rehabilitation must be recognised as a participatory process and this must be realised by policy-makers through appropriate and effective interventions.

Experience has shown that well-intended policy statements remain unimplemented owing to failure in identifying instruments for their execution. The MDNP also lacks necessary linkages that make such policy implementable. For example with respect to land rights of the PAPs, and their cultural losses the draft says:

Land to be allotted for agricultural and residential purposes to the project affected (peoples) should be free from encumbrance (p 16)

or

All right and entitlements of the displaced and project affected people must be enforced through courts of law (p 12).

or

Whenever whole village, slum localities, neighbourhood, and communities are uprooted there is total disturbance of structure and network of social relationship which support an ethos and a way of life. Any plan of resettlement should be sensitive to this loss and should aim at providing for the recreation of a community ethos and a way of life (p 9).

There are many other instances. For example relationship between the host and the resettled households (pp 12 and 20), providing financial assistance to PAPs (p 19), organising PAPs in co-operatives (p 21), etc. Almost always all these are well intended concerns but have emerged as rhetoric that clearly lack the necessary institutional arrangements for their implementation. If a committee looks into these issues, its scope of functioning needs to be spelled out in MDNP itself. And thus, when land rights are being discussed in MDNP, the issues like checking (a) the size of land, (b) if canal, road, or any other project is not on the land allotted to a PAP, (c) if the same land which was shown to PAP has been allotted to him, (d) for encumbrance on it, (e) if right of minor in the father's property clashes with the rights of major sons have remained outside the purview of the present MDNP. This creates ambiguity in the minds of the PAPs and creates uncertainty about their status as landholders. Therefore, identification of institutions which shall carry out such verifications cannot be overemphasised. Similarly, when PAPs are to be relocated as a community, some of the immovable cultural complexes have to be reconstructed at new sites. Help of qualified social scientists must be made in-built at the planning stage. The MDNP must accommodate these issues and processes through which these aspects can be institutionalised.

On the subject of providing for amenities at the relocation sites, the MDNP states that water supply for drinking and cattle, fodder and grazing land, schools, approach roads, electricity connection, health centres, religious places, cemeteries and graveyards, panchayat house, etc. should be made available.

Each resettlement site should be provided with a reasonable and adequate community facility as under (p 19)

More often, these facilities are linked to a minimum number of relocated families. The relocation processes, as experience has proved, do not always have the minimum number of specified families required for the provision of a particular service at a new site. This easily leads to non-compliance in

providing these amenities. To avoid this situation the paragraph above should read as follows: "Each resettlement site, irrespective of the number of relocated households, should be provided with reasonable and adequate community facilities as under".

Moreover, the MDNP states:

Resettlement must provide for an improved resource base so that the displaced in their new place can have access to not only shelter but also food and income generation systems, communications and social infrastructure not inferior to that of their original habitat (p 11)

It proclaims the need to maintain or improve the living standard of relocated PAPs at the new sites compared to their condition before submergence. But again the draft falls short of providing the necessary linkages. Similar is the case of conducting bench-mark studies in the submerging villages (p 7). Both, the bench-mark study and its comparison with the situation at the relocated sites are specialised and sensitive tasks, for the success of the R and R policy rests largely upon improving the well-being of the PAPs. An unmonitored or partisan monitoring may be harmful to the proper realisation of an effective R and R. This monitoring, thus, has to be undertaken only by an independent agency which not only has a specialisation in dealing with such issues, but also sensitivity towards poor oustees and host groups.

PLANNING RELOCATION

The MDNP has subdivided the implementation plan into a relocation and a resettlement plan (pp 13-14). In doing so, it has disassociated the relocation process with that of the project construction. The MDNP says that:

The entire plan for resettlement should be ready and sanctioned by the Project Authorities through especially established participatory decision-making structure involving PAPs at least one year before the start of any action for land acquisition or resettlement (p 10)

But the draft nowhere specifies the time lag between construction and rehabilitation. In the process, as experience has shown, relocation takes place simultaneously with submergence. This is referred as *pari passu*. The problem with *pari passu* is that project authorities turn indifferent to the needs of PAPs as time passes. But *pari passu* clause cannot be avoided. Thus, a project should commence only after ensuring equal treatment and package to early as well as late resettlers.

The early years of relocation are of extreme hardship to the oustees owing to the breaking-up of the usual informal structures of

submerging villages. To mitigate this hardship, the relocated households should have cultivation rights till submergence commences without restoring to an official sanction. This economic support may ease hardship associated with early shocks of relocation. Also, the process of acquiring land in the command area for relocated PAPs should be complete, before the commencement of the project. Though, to some extent, this will restrict the choice of site for resettlement by the oustees, it will smoothen the planning of relocation process.

When MDNP states:

Trihal community should be strictly settled in the area of their choice. They should be enabled to exercise their choice by furnishing them with full information regarding the resettlement sites and providing opportunity for physical inspection (p 20).

This is an ambiguous statement empowering the state to break the social fabric associated with village, peer group and family.

The relocation process could be seen from two different dimensions; first, the traditional social links and economic institutions at the submerging villages had an important place in the life of oustees. These arrangements had helped in the sustenance of the society in the submerging villages. The randomness of relocation and the absence of the traditional arrangements at the new sites could make the oustees vulnerable to exploitation. The other dimension to the process is the appropriateness of the existing policy. People associated with resettling the oustees may defend the policy and the process by reiterating that the decision of shifting is an individual decision. The argument gains strength from the fact that the village is not a homogeneous unit; even in a 'phalia' the people do not always want to shift together. And since the oustees may be shown land in different locations, their moving to the new sites is voluntary, for oustees have preferred the land they want to cultivate in the new sites. The argument could have been accepted were there some method of avoiding the randomness of the relocation.

It may be argued that the MDNP provides avenues and instrument of choosing the new site. The fact is oustees certainly may have a choice — to choose best amongst the worst. Thus migration in absence of proper social and economic arrangements may not only be involuntary but also an outcome of policy frame incapable of safeguarding the risk of social disruption. This, as will be shown in the next section, is what can be termed the weak policy frame.

Rehabilitation of involuntary migrants, like poverty alleviation, is tantalising. The task gets further complicated because policy-makers equate standard of living with the level of income and consumption.

Rehabilitation of dam affected people is much more than this. The process demands concentrated efforts to improve abilities of oustees so that the productive resources provided to them are economically exploited to their full potential. This could happen when access or entitlement of social and economic services are converted into abilities of affected people.

In order to sustain the level of living when resettlement accompanies (a) broken fabrics of society because of randomness of household movement, and (b) drastically changed economic environment, rehabilitation policy has to be flexible and respond to emerging demands. It may be recognised that socio-economic infrastructure may be denied to oustees in their new environment. Therefore, efforts will be needed to ensure smooth transition from barter-exchange based system to a monetised-market based economy in which oustees will have to function. Otherwise, households adjusted to mutual exchange, and non-monetised economy would find themselves the centre of economic exploitation in a competitive market economy. When norms of social exchange are replaced by market all of a sudden, the displaced section of society may need support to (i) visualise and get adjusted to the markets; (ii) have enough resources and information as to become active participant in the technologically dynamic agriculture, and (iii) convert entitlement of social and economic infrastructure to people's capabilities [CSS: M and Report 15].

Instead of identifying impoverishment risk, all what the MDNP has to say is,

A well designed plan for providing advice, assistance and other help to those displaced by a body of experts from different fields must also be prepared and implemented (p 19)

The above statement is ambiguous on many counts: for one the purpose for such planning is not clear, for other the fields on which these plans are to be prepared is not clear. The MDNP should have explored the processes responsible for failure to rehabilitate the PAPs.

Land to the oustees at best is a first step towards their rehabilitation. What is required is to enable them to make productive use of this resource. This would involve institutional support in terms of motivation, education, skill development and information, and risk sharing. Entitlement of social services like health services, education, water and sanitation and economic infrastructure like extension support, credit facilities and input-output markets, gets automatically converted into abilities of people only in normal circumstances. But involuntary migration is not a normal situation, more so if it involves tribal

It has been argued [Wood 1993] that in order to feed its rapidly growing population, India may have to continue with big dams albeit with caution. This caution is needed much more at the stage of rehabilitation. Although, sufficiently improved over the R and R package available till date to any development project, the MDNP may barely succeed in relocating PAPs; many of the risks associated with rehabilitation of involuntary migrants may still slip in. Evidence shows that the PAPs are vulnerable to a number of risks. For example: low technology adoption and fluctuating yields [CSS: M and E Report 19]; social disruption due to fragmentation of farms and family [CSS: M and E Report 16]; access to food [CSS: M and E Report 19]; investment risk [CSS: M and E Report 20]. The following risks which lead to loss in standard of living need to be avoided through appropriate policy frame: Family fragmentation, fragmentation of land, differential access to market, investment risk, information risk, technology stagnation, yield risk and access to food.

The first two are associated with resettlement planning and the next four with failure to recognise that a vulnerable group even in advanced downstream locations could face lack of access to market, information and technology. The last two are the consequences of the preceding risks. Cernea (1990) has argued that the absence of interrelated policy frameworks increases the adverse impact of displacement. It would thus be worthwhile to understand the basic lacuna giving rise to these risks.

R and R within the frame of the existing MDNP is likely to take place in a manner where the social, cultural and economic support from within may be disturbed while the institutional arrangements from outside still not reach the PAPs. To avoid family fragmentation, the first requisite is to bring in legislation an act to ensure that land cannot be acquired in the submerging villages until land in new sites has been identified and allocated to oustees in a group. Moreover, if available land at new sites is not cleared for encumbrance and future development of road, canal, etc, land fragmentation cannot be avoided. Similarly, land to major sons, kin and peer group and neighbours has to be planned well in advance and with the given priority to mitigate social disruption, family and land fragmentation. Thus the basic failure at the policy level is lack of legal protection to oustees.

Experiences of monitoring of R and R of people affected by Narmada reveals that the compensation package treats the oustees as one whose main need is immediate relief. The R and R did not consider that the oustees are familiar with a different production system. To plan for economic integration of

oustees with the mainstream economy, it is desirable to distinguish between relocation and rehabilitation. For, the second generation problems of resettlement like access to market and technology, yield risk and access failure to food, need a different treatment than the usual development department approach.

The oustees by and large being tribal have to deal with the agricultural production system of the new site which is technologically different. The institutional set-up for input delivery especially water, credit and output marketing on the one hand, and institutions responsible for dissemination of production techniques on the other are geared to deal with a more receptive host community. Access to these institutions may not be automatic for new settlers. Moreover, asking host farmers to share their resources without augmenting them results in depletion of resources and disruption of social harmony between oustees and host communities.

Thus the basic failure at the existing MDNP is its over-confidence on the organisational capabilities to respond to rehabilitation problems. Organisational set-up responsible for economic integration and for tackling second generation rehabilitation adjustment may involve NGOs, agricultural department and the monitoring agency. This may be a suitable alternative for making R and R operationally more successful. But it should be noted that NGOs who are involved in relocation of the PAPs may be too deeply committed to provide enough time to the process 'rehabilitation'.

Experience has reconfirmed that a comprehensive policy framework is inevitable if impoverishment risks have to be avoided. Even after doing so, it is likely that emerging impoverishment risks warrant revisions. Sensitive societies dealing with involuntary migration will have to make room for such periodic revisions. Recognition by policy-makers that these are potential risks is the first step avoiding the risk. A policy frame having provisions first to identify the impoverishment risks associated with resettlement and that of counteracting them is needed for rehabilitation.

[The author has benefited from discussion with Seena Bhaskaran, Lancy Lobo, Biswaroop Das, Ghanshyam Shah and participants of a workshop organised by Centre of Social Studies, Surat to discuss the National Policy for Resettlement and Rehabilitation]

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Elections in Latin America

Near Collapse of Party Rule

Garish Kumar

Since late 1980s, voters in Latin American countries have opted for responsive and active presidents who would provide instant solutions to their pressing problems, notwithstanding the methods they adopt for the purpose.

DURING the last few months, presidential elections have been held in Peru and Argentina and in both these Latin American countries the incumbents have won a second term – Alberto Fujimori in Peru and Carlos Menem in Argentina. By winning two consecutive elections, obviously, they have set a record in the postwar electoral history of Latin America. Interestingly enough, when they had entered the office for the first time they were hardly known in political circles of their respective capitals of Lima and Buenos Aires. Even the way they rode to the presidential chairs was in itself puzzling, if not baffling.

Menem was, no doubt, a provincial politician belonging to the Justicialist (popularly known as Peronists) party but he was far away from the elite political circles of Buenos Aires, whereas Fujimori, an agronomist by training and profession, by any stretch of imagination was not a politician even. In fact, Fujimori had hardly any political party worth the name to support his candidature when he ran for the 1991 presidential race.

No wonder, during their first term they had displayed little respect, if not total disregard, for the constitutional norms while presiding over the destiny of their respective countries. Menem not only put his party's avowed politics upside down – deregulation and privatisation of the state controlled economy, which had until recently been the hallmark of Peronism – but he also preferred very often to rule by the decrees than taking the senate into confidence. Fujimori went a step ahead and assumed emergency powers to rule, keeping the congress in a state of suspended animation from April 1992 to January 1993, during which he got the constitution altered to arm himself with enhanced executive powers.

Yet the electorates have re-elected them. Fujimori got a record 64 per cent votes, nearly three times more than what his nearest rival Javier Perez de Cuellar, former UN secretary-general, could secure in the election held in April this year. Menem bagged 49 per cent votes in the presidential election

held in May. Little wonder, Fujimori has equated his victory with an end to the partidocracia (party-rule) (*The Economist*, April 15, 1995). Now, if Fujimori is to be believed, the political parties have no role to play in the new model of democracy in Peru.

To say that an executive president does not require a party, not even for the sake of contesting elections is an eloquent testimony of the dwindling fortunes of political parties in Peru, at least in terms of their reach and impact on electorate at large. However bizarre it may sound, but this is precisely what is happening not only in Peru but in many other Latin American countries. The results of presidential elections since mid-1980s testify to this fact.

CHANGING PERCEPTION OF VOTERS

In fact, putting aside this well established pattern of (presidential) election, a different trend has of late emerged in Latin America where individuals, not necessarily politicians, have appeared from nowhere and ironically, with one man force to begin with, have made their way to presidency. No doubt, the Latin American history is dotted with the rule of caudillos (the strongmen) who had captured power by brute force. In contrast, the new generation of caudillos are lesser known politicians or professionals whom people have willingly voted to power.

It is worth recalling here that since the restoration of formal democracy in the early 1980s, after two decades of dictatorship, the elected neo-democrats in Latin America are finding it hard to cope with the changed circumstances. They have had to confront the problem of servicing huge external debt left behind by their predecessors (mostly in uniforms) and to push through painful economic reforms – a precondition to secure the IMF's assistance for rescheduling of debt payments. Not being able to strike a balance between these market-led economic reforms and the imperatives of a welfare state, most of the established political parties in Latin America are fast losing their popular appeal. Not that the people were happy with

the welfare measures. There was large-scale misappropriation of state resources by corrupt bureaucrats and politicians; the half-hearted economic reforms have added to their miseries.

No wonder, the voters have started turning to outsiders in politics, either obscure politicians or professionals who defy the traditional, stereotype image of big city politicians. Gone are the days of 1960s and 1970s, even early 1980s, when people used to demand nothing but freedom and liberty from the clutches of military rule. Since late 1980s, they have started looking for a responsive and active president who could provide instant solutions to their pressing problems, mainly price rise and inflation — thanks to worsening economic conditions of masses — notwithstanding the methods he adopts for the purpose. It is this change in the perception of the voters which has decisively influenced the outcome of the elections held in recent past. With its devastating visual power, the electronic media has played its own bit in selling (like that of detergents or painkillers) the charisma of these self-professed saviours.

Carlos Menem of Argentina was the first 'outsider' to win the 1988 presidential election. Prior to that he was the governor of a remote province, La Rioja and was hardly known in Buenos Aires. During the regime of his predecessor, Raul Alfonsín of the Radical Civic Union Party, the country was ravaged by political conflicts following the collapse of the military dictatorship in 1982 and economic instability. In fact, the Argentine scene was so chaotic that Alfonsín had stepped down six months prior to the end of his term. It provided an ideal ground for Menem to promise tough measures he would apply if he was elected and he won.

Similarly, Fernando Collor de Mello was also a governor of an obscure province 'Alagoas' in the north-east of Brazil. He won the first direct presidential election in 1989, which was held after two decades of military rule, by promising a clean government. In his campaign, with the support of a hurriedly formed group which was not at all a party in a proper sense, not only did he deplore the economic mess in which Brazil had been pushed but also claimed to have fought corruption in Alagoas. With his charming personality, aided and abetted by TV projections, and an unknown past, he defeated powerful politicians of long-standing. Ironically, he was found involved in financial scandals subsequently and was forced to resign mid-way.

Brazil has numerous political parties but whom its voters choose again in the last presidential election held in October 1994?

He is Fernando Henrique Cardoso, an economist recently turned senator (who also served as finance minister during 1993-94) who could not name his own party in his bulky election manifesto running into 300-odd pages. Yet, he won with 54 per cent of votes polled.

Carlos Palenque of Bolivia represented another extreme as he really came from nowhere in politics. The owner of a big television station, this benevolent affluent businessman of La Paz had earned kudos by doling out food packets, rendering legal assistance and medical aid to slum dwellers. With these credentials of a philanthropist he jumped in the presidential race in 1989, though he stood fourth with 18 per cent votes. Since no candidate had secured majority vote in that election, the Congress ultimately elected (as per the Bolivian constitution) Jaime Paz Zamora of the Movement of Revolutionary Left (MIR) party, who had stood third in the race with 19.64 per cent votes (*The Economist*, August 12, 1989) as the president. It also needs mentioning here that Zamora, a former guerrilla leader, happens to be an established trade union leader and his party MIR has

sizeable influence among tin miners.

To cap it all, Alberto Fujimori, was also a rank outsider who got into the presidential chair. The son of Japanese immigrants and trained as an agronomist, Fujimori also used to play a host in a television talk-show programme on farming. Incidentally, the man whom Fujimori defeated in the 1989 presidential election was also an outsider but no less a person than Mario Vargas Llosa, an internationally acclaimed literati.

These non-traditional presidential aspirants were, however, pitted against the candidate of the ruling party, APRA, one of the oldest and highly organised political parties in Peru. But their being professionals, not politicians, proved to be a great asset. For, the voters were already disillusioned with the traditional political order, represented by both the ruling APRA and its left allies and the opposition parties like the Popular Action and the Christian Popular party. But what finally clinched the issue in Fujimori's favour was his sheer electoral chicanery.

His main rival, Mario, the novelist, had all along been describing imaginary events and people in his novels but in the (real)

election battle he turned out to be forthright. He campaigned for a radical departure from the past policies and emphasised the necessity of painful economic reforms. Fujimori, on the other hand, also talked about change but without pain. He did not bother to explain how without dislocation of the economy such a change could be brought about.

Mark Malloch Brown, a British media consultant who had been engaged by Mario for his publicity work, wrote later (*Granta*, Summer 1991) that in the war of images projected by television, Fujimori had an edge over the novelist. Fujimori was vague in defining his agenda for the change but he was consistent in hammering at the theme, which is a must in political communication. On the other hand, Mario was brilliant in defining an issue or a policy but he went on chasing even mundane issues of the day with the result that his 'message got lost in the instant comment or the spontaneous TV spot'.

TEDIOUS PROBLEMS

When Fujimori took over in 1990 he inherited an almost impoverished state:

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nearly 30 per cent of the export earning was going on serving a huge \$ 22 billion external debt and there was a chronic balance of payment problem, the annual rate of inflation had soared to 7,649 per cent which, in turn, had fuelled spiralling price-rise. Besides, the government had no money for the subsidies in the agricultural sector and to run its subsidised essential services in cities and towns. To cap it all, the country had been ravaged by a nine-year old bloody guerrilla war and nearly 25,000 persons (total population 23 million) had already died in the fight between the armed forces and the guerrillas of the shining path.

Fujimori blamed the partidocracria for all the ills of Peru and during his first two years as president, he frequently used his 'veto' power to overrule the congressional objections to his free market policies and his ways to deal with the insurgency problem. It is interesting to note that during his election campaign Fujimori had denounced the free market policies of his rival, but he was quick to adopt the liberalisation policies — basically a mixture of free market, privatisation and fiscal austerity — once he came to power.

Argentina was equally plagued with an external debt (\$63 billion), and on its services alone it was spending nearly 30 per cent of its export earnings. The inflation was also running into four digits and the Argentines were severely hit by skyrocketing prices. The only noticeable difference between the two was that unlike Peru, Argentina was free from insurgency, though Buenos Aires and some other cities had witnessed political conflicts over several issues, including granting of amnesty to the guilty army officers who were responsible for the disappearance (read murder) of nearly 15,000 opponents of the military dictatorship during 1976-1982.

Through economic reforms and fiscal austerity measures both, Fujimori and Menem, managed to tame hyperinflation, bringing the inflation rate down from four digits to as low as one digit (Argentina's current 4 per cent inflation rate is the lowest in Latin America) and check spiralling price-rise. To achieve this economic stability, both of them pursued the same strategy: liberalisation of economy, privatisation of chronically inefficient public sector, drastic reduction in tariffs and subsidies as well as in the fiscal deficits coupled with massive induction of foreign investment.

Fujimori also came down heavily on the insurgents of the 'shining path' and with the arrest of its most secretive leader, Ambiel Guzman, he succeeded in breaking

the backbone of this widespread underground organisation and earned kudos from common Peruvians who were fed up with the senseless violence it indulged in. For all this, however, he had relied upon military and in exchange of its unflinching support to his authoritarian rule, he had turned a blind eye to the corruption in its ranks as well as their collusion with drug traffickers. In fact, on election eve early this year he promised to involve military in other spheres such as construction of schools, bridges, etc. He has already given a free hand to the army in the trial of drug and subversion-related cases. Similarly, Menem has brought peace with the army by giving amnesty to the military officers who had been held responsible for the disappearance of thousand of people.

Despite achieving economic stability, both Argentina and Peru are facing serious social dislocation which is by-product of the economic reforms. Due to the structural adjustment measures taken to stabilise the economy, nearly 10 million Peruvians have been pushed into a state of extreme poverty, half of them living in the shanty towns of Lima alone. The real wages of the industrial workers have plummeted by 60 per cent as compared to 1980 and number of the unemployed and underemployed has reached the alarming level of 20 per cent of the total workforce in Peru.

There has been drastic cut in the spending on public health programme despite the recurrence of cholera and diarrhoea among the slum dwellers. Consequently, the infant mortality rate in Peru, 60 per thousand live birth, is the highest (*The Progress of Nations Report*, UNICEF, 1993) in Latin America. The social cost of economic reforms has taken its toll in Argentina as well. Violence, drug trafficking, malnutrition of children, all these have increased in the slums of Buenos Aires and other cities with the rise in unemployment reaching 12 per cent of the total workforce.

Notwithstanding these negative aspects of their economic policies, it is the economic record that has stood both, Menem and Fujimori, in good stead. And when stability becomes a buzzword who cares if the 'saviour' has been flaunting democratic norms and ruling by decrees. It is to be noted that during his first term, Menem issued as many as 360 decrees (of necessity and urgency which empowers the president to by-pass the congress) to implement his programmes, whereas his predecessor had issued only 10 decrees in the preceding five-and-a-half years (*The Time*, May 15, 1995). In fact, ruling by decrees has been more a norm than exception in Argentina during Menem's regime.

Similarly, Fujimori, under the new constitution, acquired enormous executive powers and also resurrected the ministry of presidency with special allocation of millions of dollars to dole out to the needy persons or institutions including municipalities. He appoints all governors, judges in the Supreme Court and his approval is a must for all development projects. The parliament is meant only to put a rubber stamp on the legislations proposed by him.

In Brazil, one year has already passed since the latest economic reforms programme (also known as 'Real Plan') came into effect. Meanwhile its author, Fernando Henrique Cardoso, got elected and assumed presidency on January 1 this year. But his 'Real plan' is yet to gain the congressional approval. The plan has been implemented through presidential decrees. This provisional measure has legal validity for 30 days only but it can be re-promulgated before its expiry, and can be renewed endlessly. No wonder, president Cardoso has issued more than 150 decrees, even on subjects like creation of new government agencies.

In a desperate situation where people are struggling to survive, who will care for the social cost of economic reforms or for that matter the niceties of democratic governance. What matters immediately to them is economic stability since they do not want to return to the past. Incidentally, Menem had literally told his electorates that they had to make a choice - 'either me or chaos'.

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Structural Adjustment on the Baltic

Nigel Harris

Hard hit by the disintegration of the Soviet Union, the economies of the three Baltic republics are recovering at a slow pace amidst social dislocation faced by their populace

WE are travelling south from St Petersburg, through the three Baltic states – Estonia, Latvia and Lithuania – to Poland. It is a flat land of cultivated prairies – a kind of Nordic Nebraska, with great forests that for a decade offered shelter to the nationalist guerrillas who fought the Soviet occupiers after second world war. The land is dotted with ancient Germanic cities, now ringed with the apartment and office blocks of the Soviet era. In eastern Latvia and in Lithuania, historically, Polish influence is strong (and the Lithuanians are Catholic, like the Poles, not Lutheran like their northern neighbours). The Germans fled after 1945 – an earlier ethnic cleansing – but the relics are still there, the Lutheran churches (even where the orthodox priests have claimed them – or the agricultural collective uses them as barns), the trim cottages, the tree-lined roads, they are as melancholy as the ex-Sikh villages of Pakistan or the Muslim equivalents in India.

In Kaliningrad, an island of Russian territory south of Lithuania and north of Poland (with no land access to Russia proper) the ghosts are now coming alive. For this is former Königsberg, the heart of old Prussia. It was largely flattened by British bombers in one of those orgies of destruction that was make briefly righteous. The Russians rebuilt it in that hideous style of grey blocks like endless barracks and vast highways which constitute the essence of Soviet modernism. But on the island where the old centre existed they shored up the ruins of the cathedral of the old Prussian kings. It is now a favourite stopping off point for the masses of German tourists who return to – for elderly Prussians – a holy place. In the cathedral grounds is the grave of one of Königsberg's most famous sons, Emmanuel Kant, now become – for whatever bizarre reason – a shrine where newly weds place their marriage flowers. Has the categorical imperative acquired a noble dimension?

If the future of the world belongs to small states, as some argue, then the three newly-independent Baltic countries herald the new world order. The populations of Estonia, Latvia and Lithuania are respectively 1.5 million (70 per cent urban), 2.5 million (69 per cent urban) and 3.7 million (68 per cent

urban). Before 1991, their identity was buried in the old Soviet Union. Now they have separate seats in the United Nations, separate currencies and flags, and the historians are busy carving out a slice of history, fact or fiction, to vindicate an eternal existence. Now the statistical smoke is clearing, the three Baltic states emerge as by World Bank reckoning middle income countries with per capita gross domestic product levels (and in brackets annual rate of growth 1980-93) of respectively, \$ 3,080 (-2.2 per cent), \$ 2,010 (-0.6 per cent), \$ 1,320 (-2.8 per cent).

All three have experienced a very severe slump, the most severe in their recorded history, as the result of the break up of the Soviet Union. When, after the second world war, Moscow forcibly incorporated the three (they had been independent in the interwar years) the Soviet plan reshaped the economies to fit all-Soviet priorities.

Perhaps because the population was historically well educated – Estonia, for example, claims a 78 per cent literacy rate as early as 1897 (and by the 1780s they say 40 to 50 per cent of the population could read) – the three were made the location for Soviet advanced industry, particularly supplying the military-industrial complex. The three were rapidly industrialised and came to export energy, petrochemicals, mechanical and electrical engineering products and consumer goods, half the power generated was supplied to the rest of the Union. The industrialisation was based upon extraordinarily low priced Soviet energy and raw material supplies, and paid no attention to the real costs of transport of alternative locations. In agriculture, the land was turned to specialise more in cattle, livestock and dairy produce based upon very cheap imported grain fodder.

Industrialisation went well beyond the local supply of workers and skills, especially given the departure of the mainly urban Germans. Thus, Russians came to replace the Germans. In Estonia, 200,000 Russians arrived almost immediately (as, Estonians say, 50,000 Estonians were deported or liquidated). By 1979, 35 per cent of the inhabitants were non-Estonians. In Latvia, too, about a third of the population were

drawn from elsewhere. They were concentrated in industry and administration, and in the cities. The most extreme examples were Narva, on Estonia's northern border with Russia, where 78 per cent of the population is still Russian, or Latvia's seven largest cities where Latvians are a minority (and in the capital, Riga, two-thirds of the population are said to be Russian). Only Lithuania escaped much of what is now seen as deliberate colonisation – perhaps because there were more Lithuanians with industrial experience because of the proximity to the more industrialised Poland, those from the old Soviet Union (excluding the Baltic republics) constituted only 12.3 per cent of the population in 1990.

THE SLUMP

From the Baltic perspective, the incapacity of the old Soviet Union to continue to supply very cheap energy and raw materials made it impossible to sustain the economies. The planning system collapsed, dislocating all the connecting flows. The old CMEA group disintegrated, removing both suppliers and markets, and then the collapse of the Soviet Union hopelessly compounded the disaster. This imposed a major slump on the Baltic republics quite independently at that stage, of the modest efforts to reform. A system founded in a centralised allocation of inputs and outputs of rigidly guaranteed employment, wages and consumption broke up on the reefs of the world and domestic markets. The confusion – symbolised in the failed Moscow coup of 1991 – allowed the three tiny Baltic states to slip out of the Russian noose. If they had stayed the disaster would have also pulled them down but without any capacity to help themselves. They left exploiting the opportunity of Moscow's paralysis to reassert their demand for national liberation.

The cost of the breakdown has been very high. From an output which was wilfully material – energy – and transport-intensive, the three were obliged as swiftly as possible to restructure their economies to fit world scarcities. A large part of the old output, as in Russia, had become unsaleable at any sort of realistic prices, or they presupposed absurdly cheap energy or raw material supplies, or they just failed to fit a modern economy. Continuing difficulties in Russian input supplies forced the Baltic states to import from the European Union, and to direct their exports there in order to pay for imports. The ending of cheap cattle feed from Russia and eastern Europe forced a violent reorientation of agriculture back towards arable farming – there was a radical

contraction of meat output. The end of cheap energy and raw materials paralysed industry. In 1992, industrial output declined between 25 (Estonia) and 37 per cent (Lithuania); agricultural production went down by between 12 (Latvia) and 24 per cent (Lithuania); and gross domestic product, between 15 (Estonia) and 27 per cent (Lithuania).

The crisis was most severe in industry and in the state-sector (a small-scale private sector had been allowed in the old Soviet Union from 1987), and therefore in the cities and for the Russian industrial working class. In Latvia in 1994, for example, former Soviet citizens (excluding citizens of the Baltic republics) were 36 per cent of the population, but 47 per cent of the officially unemployed. The misery of many of the Russians in some parts of the countries is palpable. A significant number began the trek back to Russia (an emigration increased by the ultimate evacuation of the Russian armed forces).

CRISIS CONTINUES

The year 1992 did not end the crisis, and although Latvijas Banka, the central bank of Latvia, claims that the economy 'ceased contracting' in 1994 and began an upturn, the evidence is far from conclusive. As always in macro-economic reform, it seems, an increasingly large part of the economy slips out of the statistical network. But whatever the series, the last half decade appears disastrous.

Consider the random selection of figures from Latvia and Lithuania given in the accompanying Table. The decline in industrial output, by sector, is even more disastrous. The overwhelming bulk of this statistical decline has been in the state sector (where the statistical collection services are more developed). The old agricultural collectives of Latvia have seen output decline officially by 82.5 per cent from the peak of 1985 (to 1994). Simultaneously, private agricultural output expanded by 40 per cent, far too little to change the overall figures (capital investment and electricity consumption have both plummeted, and been redistributed to private peasant and commercial farming).

The most damaging indictment however is, as in Russia, the figures for the average expectation of life at birth for men. These have declined from their peak years as follows:

Estonia: from 67.0 years (1989) to 64.1 (for males and females together, 71 to 69.6;
Latvia: from 65.5 years (1985/86 to 61.6 (70.2 to 67.0);
Lithuania: from 66.6 years (1990) to 63.3 (71.0 to 69.1).

Again, as in Russia, the increase in deaths for males is not the result of either an increase in infant mortality or increases in deaths for the elderly, but is hunched in the active age groups.

The figures seem so catastrophic, it encourages scepticism. Furthermore, they are not consistent with other evidence. To the visitor, the standard of living for the majority is austere, but is not in such violent contrast with the old Soviet Union. There is a lot of money about – the shops are full and buyers plentiful (and the shops would not be full if there were no buyers). In the cities, there is something of a building boom, especially concentrated in renovating and rebuilding the older historic quarters. The figures on consumer durables show a steady improvement – in the first three years of the decade in Lithuania, car ownership increased from 128 per 1,000 population to 155, and telephone ownership, from 158 to 183. Of course, this could just mean greater inequality, except that there are few of the signs of growing poverty and deteriorating nutrition among the population at large. Above all, despite the male death rate, virtually all the statistics on health show a steady improvement.

The jury is still out. But it seems the benchmark figures of the past may be considerably exaggerated. The data available have been collected in a statistical system just being created, and there are problems of comparability between the old series and the new (and between the material and gross product systems). Above all, liberalisation allows and gives an incentive for a larger and larger part of the economic system to escape statistical monitoring. The state sector is tightly monitored. The new private sector is not and, of its nature, cannot be at tolerable cost. Furthermore, a major part of basic food

supply is now said to be created within households or sold informally without being recorded. There is, as everywhere, little reliable information on what is called the 'shadow economy' – one of Lithuania's leading statisticians put it as equal to between 15 and 30 per cent of the country's gross domestic product (the frequency with which that range is cited in many different countries suggests it is no more than a conventional rule-of-thumb, rather than based on hard evidence).

Reality may not be as disastrous as the figures suggest, indeed, the figures are so bad that, if true, the situation would constitute the breakdown of society. But the picture is still not good. Restructuring has been painful and there have been major losses. Consumer budget surveys often escape the problems of national statistics, and they show a significant deterioration in the standard of living – a sharp increase in the proportions of income spent on 'basic necessities', especially food, and a shift in food consumption away from high to low valued goods – from meat to vegetables and fruit (which some optimists see as the explanation for the improvement in health status).

The unemployment figures are even less reliable than the output data, especially where inflation has devalued unemployment benefits (the basis for registration and so the foundation of the statistics), and registration entails undertaking compulsory manual work for the government. One local Latvian study suggests that some 17 per cent of the workforce were out-of-work and searching for it (compared to official national rates in the 5 to 8 per cent range). Where an old state-owned enterprise operates in a new town (without alternative employment sources) and is restructuring, there may be localised high figures for unemployment of this order

TABLE SOME INDICATORS ON THE ECONOMY OF LATVIA AND LITHUANIA

	Latvia (1990-94)	Lithuania (1990-93)
Total floor space of completed residential building, '000 sq m (per cent)	-76.7	-34.8
Value of agricultural output (constant prices)	-17.2	
Value of gross industrial output (constant prices)	-6.4	75.0
Average purchasing power of the population (constant prices)	-54.0	
Per capita per annum average food availability, kgs.		
a) meat and meat products	-29.0	-41.0
b) milk and milk products		
c) eggs and egg products	-79.5	53.0
d) fish and fish products	-57.8	-54.9
e) sugar	-25.2	-41.9
f) potatoes	-4.0	-16.5
g) fruit and berries	+62.5	+51.5
h) vegetables	+5.8	-12.7
i) cereal and cereal products	+4.7	+13.0

Sources: Calculated for *Latvija Skatīties* ('Latvia in Figures') 1995, Central Statistical Bureau of Latvia, Riga, 1995; *Latvijas Statistiskais Ikmenes Rīkstenis* (Monthly Bulletin) #6 1995, Central Statistical Bureau of Latvia, Riga, 1995; *Lietuvos Ekonomine ir Socialine Raida* ('Economic and Social Development in Lithuania'), 1995 (January-June), Vilnius, 1995.

of magnitude but otherwise the problem is less the shortage of work than low incomes. Officially the majority of the unemployed are women (in contrast to Western Europe), and the out of work are hunched at the extremities of the age range: the young and the elderly.

Government pressure and the high cost of severance pay have discouraged state firms from sacking. Instead workers are put on short time or long periods of unpaid leave without this counting as unemployment. Real wages have certainly declined and food prices and housing costs have led price inflation in all three republics. But no one knows what proportion of income is now generated outside what is counted officially as work. Those tell tale signs of poverty – the undernourishment of infants, the families sleeping rough, the horde of children hustling and begging – are not obvious.

The more severe damage seems to have been inflicted on people's sense of security. Real incomes – and even more – consuming power – were low in the old Soviet Union, but at least a minimum level was guaranteed. Now labour mobility both hirings and firings, has sharply increased. The value of social security payments has declined precipitately.

'We have forgotten our old people' someone tells us with a tear in her eye. Outside the churches a few aged and disabled – usually women in headscarves and archaic dress – humbly wait for a coin (unlike Western Europe and North America where it is the young who beg with confidence – even impudence). An increase in poverty has gone with the manifest signs of increasing inequality. That is social stratification – a Latvian declares with repressed fury as a large shiny car slides noiselessly past. The old idea of equality in austerity has for many a continuing moral validity.

The populations of the Baltic republics are ageing. The Russians who leave tend to be in the active age groups – so the resulting contraction in the labour force is exaggerated. It is the city labour force where this is shown most sharply. The workforce of Tallinn – capital of Estonia – has shrunk by 8.4 per cent since 1990 and Riga's population has declined by 7.3 per cent since 1989. In the future the burden of social security for the aged will grow as the labour force is shrinking. All three governments are trying to raise the retirement age (from around 59 to 65) to compensate – but the previous types of economic activity have often left older workers in poor health if not disabled and working conditions remain poor.

THE NEW

Yet despite all the difficulties the three economies have gone a long way in economic

restructuring in an extraordinarily short time, to find a new economic *raison d'être*. Foreign trade is the most dramatic index of this. In 1990, 95 per cent of the three republics' exports went to the Soviet Union, which supplied between 80 and 87 per cent of imports. By 1994 about 30 per cent of Estonia's exports went to the CIS group which replaced the Soviet Union 43 per cent of Latvia's and 47 per cent of Lithuania's. The respective figures for imports from the CIS were 20, 30 and 50 per cent. Indeed given the currency difficulties, severe problems in border transactions and high Russian duties on imports from the Baltic countries it is remarkable that even these levels of trade persist. On the other hand exports have shifted away from heavy industry, other manufacturing and meat and dairy products to other foodstuffs, raw materials (particularly timber and timber products) and light industrial goods.

It might be thought that the three republics would try to keep free trade relationships between themselves when they became independent – but they rapidly developed familiar squabbles and new significant border barricades. A Baltic Free Trade agreement was signed in April 1994 but it has not produced dramatic results so far. Agriculture has been excluded for a transitional period, because – say the Estonians – the Latvians subsidise farming – and say the Latvians – the Lithuanians subsidise farming. In an ancient nonsense put forward by a Latvian economist.

Agriculture is a fundamental part of the cultural identity of Latvia – as if cultures never changed – and as if these grounds were adequate to deny the mass of poor Latvians cheaper food from Lithuania.

Furthermore the new private sector has grown swiftly since it was permitted in the old Soviet Union in 1987. It has increased four-fold since 1990 with official registrations reaching in January 1995 57,000 (or 30 per 1,000 population) in Estonia and 120,000 (34 per 1,000) in Lithuania and 29 per 1,000 in Latvia (compared say to the European Union's 43). The bulk is very small (under 10 employees) but the private sector as a whole now employs half the labour force in Estonia and 64 per cent in Lithuania.

Privatisation of the old state sector has been much slower. Governments have been reluctant to relinquish the powers of patronage. Estonia has reserved key sectors for public ownership (mining, power, railways, engineering, highways, posts, seaports) although even here the form is to be the joint stock company rather than ministerial dependencies. Latvia has declared it will retain 30 per cent of the national economy covering natural monopolies and various other sectors (pharmaceuticals, tobacco, alcoholic beverages, military equipment, some banks). Lithuania has postponed the sale of public monopolies until the next century, laying down that it will retain direction of sectors producing goods of importance for the state or the population. Now that the three have launched themselves on world markets they may find these formulas become increasingly restrictive in terms of economic performance and high cost. In terms of privatisation let alone real restructuring the progress has been slow. Lithuania claims to be in the lead with 78 per cent of the former capital of the state now sold off (including all agricultural enterprises).

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The issue of Russians – those in the old Soviet Union with internal passports saying they were Russians – in the Baltic states is the unresolved question. Russia is one of the largest loose cannon in world affairs, and the Baltic states could connect with the switchback of politics in Moscow, especially alarmingly after the Chechnya experience. Many of the Russians in the Baltic were as committed to the independence of the republics as those who claimed to be indigenous; many have learned the local language and seek to be good citizens of the new states. But it is understandable if especially Estonians and Latvians nurture tears for their political independence, particularly because economic restructuring has hit harder the Russian industrial workforce in the cities (where they often predominate). Moscow has made clear its eagerness to dabble in the politics of its new neighbours, former republics of the Soviet Union, and 'the defence of the interests of Russians' living abroad is everywhere the pretext for intervention.

Language is – as it always was within the Soviet Union – a key political issue. In Latvia, 36 per cent of school enrolments are still in Russian-medium schools. The lack of teachers and textbooks is blamed for this, but why should Russians be denied the right to education in their mother tongue which thereby gives them access to the much vaster educational and work opportunities of Russia? It is a hallowed principle of the treatment of minorities. If Estonians want to learn a second language, they choose English or French or German; why should Russians be denied this opportunity and obliged to learn Estonian as their second language? The Riga police, a Latvian mutters darkly, are still Russian, and the city possesses a significant colony, he says, or retired Russian army officers, many of them still relatively young.

In Narva, on Estonia's northern border with Russia, 86 per cent of the inhabitants are Russian and the rate of unemployment is said to be among the highest. There is an air of decay, of demoralisation and menace; the crime rate is said to be high. On the bridge across the river which is the border (with two medieval castles glaring at each other on each side), there is a sad line of Estonian cars waiting to enter Russia. If the Russian immigration officers feel tired, it can take a day although the traffic is small. As everywhere, immigration officers are empowered with the discretion to sacrifice economic activity – and the time of those stupid enough to want to cross borders – to the paranoid fantasies of their governments. At the then rate of crossing, I calculate they handle about 8,000 vehicles a year, and I

ask the immigration officer how he might cope with the 80 million border crossings between southern California and Tijuana. He chortles with delight and translates my question for the amusement of his colleagues, returning with, 'Ah, but this is Russia'. He does not know Lenin's phrase for Tsarist Russia, 'a prison of peoples', where all foreigners are regarded as spies (or, now, a source of bribes).

The rationale for all this tiresome regulation is that the border areas are ideal for criminal activity (except that the criminals are not so stupid as to be caught by the lumbering bureaucracy of the border guards; it hits only the innocent). The Russian mafia, it is said, flee to safe havens in the Baltic republics, and provide the backbone for the protection rackets there, the drug and arms running. Cash laundering must also be significant since, unlike the Russians, the currencies are freely negotiable. The extraordinary movement of Russian oil money is said to have been a factor in the collapse of Latvia's largest commercial bank, the Baltija, in the spring.

One symptom of the tensions has been the debate over who should be entitled to citizenship in the new Republics – all who live there (as has happened in Lithuania with its relatively small Russian population) or all who were there (including their descendants) in 1939, the last year of the old independent republics. In the case of the second option, all others would then be required to wait in the queue, to demonstrate their competence in the local language and fulfil other residence requirements over a period of years. For those born and brought up in the Baltic republics but now suddenly transformed into foreigners, this is an indignity only likely to infuriate.

Apart from those many Russians born in the Baltic republics, there are others who quite by chance find themselves, through the vagaries of the break-up of empire, suddenly in a foreign country (as happened to the Germans before them, some claiming ancestry in the Baltic since the 12th century, and more tragically, with the Baltic Jews). In a Riga cafe, we fall into conversation with an Armenian woman (or so she claims when the mood takes her since her father had Armenian nationality in the old Soviet Union), who was born in now independent Moldova. She moved to Latvia with her husband, a Russian army corporal, but she says laconically, he has now fled to Russia to escape his debts to the local mafia. She was lucky – when the music stopped, she found herself in one of the most charming cities of the old Soviet Union. But of the four independent countries she has some claim on, which is she to choose?

The dangers are much greater because of the long gruelling crisis of poor Russia. In

beautiful St Petersburg, there seems a sense of exhaustion. The historic Russian project collapsed – to lead the world to a new civilisation out of the squalor of old muzhik Russia, to define progress itself. It was a spectacular fantasy which held a large part of the globe in thrall for much of this century. Now not even the monuments remain, and Tsar Peter's glorious Germanic city has swamped Lenin's. Anyone old enough to have been serious about the former Soviet order must now wither before the scorn and derision of the young and of the republics like those in the Baltic which for decades were bludgeoned into conformity with the myth of proletarian power. Yet, on the other hand, despite all the problems, the transition has been made, so perhaps even many of the older generation no longer believed in the Soviet myth. Wearily, the new world of gangsters and hustlers, of flashy cars and fur coats, may not seem much worse than the old one of grey bureaucrats, a corrupt but militarised society, and hideous gulags.

The scourging of Russia, the stripping of its dignity, could make the Baltic republics part of the anvil on which to forge a new Russian unity or yoke. The Estonians and Latvians cannot concede nationality to their Russian inhabitants without seeming to betray the struggle for national liberation. But if they do not, they create a potential fifth column, and some Russians would no doubt welcome the opportunity to make their fortune by helping Moscow's return and the resumption of the role of Russians as master race. As all third world countries discovered, national independence does not mean the end of history.

As always – it is the prey of our materialist age – economic growth may ease some of the problems within the Baltic states. But that is only possible for them if an open world economy is preserved. If the world economy again becomes reduced to the relationships between states – where political muscle is crucial to national economies – then the three are lost for they are far too small. But, as Singapore and Hong Kong demonstrate, if the world economy is primarily world markets, operating independently of governments, then there is some hope that small size can be a source of strength, of nimbleness and flexibility in identifying and exploiting niches in a world system. Then the great lumbering mammoths of the large powers have the most to fear from a global system since it undermines their central power. The Baltic republics opted for political separation from the Soviet Union in order to pursue economic integration with the world. They have gone quite a long way on that road, and despite all the problems, there are now some grounds for modest optimism.

Critique of Political Economy Neglected Aspects

Behzad Yaghmaian

The Marxian Concept of Capital and the Soviet Experience: Essay in Critique of Political Economy by Paresh Chattopadhyay; Prager, London, 1994.

PARESH CHATTOPADHYAY's book is an important, timely, and refreshing contribution to the Marxist literature on socialism and the critique of political economy, and a novel approach to the long-debated question of the nature of old Soviet society. Through extensive research in primary sources in German and Russian, Chattopadhyay presents a thorough analysis of some neglected aspects of Marx's critique of political economy, as well as a brilliant application of this analysis to the case of the Soviet Union. Chattopadhyay's book is technical, but accessible and extremely clear in its presentation. It is a research project with long-lasting value to the students of Marx in both the academia and the movements for social change. This is a profound and solid case in support of Marx's libertarian perspective and the viability of his vision of socialism.

In this book, Chattopadhyay argues that the old Soviet Union was neither socialist, nor non-capitalist, as argued by Sweezy and others. The Soviet Union was a capitalist society with all essential characteristics of capitalism. The social relations of production in the Soviet Union was marked by the separation of the immediate producers from their conditions of production. The immediate producers were 'free labourers' in the double sense articulated by Marx. While being the non-owners of the means of production, the labourers were free with respect to individual units of production. Consequently, the immediate producers assumed the character of wage labour, confronting their conditions of labour as alien objectified labour – as capital.

Chattopadhyay characterises the regime of accumulation in the Soviet Union as what he calls the accumulation of capital of the second type. This is accumulation based on the exploitation of wage labourers and without continuously revolutionising the methods of production. Guided by the objective of rapid industrialisation, the Soviet regime of accumulation, argues Chattopadhyay, followed the path of quantitative expansion of production under stationary methods of production. This particular regime of accumulation, finally reached its limit, leading to the crisis of the over-accumulation of capital (or equivalently the under-production of commodities) and the eventual collapse of the Soviet system.

These arguments are articulated and substantiated in three parts. In the first part (Chapters 1 and 2), Chattopadhyay develops a theoretical framework within which he analyses the Soviet experience in the remainder of the book. In Chapter 1, he presents an analysis of the concept of capital in Marx, while discussing two types of capital accumulation in Chapter 2. The second part of the book (Chapters 3, 4 and 5) is devoted to an application of the Marxian categories developed earlier to the study of the Soviet Union and the causes of its collapse. In the last part (Chapters 6, 7 and 8) Chattopadhyay critiques other Marxist attempts to explain the Soviet Union as either a socialist or a non-capitalist.

The starting point in Chattopadhyay's inquiry is the theoretical discussion of the concept of capital in the sense of Marx. This is the most significant contribution of the book. It is through this analysis that Chattopadhyay develops a theoretical structure that enables him to demonstrate very convincingly that the relations of production in the old Soviet Union were capitalist in nature. He begins the analysis by exploring the "double existence of capital": its 'economic property' – referring to the relations of production, and its 'juridical property' – referring to the ownership relations of capital. The distinction between the two properties of capital becomes the foundation and the cornerstone of the theoretical model within which he then analyses the Soviet economy and demonstrates its correspondence with the category of capital in the sense of Marx.

Capital in its economic existence is a social relation of production – a social totality in its essential reality, representing the capitalist class in opposition to the wage labouring class. But in its phenomenal reality, this social totality – the social total capital (STC) "appears only in fragments, as reciprocally independent, singular capitals" (p 12). It is this totality-singularity nexus that underlines the 'double freedom' of wage-labourers under capitalism. On one hand, the labourers confront the means of production as their non-property – as capital – the property of the capitalist class. In this sense, capital is the class property – private property of the capitalist class, and the non-property of the working class. This is the first sense of the labourers' freedom, achieved through a historical process of

expropriation and separation of the immediate producers from their conditions of production.

On the other hand, the wage-labour character of the working class, also necessitates their 'freedom' in a second sense. Here, the labourers must be free with respect to reciprocally independent units of capital (firms). This ensures the commodity character of labour power and the existence of a labour market where labour power is freely exchanged in contracts between labourers and individual units of production. The second sense of labourers' freedom, by definition, implies the competition of capitals – the fragmentation of total social capital into reciprocally autonomous capitals.

An essential component of the theoretical model elaborated by Chattopadhyay is his treatment of the separation of capital's economic property from its juridical property. Quoting various statements by Marx, he argues that the juridical relations arise from production relations. In its juridical existence, capital assumes a multitude of forms ranging from the 'private' property of individuals/families to the common capital of 'associated capitalists' or 'public' (state) property. But in all of these particular juridically recognised forms of property, capital remains a class property – the private property of the capitalist class. The individual private property – the private property based on one's own labour – the earlier historical form of private property – is itself negated within the confines of the capitalist class (private) property. As Chattopadhyay argues, "capitalist private property in Marx's first sense – that is, as class property – is of course invariant with respect to changes within the capitalist mode of production. However, private property in capital in the sense of individual property (Marx's second sense) changes its form (assuming different juridical forms) in corresponding to the needs of capital accumulation" (p 24). Centralisation of capital, and the emergence of loan capital and share capital are among the major ruptures, leading to changes in capital's juridical property, without altering its economic property.

Centralisation of capital leads to a split in capital's property-function unity. Thus, capital which is social in essential reality becomes social also in its phenomenal reality, leading to what Marx called 'directly social capital' (DSC). Share capital is the first form of DSC, while state capital represents its second form. State could own a segment of the national capital, or alternatively take over total social capital (TSC) altogether. In the latter case, social total capital becomes under the single juridical 'public' ownership of the state. But, the ownership of total social capital by the state, constituting a particular form of juridical ownership, does not negate the fundamental character of

capital as class (private) property. One can conclude from Chattopadhyay's arguments that the state becomes the capitalist class in this case.

Chattopadhyay completes this theoretical analysis by presenting what he calls two types of capital accumulation in Marx: the first type based on continuously revolutionising the methods of production while the second type based on unchanging methods of production. Each of these types of accumulation produces a specific type of over-accumulation. The former type leads to over-accumulation of capital in the form of over-production of commodities. The latter type, on the other hand, leads to over-accumulation of capital that corresponds to under-production of commodities – that is, an economy of shortage. Chattopadhyay focuses on the second type of accumulation and argues that it is this latter type that explains the specificity of the mode of capital accumulation in the Soviet Union.

Given the unaltered and stationary methods of production, argues Chattopadhyay, the mass of surplus value can be increased by prolonging the working day, employing more labourers, or increasing the intensity of labour – a variant of increasing the absolute surplus value. In this case, production increases without a corresponding increase in the productivity of labour, such that surpluses of commodities produced increase merely because more capital is used. In this situation, the increase of population constitutes the mathematical limit of the production of surplus value by total social capital (Marx, quoted on p. 34).

The extensive growth of production based on unaltered methods of production can eventually lead to an increase in wages when the needs of capital accumulation surpasses the increase in the supply of labour. The growth of capital renders the exploitable labour insufficient (Marx, quoted on p. 40) and accumulation based on the quantitative extension of capital reaches its limit. Quoting Marx, Chattopadhyay states that capital is over-accumulated here 'from the moment when capital increases in relation to the labouring population in such proportion that neither the absolute labour time furnished by this population could be prolonged nor surplus labour time extended'. This is the case of 'absolute over-accumulation' or 'absolute over-production of capital' (Marx, *ibid*). Thus, Chattopadhyay concludes 'absolute over-accumulation of capital being outcome of the process of accumulation based on (largely) *stationary* method(s) of production, would logically be associated with *underproduction* (as opposed to over-production) of commodities or in other words with 'the economy of shortage' (p. 40).

The significance of Chattopadhyay's articulation and focus on this neglected part of Marx's critique of political economy becomes evident in his analysis of the Soviet experience in the second part of the book. It is here that Chattopadhyay applies the

second type of capital accumulation in Marx and develops a novel and convincing explanation of the nature and the causes of collapse of the Soviet Union. Through a careful analysis of Soviet government statistics and texts including the writings of Bolshevik leaders like Lenin, Chattopadhyay demonstrates the capitalist nature of the Soviet economy and the existence of the economy of shortage – over-accumulation of capital of the second type.

Using the theoretical framework developed in the first two chapters, he argues that juridical ownership of the means of production by the state ensured the separation of labourers from the objective conditions of production and their own existence as wage labourers. The state-owned property was the non-property of the labourers. Thus, Chattopadhyay argues that 'public property in the Soviet Union was, no more than private property in the primary sense of Marx. Using various statistics and indicators, Chattopadhyay demonstrates the totality, singularity, configuration of the Soviet capital and the existence of reciprocally autonomous relations between different units of production: that is, the existence of competition of capitals in the Soviet Union.

Chattopadhyay demonstrates the existence of a labour market and the exchange of commodities in the Soviet Union. Legislated by the law, the Soviet workers were free to choose their trade and place of employment, cancel a labour contract, or leave a particular enterprise for another. Thus, Chattopadhyay argues that although the Soviet workers were accessories with respect to total social capital – state capital in this case – they were free in relation to the individual units of production. This ensured their double freedom and their existence as wage labourers.

Building upon the findings about the capitalist nature of the economy, Chattopadhyay then puts forth an analysis of the mode of accumulation, arguing that 'the accumulation of capital in the USSR through time has been an amalgam of the elements of the original accumulation of capital, formal subsumption of labour under capital and certain phases of the real subsumption of labour as envisaged by Marx – that is, predominantly based on the extension of productive resources employed and not on the continuous revolutionisation of the methods of production' (p. 61). This thesis is substantiated in the book by careful and extensive scrutiny of statistics and indicators on technical change, labour productivity, rate of retirement of capital, etc.

The accumulation of capital was originally achieved through the expropriation of the peasantry by the collectivisation of agriculture and other legislative measures, argues Chattopadhyay. The agricultural sector, in addition to supplying food and raw materials for the manufacturing sector, was, at the same time, the main source of the labour supply. Given the unchanging

methods of production, the increase in surplus value (and the overall productivity of the economy) was rendered possible by the prolongation of the total labour time through the introduction of seven-hour day coupled with three-shift work. This was further reinforced by various measures to increase the intensity of labour including enforcement of discipline and introducing various methods such as socialist competition, shock brigade campaign, the use of piece work as the preferred method of wage payment, and other similar measures.

Given the extensive use of labour, even during the pre-war years of high population growth, the labour force was growing at a faster rate than the population in the Soviet Union. Also, as the data presented by Chattopadhyay indicates, the growth rate of the means of production in use has been much faster than that of the employment of living labour. However, this trend was not matched by a corresponding increase in the productivity of labour. Given this situation, the ability of capital to grow and accumulate was bound to reach its limit. In fact, as Chattopadhyay demonstrates statistically, the productivity of labour has been consistently falling in the last four decades, except for the period 1966–70, and the productivity of capital has been negative except for 1950–51.

Thus, in the face of this double decline, concludes Chattopadhyay, combined with the near impossibility of steadily increasing the mass of labour power used, or given the basically stationary methods of production raising the rate of relative surplus value, we seem to be in the presence of a situation which largely, if not in detail, corresponds to that of over-accumulation of capital associated with capital accumulation of the second type as analysed by Marx (p. 77).

Having presented his formulation of the economy of shortage in the Soviet Union, Chattopadhyay spends the remainder of the book on the non-capitalist theses and other characterisations of the Soviet Union. Here too, Chattopadhyay uses the theoretical categories developed earlier and illuminates the departure of the socialist and the non-capitalist theses from Marx's method and theoretical framework. Chattopadhyay's discussion of the socialist revolution, the transitional society, the role of state in the transitional period, and the nature of the socialist/communist society is grounded in Marx's libertarian vision and his philosophy of liberation. As he argues, it is this vision and philosophy that was missing from the start in the USSR. Faithful to Marx's belief that 'the emancipation of the working class must be conquered by the working classes themselves', Chattopadhyay rejects the contention that the October Revolution constituted a socialist revolution and articulates a vision of socialism that is based on self-emancipation of producers, leading to 'a society of free and associated producers', or alternatively, a union of free individuals.'

Balkans in Transition

Will Padmore

Broken Bonds: Yugoslavia's Disintegration and Balkan Politics in Transition

by Leonard J Cohen, Westview Press, Boulder and Oxford (2nd ed), 1995, £ 11.95

THIS is an excellent book by a teacher of political science at Simon Fraser University British Columbia Canada. *The International History Review* said of the first edition that it was "far superior in its factual coverage and balance to its various competitors in the field". He has told the story as completely and as impartially as we are liable to get. Cohen gives a brief history of Yugoslavia in the first chapter. The rest of the book gives a detailed account of Yugoslavia's breakup and the war.

Yugoslavia existed as a state from 1918 to 1991. Under Tito it had a devolved and federal constitution. This gave parity representation to each of the six republics in the Yugoslav federation even though Serbia was by far the biggest. Tito selected people for jobs by ethnic arithmetic and rotated top officials annually. But these policies signally failed to unify Yugoslavia. The constitution encouraged those who wanted to split the country. They had a two-track strategy. They aimed to move from federation to confederation as a step towards independence. At the same time they formed separate institutions designed for complete independence.

Outside forces seized on these internal failings. In January 1991 the US and German ambassadors pressed the Yugoslav National Army not to intervene to keep Croatia in Yugoslavia (p 190). In early 1991 Germany and other countries sold arms to Croatia and Slovenia (p 207). On June 25, 1991 Croatia and Slovenia unilaterally declared their independence. The Croats were desperate for foreign intervention. "The Tudjman government believed that immediate internationalisation of the Yugoslav crisis was absolutely crucial" (p 236). When the Yugoslav government deployed the National Army to hold the country together, the EC secretly threatened to cut off all aid to Yugoslavia. On October 4, 1991 the opening day of the EC Conference its chairman Lord Carrington presented an agenda "premised on the assumption that Yugoslavia no longer existed" (p 237). The EC announced that all the Yugoslav republics are sovereign and independent with international identity. As Cohen writes, "the EC had apparently made a political decision to dismember the Yugoslav federation" (p 237). Hurd warned in December 1991 that recognising Croatia and Slovenia would escalate the war. Carrington warned that recognition would weaken diplomatic efforts to achieve a

ceasefire and a settlement, and would also spread the war to Bosnia (p 239). Despite, or because of, all these good reasons, the EC including Britain recognised Croatia and Slovenia in January. The UN did too, despite its internal divisions about the propriety of intervention in a sovereign state's domestic disputes' (p 239).

The war did spread to Bosnia. In July 1991 the Moslem Bosnian Organisation tried to negotiate a Moslem-Serb accord to prevent war in Bosnia and to preserve Bosnia's territorial integrity. Karadzic accepted this for the Bosnian Serbs, but Izetbegovic, the leader of the Bosnian Muslims, rejected it (p 241). Izetbegovic is a member of the fundamentalist Fida'iyane Islam, which wants to turn Bosnia into an Islamic Republic, although Muslims are only a third of the population. Bosnia's prime minister Haris Silajdzic tried to justify the composition of his government by saying 'It is a fact that Moslems make up 99 per cent of the Bosnian defence forces so it is natural that they form the government' (cited p 281). In so doing he gave the lie to the nonsense that Bosnia is some form of multicultural democracy. These armed forces have been "strengthened with thousands of volunteers from various Islamic countries" (p 294) and by illegal arms shipments often through Slovenia especially from Iran, Saudi Arabia and Turkey (p 318).

In his 1970 Islamic Declaration, which he reprinted in 1990, Izetbegovic wrote "The Islamic movement must and can take power not only to destroy the non-Islamic power but to build up a new Islamic one." Cohen notes "the more militant and religiously nationalistic majority in the party led by Alija Izetbegovic (who had spent eight years in jail under the communists for his Islamic fundamentalist beliefs)" (p 144). Cohen analyses "the role of traditional religions in generating ethnic conflicts" in Yugoslavia (p 331).

Again in February 1992 Izetbegovic sabotaged the Lisbon Agreement for Moslem-Serb-Croat power-sharing. He "later conceded that Bosnia might have avoided a violent war if it had stayed together with Serbia and Montenegro in a reconfigured Yugoslavia" (p 243). In early 1992 his dash for Bosnian independence was "prompted by the opportunity for quick recognition by the EC" (p 244). Even the US ambassador to Yugoslavia called his decision 'disastrous' (p 244). Cohen pointed out that "the lack of a political settlement among the major

ethnic groups within Bosnia-Herzegovina actually justified postponing recognition of that republic as another new state in April 1992" (p 245). But the EC and the UN went ahead with recognition. In the autumn of 1993 Bosnian Moslem government forces killed "thousands of civilian Croats in central Bosnia" (p 279).

The US has throughout the war campaigned for US intervention. As Cohen points out, it used hyperbolic calls of genocide (p 293) to try to justify intervention. It has vilified the Serbs and whitewashed the Bosnian Moslems and the Croats. To defeat the Serbs, the United States "though not ostensibly taking sides in the war, had effectively engineered the Moslem-Croat agreement" (p 307). Cohen shows how "behind the scenes, Washington was gradually expanding its military support for the Moslems and Croats" (p 319). Clinton approved the initiative of a group of former US military officers to assist Croatia's armed forces (p 320). Cohen concludes:

As 1994 drew to a close an even more ominous threat to the Bosnian peace process was the possibility that the Clinton administration might be pushed by forces in the US Congress (particularly but not exclusively in the new Republican majority) to adopt some type of ill conceived military intervention strategy which might potentially trigger a much wider and destructive Balkan struggle.

For the United States to actively intervene on one side in the Bosnian civil war would undoubtedly lead to a protracted military conflict in the Balkans that would be disastrous for US interests and seriously undermine any chance of achieving a lasting peace in the region. Indeed even a continuation of Washington's unfortunate encouragement of one side in the war through limited assistance and rhetorical support would surely diminish any hope for a durable peace (pp 319-20).

This threat is about to materialise. NATO wants to send 60,000 troops, costing £ 3.8 billion a year. Britain's 15,000 troops will cost us £ 635 million. The US's 20,000 will cost £ 1.5 billion a year. Germany is also to send troops. Cohen finishes by writing hopefully, "The imperatives of economic survival and reconstruction, as well as geographic proximity and other earlier interdependencies, suggested that such co-operation would eventually resume despite the recent episodes of terrible, ethnic, religious, and political violence" (p 364). But there is no chance of this vital peaceful reconstruction happening with 60,000 foreign troops in the country. Their presence will prolong the war in Yugoslavia, and increase the risk of spreading it to other countries. It will certainly worsen the tension between the NATO powers and Russia, Bulgaria and Greece will not appreciate the presence of so many NATO troops so near to them.

On Liberalising Agricultural Trade

A Note of Caution from India's Experience with Tea Trade

T Krishna Kumar
Ashok Mittal

A basic apprehension regarding the policy of promoting exports of agricultural products is its impact on food security in particular on domestic food prices. This concern becomes important in the light of the evidence of the weak supply response of agricultural production.

This paper examines the factors that determine exports of tea and observes that tea exports are insensitive to price incentives and to changes in world demand and decrease with increasing share of domestic consumption. It is also observed that the possibility of trade in tea links the domestic price of tea to the international price suggesting that if trade in agricultural products is extended to essential commodities, their domestic prices are likely to rise.

The experience of tea suggests that a policy of export of agricultural commodities, particularly essential commodities cannot be recommended without caution.

I Introduction

THE structural reforms being adopted by India consist mainly of (i) fiscal reforms (ii) financial sector reforms including weakening the Foreign Exchange and Regulation Act (FERA) permitting direct foreign investment, (iii) internal liberalisation (or privatisation and reduction of the role of the state) and (iv) trade liberalisation including trade in agricultural commodities and trade in services. The analytic framework to justify the economic reforms is the subject of a major debate between the proponents and the opponents of the structural reforms. Trade in agriculture is one of the major elements of this controversy between the supporters and critiques of economic reforms. The basic apprehension of the critiques is regarding food security and the impact of agricultural trade on the price the poor have to pay for essential food items. It is often argued that there is inadequate exportable surplus in agriculture in the short run, and that the agricultural supply response is not driven primarily by monetary considerations due to non-commercial nature of most of India's agriculture and because of certain institutional factors that are specific to India.

The debate between the protagonists and antagonists should, one would expect, be based both on theoretical and empirical arguments. This debate however is quite often not supported by adequate theoretical analysis. On the empirical side also aggregate econometric relations of a structural type are quite commonly used in the debate and they suffer from four main drawbacks. First the structural models are based on an economic structure that is assumed to be invariant during the entire sample period, and the time series nature of the data is ignored. Second,

if the economic time series are non-stationary it is now quite well known that the traditional structural equations portray spurious correlations and erroneous conclusions. Third the statistical evidence drawn from the time series data of the past are generated from the old economic regime. It offers insufficient evidence on what is likely to happen under a change in the economic regime brought about by structural reforms. Fourth aggregate relations do not capture the institutional specifics that are associated with the constituent parts, thereby possibly giving us a blurred picture. From the last point one would conclude that there is a need to specify the import and export functions in a disaggregated form with a few major commodity groups — such as major agricultural commodities, consumer goods, capital goods and services. Such a disaggregated approach will provide a greater

insight into the factors that determine the imports and exports of goods and services.

When our own thinking was along these lines we had come across a paper by Hanumantha Rao and Gulati (1994) that advocated a policy shift towards exporting of agricultural commodities in which we have a comparative advantage. We then decided to examine India's experience with respect to an agricultural commodity for which we already have exports and for which India has a comparative advantage. We thus examined India's experience with respect to tea exports. It may be noted that we are examining export experience with respect to a commercial crop grown as a plantation crop while the usual debate is about trade in (essential) agricultural commodities such as food grains. We argue therefore quite cautiously that the empirical evidence presented in this paper only

TABLE I. INDIAN TEA INDUSTRY: PROFILE (1950-1993)

Year	Area (in Hect)	Prodn (Metric Tons)	Yield (Kgs/ Hect)	Export (Metric Tons)	Value of Exports (Rs)	Unit Export Price (Rs/kg)	Share in World Export (Per Cent)	Share in Domestic Consumption in Prodn (Per Cent)
1950	315656	278212	881	200780	804214	4.01	49.9	26.6
1955	320238	307704	961	166708	1136132	4.35	43.4	32.7
1960	330738	312077	971	193063	119983	6.21	40.1	40.7
1965	341762	366374	1072	199365	1149747	5.77	38.8	45.3
1970	354133	487135	1182	202335	1498033	7.40	38.6	51.5
1975	363303	487135	1341	218480	2460213	11.26	37.4	55.9
1980	381086	569172	1494	224780	4325461	19.24	31.7	62.9
1985	398966	656162	1645	214937	7035904	32.73	28.7	63.2
1990	416269	720338	1731	210024	11133510	53.01	28.6	69.4
1991	420500	754192	1794	202918	11345533	55.91	29.5	69.0
1992	422591	703931	1666	174962	9953306	56.89	29.3	76.7
1993	425026	758063	1784	179763	11672657	64.93	29.4	73.9
Annual compound growth rate								
(per cent)	1.02	10.59	10.41		11.48			

suggests (and does not prove) that one must give sufficient importance to institutional constraints, poor supply response and the possibility of agricultural commodity prices increasing in the short run. Such an increase in agricultural commodity prices at a period when the governments of the developing countries are forced to reduce the fiscal deficit, and subsidies in particular, can only lead to consumption deprivation and poverty.

The plan of the paper is as follows. Section II raises a few methodological issues. Section III provides a brief profile of India's tea production and trade. Section IV presents econometric evidence regarding some of the issues raised in Section II. Finally, the paper concludes with some cautious remarks in Section V on agricultural policy in a changing economic environment.

II

Methodological Issues

In this paper we are concerned mainly with trade reforms, and in particular reforms facilitating trade in agricultural commodities. Trade liberalisation can be justified under two alternative analytic frameworks. First, trade barriers can be treated as market imperfections in an otherwise perfectly competitive market environment. Then by appealing to the traditional neoclassical economic theory one can argue that removal of trade barriers would improve economic welfare.¹ Second, one may allude to the classical theories of specialisation, comparative advantage, Heckscher-Ohlin and Samuelson theorem of factor price equalisation to justify the virtues of free trade.

The logic behind some of the trade related reforms seems to be based on a partial equilibrium, comparative statics and *ceteris paribus* assumptions. The policy prescriptions become shaky if one relaxes the *ceteris paribus* assumption and uses a general equilibrium framework. This can be illustrated for example with the policy prescription of devaluation of a third world currency in order to increase its exports and decrease its imports and thereby reducing its current account deficit. A fallacy of composition is likely to operate in this case. If a third world country exports primarily primary commodities and if its competitors are some other developing countries that also export primary commodities then if all these competing third world countries devalue their currencies they increase the cost of their imports without in any way improving their export performance.

The task of examining the impact of reforms from analytic and empirical viewpoints is a very complex one. What we

propose to do in this paper is only to highlight some of the issues raised above by examining critically the suggestions made by Hanumantha Rao and Gulati (1994) that the developing countries should divert resources away from industry to agriculture in which they have a comparative advantage, and that they should export agricultural commodities. In order to give some substance to our arguments and views we present some empirical evidence on the factors that determine the exports of an agricultural commodity, tea, for which India has enjoyed a position of comparative advantage for a long time. In view of the discussion presented above the following issues need to be examined:

- (1) What factors determine the performance of Indian tea exports?
- (2) What is the long-term relation between tea exports and its determinants which is devoid of any spurious correlations?
- (3) Are the tea exports responsive to changes in world price for tea and the exchange rate?
- (4) What are the long-term trends in production, domestic consumption and exports of tea in India?
- (5) Is there a perfect competition in tea trade

or is the trade confined to a few trading centres and a few trading countries?

- (6) What is the degree of competition or collusion in international tea trade in terms of market linkages as evidenced by prices for tea prevailing at various international markets?
- (7) Are domestic prices of tea affected by the world price for tea? Is the domestic price of tea increasing or decreasing over time as a result of trade and changes in the exchange rate?
- (8) What are the institutional factors that are specific to India's tea production and tea exports that have bearing on tea exports?

TABLE 4. TESTING FOR UNIT ROOT

Variables	ADF Test	
	Levels	First Differences
Calcutta	2.939	-89.7785*
Cochin	2.192	-99.277*
Sri Lanka	0.512	-94.038*
Kenya	11.297	-9.523*
London	7.9465*	-64.539*

Notes: * Significant at the 1 per cent level. Numbers reported in the Table are t-values of α . ADF unit root test is based on one lag.

TABLE 2. INDIA'S TEA EXPORT DEMAND EQUATION - PERIOD 1950-93

Variables	In Levels			In Logs		
	I	II	III	I	II	III
Constant	105518.71 (1.13)	178431.98* (2.23)	100377.58 (0.96)	0.63 (0.19)	3.40 (1.09)	0.63 (0.19)
Unit value (Rs)	-257.56 (-0.34)	-1226.63* (-3.13)		-0.01 (-0.16)	-0.16* (-2.97)	
Unit value (\$)			-541.29 (-0.06)			-0.01 (-0.16)
India's share in world prodn of tea	1242.74 (0.79)	-159.63 (-0.13)	1395.53 (0.81)	0.28 (0.84)	-0.23 (-0.95)	0.28 (0.84)
World demand for tea imports	0.19* (3.26)	0.19* (3.30)	0.18* (3.24)	0.81* (3.94)	0.73* (3.43)	0.81* (3.94)
Ratio of domestic consumption to domestic prodn	-93579.38 (-1.28)	-158171.01* (-2.69)	-819327.76 (-1.17)	-0.25 (-1.69)	-0.42* (-3.29)	-0.25 (-1.68)
Exchange rate (Rs/\$)	-2757.43 (-1.46)		-3307.18* (-3.48)	-0.21* (-2.18)		-0.23* (-3.80)
R ²	0.32	0.28	0.32	0.36	0.28	0.36
DW	2.20	2.07	2.21	2.19	1.85	2.19

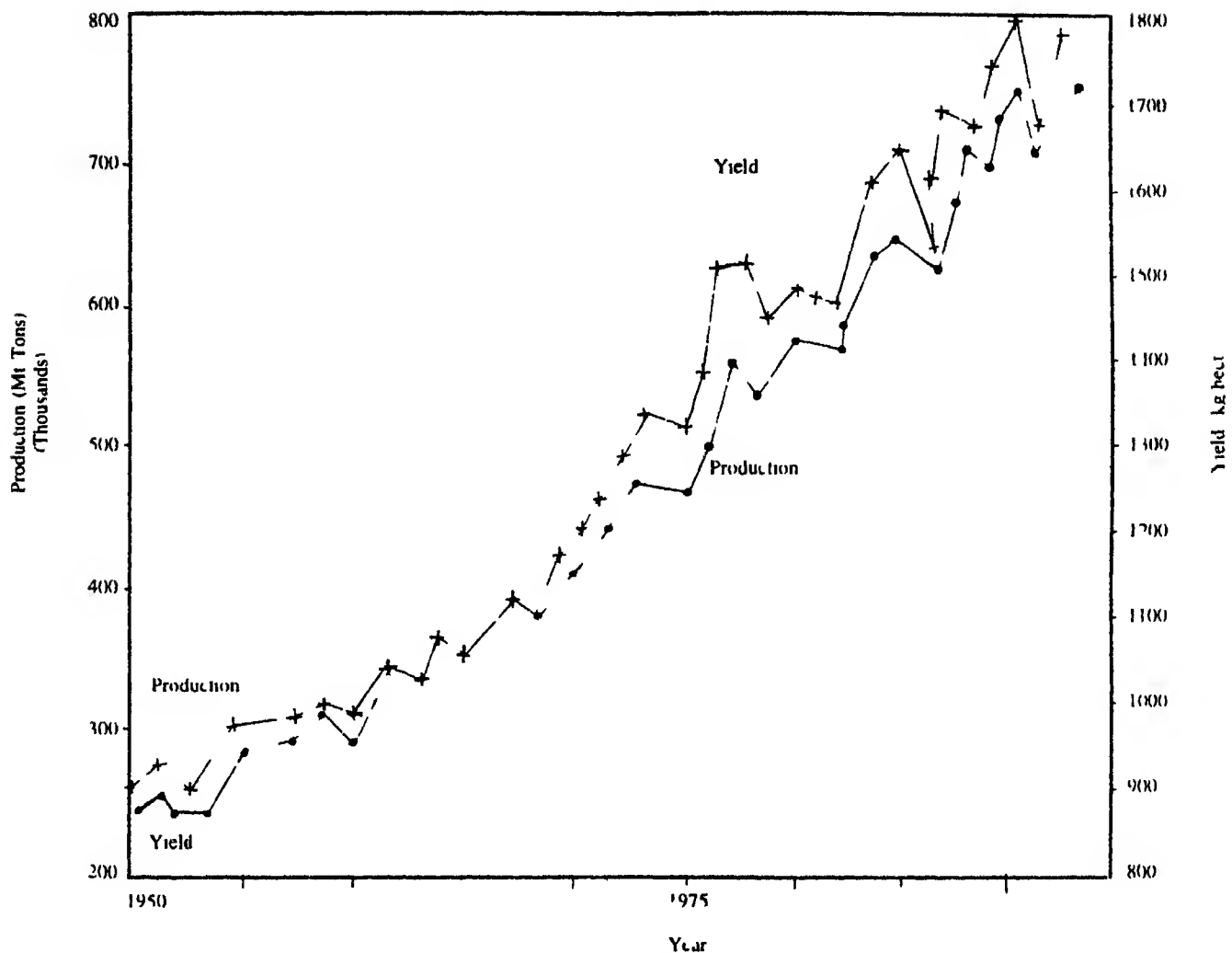
Notes: Values in the parentheses are t-statistics. * indicates significance at 5 per cent level of significance.

TABLE 3. INDIA - TESTING FOR UNIT ROOT

Variable Form	ADF Test					
	Exports	Price \$	PDSH	WIPC	Consh	Exrt
Variables in Levels						
Undifferenced	-68.70*	-4.98*	-1.97	0.37	-0.75	8.62
First differences	-141.3*	-79.98*	-39.40*	94.38*	-131.2*	1.73
Second differences						-53.30*
Variables in Logarithms						
Undifferenced	-70.37*	-3.92*	-1.55	-0.47	-1.92	3.02
First differences	-143.2*	-62.70*	-41.63*	-96.57*	-134.5*	-18.60*

Notes: * Significant at the 1 per cent level. Numbers reported in the Table are t-values of α . ADF unit root test is based on one lag.

FIGURE 1 INDIAN TEA PRODUCTION AND YIELD



We shall attempt to answer some of these questions in the rest of the paper

III Profile of India's Tea Production, Consumption and Trade

Indian tea industry has enjoyed a prominent place in the world. The history of the Indian tea industry up to the dawn of independence can be briefly described as a case of expansion and consolidation. By 1950 tea had become an important agricultural crop of the country. It accounted for over 18 per cent of the total employment in the organised sector of the economy, 14 per cent of the country's export earning and 1.16 per cent of the Gross National Product. The area under tea cultivation was 3.15 lakh hectares and it was a major source of development in the relatively backward hilly regions of the country. In 1950 India was the largest producer and exporter of tea in the world.

Let us now examine the performance of

tea industry after 1950. Table 1 presents some facts about India's tea industry giving a major thrust to export supply factors. The area under the crop has increased from 3.15 lakh hectares to 4.25 lakh hectares registering an annual compound growth rate of 1.02 per cent. Production has increased from 278,211

thousand metric tons to 758,060 thousand metric tons, nearly a three-fold increase. The annual compound growth rate of production during last 43 years is 10.5 per cent. Fig. 1 also shows a long term increasing trend in production. Yield of tea increased from 881 kg/hect to 1,784 kg/hect. Fig. 1 shows that

TABLE 5 TESTING FOR COINTEGRATION: ENCELL-GRANGER METHOD

Equations	Values of α (α)	Values of β (β)	ADJ R	ADF for Residual	PP for Residual
Cochin on Calcutta	0.8509	0.7782*	0.99	57.89*	38.65*
Calcutta on Cochin	3.5194	1.0429*	0.99	64.47*	46.06*
Calcutta on Sri Lanka	12.1397	0.4164*	0.99	-49.24*	60.41*
Sri Lanka on Calcutta	3.814	1.4082*	0.96	37.61*	43.34*
Kenya on Calcutta	-3.028	1.281*	0.88	29.96*	17.75*
Calcutta on Kenya	12.213	0.370*	0.95	66.44*	28.16*

Notes: * Significant at 1 per cent level

The cointegration regression for two variables

$$P = \alpha + \beta P + u \quad \text{and} \quad P = \alpha + \beta P + u$$

where P and P are non-stationary time series, α , α and β , β are constant and cointegrating parameter respectively

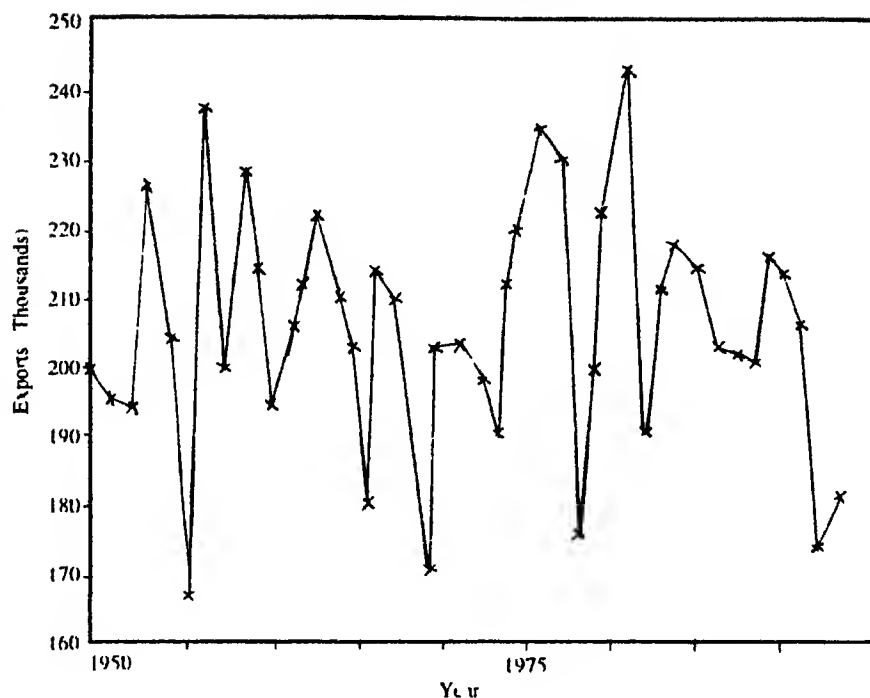
ADF and PP test is based on one lag

the yield rate has more fluctuations than production. India's tea exports (in terms of quantity) show no trend, rather they fluctuate erratically (Fig 2). During the last 43 years, exports have varied between 166.71 and 240.18 thousand metric tons. The unit value of export (expressed in Rs/kg) has significantly increased from Rs 4.01 per kg in 1950 to Rs 64.93 per kg in 1993. The price movement was sluggish between 1950 and 1973. After 1973, price increase was faster and in 1977 price was doubled compared to the price of the previous year. Taking into account the fact that exports in physical quantity did not increase with the increase in unit value of export, one may interpret that the value of the rupee was becoming cheaper, which is also supported by the fact that the unit value of tea exports are more or less stable during the fixed exchange rate regime of 1950 to 1973. India's share in total world export has declined very significantly from around 50 per cent to 29 per cent. Figure 3 shows a continuous decline in India's share of tea exports. On the other hand, domestic consumption of tea has increased significantly (Figure 3). The share of domestic consumption in production has gone up from 26.6 per cent to 76.7 per cent.

It may be suspected that India's tea exports are affected primarily by competition from other tea exporting countries and from a high domestic demand for tea. It may be noted that tea is a peculiar commodity for which there is only one major substitute, coffee, whose export performance also is driven by quite similar forces. An increase in population and an increase in per capita domestic consumption of tea increase the domestic demand for tea. As the rate of growth of tea production is less than the rate of growth of consumption, the ratio of domestic consumption to domestic production is increasing over time.

The declining share of India's exports needs some explanation. There are several factors that seem to explain this. First, there is increasing competition from other tea exporting countries such as Sri Lanka, Kenya, China and Indonesia. Second, domestic consumption of tea has also registered a substantial increase. Third, only good quality tea can be exported. Good quality tea is harvested when the tea plantation is approximately more than five years and less than 40 years old. There has been very little effort in India to maintain or conserve good quality tea through replantation as the cost of replantation is relatively high compared to loss in revenue due to producing and marketing a lower quality of tea in the domestic market (Tandon Committee Report p 42). A very high tax rate on income from tea cultivation is perhaps another major deterrent for increasing production and export of good quality tea.

FIGURE 2 TLA EXPORTS OF INDIA



IV India's Tea Export Performance: An Econometric Analysis

Our first attempt was to specify and estimate the tea export function for India. Employing the standard structural equation methodology associated with the financial programming approach, we estimated the tea export demand. We specified that it depends on (i) unit price in US \$, (ii) share of country's production to the total world production, (iii) total world demand for tea imports, (iv) share of domestic consumption to total production, and (v) the exchange rate (Rs/\$). One may question the use of exchange rate as an additional variable when its effect is already accounted for by the price of tea expressed in US dollars. While the term price in US \$ will reveal response of tea exports to world price for tea, the term exchange rate will show if there is any additional export incentive as a result of change in the exchange rate (usually a devaluation). The results of the estimated equations are presented in Table 2. We used annual time series data for the period 1950-93.

It may be noted that R^2 associated with the estimated equations are quite low. This inference may be examined against the fact that some of the explanatory variables such as exchange rate, India's share in world tea exports, ratio of domestic consumption in tea production have time trends while the India's tea export volume has more or less fluctuated widely around a constant mean. Only the world demand for tea and exchange

rate emerge with statistically significant coefficients. The exchange rate appears with a significant negative coefficient while the most commonly held view suggests a positive coefficient. This result may again be noted against the time series pattern - the volume of exports fluctuates around a constant mean while the exchange rate has an increasing trend. The unit value of exports (in \$ per kg) also does not have a significant coefficient. The regression specification that ignores the time series nature of the data, one could argue, may have generated spurious correlations.

The regression results reported in Table 2 do not take due account of the fact that the data used are time series. We now proceed to examine the data and the relationships between variables by noting that they are time series. First, we examine each time series and see whether it is stationary or non-stationary employing the unit root tests. If a time series is found to be non-stationary, we next examine likewise if its first difference is stationary. Using this procedure we determine the order of integration of a time series. Then we stipulate that the regression relation be between stationary variable only. If any of the variables are non-stationary, they are replaced by the appropriate difference of that variable which is stationary. Table 5 presents the results of unit root tests using the time series data from 1950-1993. The results determine the order of integration of the variables. From the table it is evident that when the variables are used in levels, India's tea exports, price in US \$ are stationary time series, while

India's share in world production, world demand for imports are integrated of order one and the exchange rate is integrated of order two. When the variables are expressed in logarithms a similar conclusion arises except that the exchange rate becomes stationary in the first difference of the logarithm.

The corresponding time series regression relation which is devoid of spurious correlations due to common time trends is given below:

$$\begin{aligned} \text{EXPORT} = & 206229.17 + 440.51 \text{ UNPRI} \\ & (24.18) \quad (0.09) \\ & - 1451.08 \Delta \text{PDSH} + 0.02 \Delta \text{WIPC} \\ & (-0.67) \quad (0.38) \\ & 222887.02 \Delta \text{CONSH} \\ & (-3.13) \\ & - 587.09 \Delta \text{EXRT} \quad (1) \\ & (-0.20) \end{aligned}$$

$$R = 0.23 \quad \text{adj } R^2 = -56.80$$

$$PP(\text{lag}=1) = 39.57$$

$$\text{Log(LIEXPORT)} = 12.23 + 0.01 \text{ Log(UNPRI)} \\ (511.93) \quad (0.34)$$

$$0.17 \Delta \text{Log(PDSH)} + 0.22 \Delta \text{Log(WIPC)} \\ (-0.49) \quad (1.02)$$

$$0.45 \Delta \text{Log(CONSH)} \\ (-3.65)$$

$$0.14 \Delta \text{Log(EXRT)} \quad (2) \\ (-0.70)$$

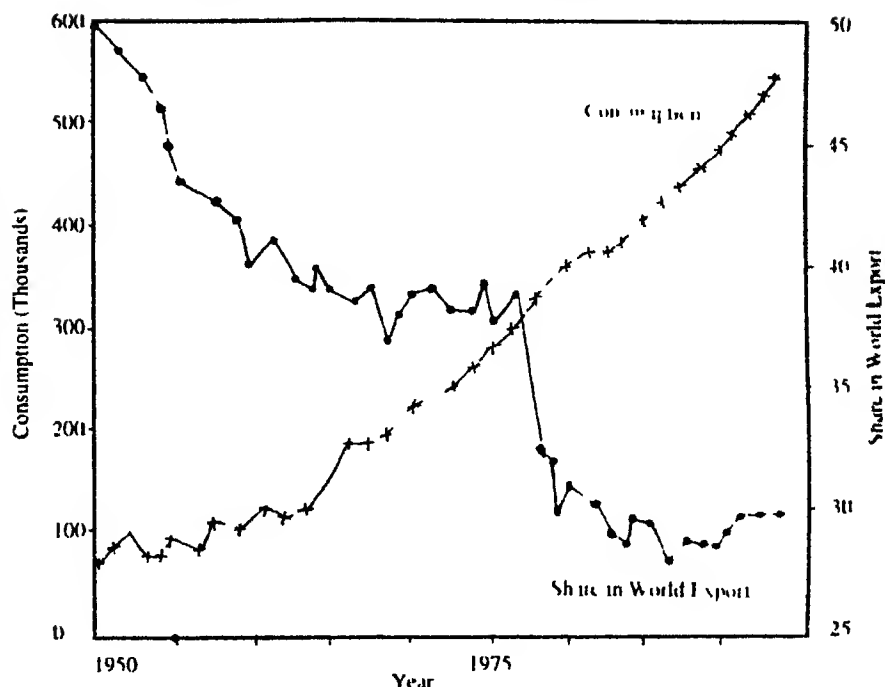
$$R = 0.30 \quad \text{ADF}(\text{lag}=1) = -64.51$$

$$PP(\text{lag}=1) = -40.40$$

From the statistical evidence furnished above it is quite clear that India's tea exports are not influenced by any of these explanatory variables except the domestic consumption as share of domestic production. The share of domestic consumption is increasing over time and correspondingly the exports are decreasing.

It is useful to enquire whether this poor export performance is due to the Indian tea market being not well-integrated with the other major tea markets in the world. We next examine how well the tea markets in various locations are integrated. Given the time series nature of the data we shall employ time series methods with data from 1950-1993. If markets are closely integrated with one another then prices in different markets, separated by geographic distance, must move together in time. From a time series perspective this is equivalent to stating that prices of tea in different markets, Cochin, Calcutta, Kenya, Sri Lanka, London etc. must be cointegrated pairwise. We tested this hypothesis of market integration by performing a unit-root test for non-stationarity and t-test on the bivariate regressions for cointegration. The results of our analysis are presented in Tables 4 and 5. From these tables it is clear that all the price-time series except London price are non-stationary (Table 4). To see whether

FIGURE 3 INDIAN TEA CONSUMPTION AND SHARE IN EXPORTS



these non-stationary prices move together we estimated linear relationships between them pairwise. The results are reported in Table 4. From these it follows that the two estimates of β and β' are such that 1 is bracketed between them. Similarly in some cases (Calcutta and Sri Lanka and Kenya and Calcutta) the estimates of α and α' bracket 0. These results demonstrate that various tea prices move together in time suggesting that the tea markets are well-integrated. Figure 4 presents the co-movement of tea prices in tea markets at Calcutta, Cochin, Sri Lanka and Kenya. It must be noted that this phenomenon of cointegration of prices is consistent with two widely different hypothesis one that the tea market is perfectly competitive and the other it is oligopolistic with one leader (price-setter) and all the other as followers.

V

Concluding Remarks

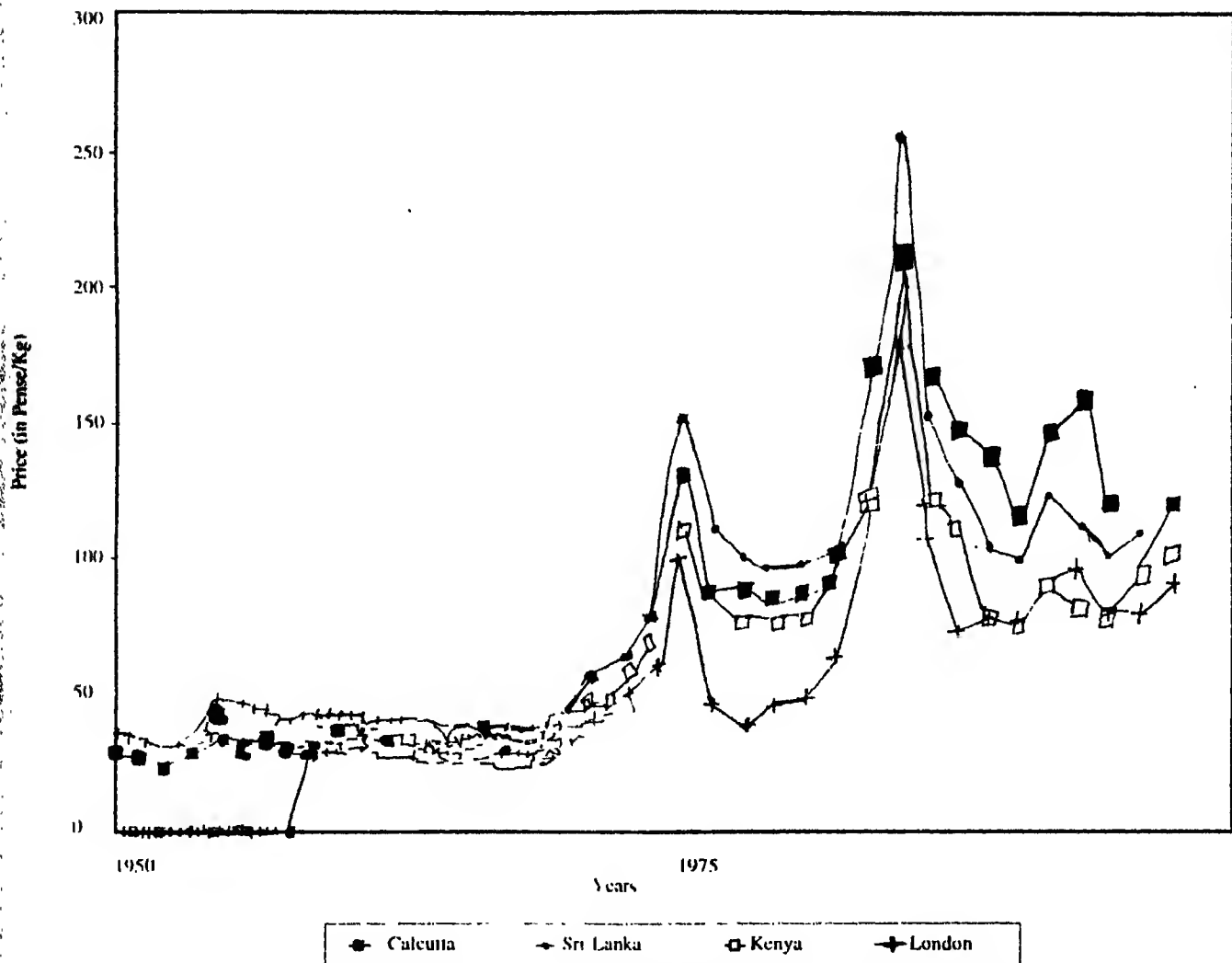
When a country is going through a policy reform and regime-shift it is difficult to obtain empirical support for the policy reforms from the past historical experience. However regarding the issue of exporting an essential agricultural commodity for which India has a comparative advantage we do have rich historical data, viz. experience with tea exports.

The statistical evidence presented in the previous section, based on detailed time series data on tea exports of India, suggests the distinct possibility that for all those commodities for which domestic

consumption forms a major share of domestic production and for those agricultural commodities which are essential such as tea and foodgrains, exports cannot increase in the short and medium term without an increase in production relative to consumption. But such increase in production will take a considerable time. Hence one must have a cautious policy regarding agricultural exports taking due note of domestic consumption and production response to price changes. The results reported above regarding cointegration of tea prices in domestic and international markets also suggests that by allowing free exports of agricultural commodities we are likely to raise the domestic prices of foodgrains to equal their international prices, which are higher mainly due to devaluation of the domestic currency. Thus liberalisation of agricultural trade is likely to give rise to a rise in domestic prices without a significant increase either in production or in exports.

While Hanumantha Rao and Gulati (1994) advocate export of foodgrains, our results for tea trade suggests that we should be quite cautious. Although our study refers to tea and not to foodgrains some features are quite common between them. Both are essential food items. Raj Krishna (1972), Rao (1986) and Binswanger (1989) had already warned us that production response for foodgrains in India is quite poor. Dependence on imports of essential agricultural commodities, particularly from major developed countries, will make the country vulnerable for political and economic exploitation. It is thus necessary to examine carefully a trade

FIGURE 4: PRICES, INTRA - COUNTRY COMPARISON



strategy for India which maintains food security and also generates export earnings. This suggests that trade liberalisation for agricultural commodities must be selective. One needs to examine in greater detail trade experience of developing countries with commercial agricultural crops along with trade in essential agricultural commodities. It is also necessary to examine in greater depth the relative strengths of agricultural and industrial product exports in generating sustainable export earnings. It is expected that the degree of competition is high in low-value added agricultural products whose production requires lower levels of technology and skills. The terms of trade are thus expected to be adverse to agriculture. Any attempt to redirect investment and trade away from industry to agriculture, as suggested by Hanumantha Rao and Gulati is likely to be an inefficient way to generate foreign exchange reserves to meet our import requirements. Only after having detailed

knowledge regarding relative advantages and disadvantages with respect to efficiency in export earnings and sustainable food security can one knowledgeably prescribe suitable trade policies for development. In view of this we feel that one should not take the suggestion of liberalisation of agricultural trade seriously without some more additional empirical insights.

Notes

[Based on a paper presented at the 31st Indian Econometric Conference held in May 1995 at Pune. Authors are thankful to V M Rao, Pilapre Balakrishnan, M V Nadkarni and S K Mallick for their comments. The usual caveat applies and the authors alone take responsibility for any errors that may still remain.]

1 The theory of the second best suggests, however, that if any country introduces tariffs and thus violates the first order conditions of the welfare optimum there is no sanctity to the free trade prescription for other countries. In the

international economic order that now prevails this result is worth noting

- 2 Economic and Scientific Research Association, *Growth and Potential of Tea Industry of India*, 1983, India Exchange, Calcutta, pp 13-14.
- 3 Such a large increase in yield during a forty year period could be due to technological and/or managerial improvements.

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Leninism, Socialist Democracy, Contemporary Problems

Achin Vanaik

The historic impact of 1989 cannot be minimised. The very project of socialism is being questioned as never before. Disillusionment about the desirability and feasibility of a socialist alternative has never been greater. What is required today is not so much the forging of the instruments of revolution but the rehabilitation of the very idea, possibility and necessity of a socialist alternative itself.

I

AFTER 1989 there are few socialists who will doubt that any hopes for reviving the socialist project rest in large part on constructing a vision or model of socialist democracy that is both feasible and inspirational. It is a task made all the more difficult by the very nature of the revolutionary upheavals of 1989 and its aftermath in the former second world. This was the first such concatenation of upheavals that was not guided by a futurist vision or by ideals yet to be institutionalised but by the ideals of the past. It was 1789 taking revenge on 1917 in 1989. The near universal sentiment of those who carried out or supported these upheavals was the establishment of a "normal society" by which was meant capitalist prosperity and liberal democracy. Just as universal was the belief that their societies should be subjected to "no more experiments."

Socialism, and the era inaugurated by 1917, was seen as just such an experiment, one on which history had now pronounced its final verdict of failure. For socialists the recovery of hopes for building a socialist future are indissociably linked to a recovery of our socialist past, even if a lot more than historical recovery is required. What are the goals, concepts, methods, practices and models that we must preserve? What are those we must reject? What are those we must borrow? What are those we must invent or reshape?

CENTRALITY OF RUSSIAN REVOLUTION

It is a huge agenda indeed but central to it remains the historical evaluation of the Russian revolution. This is for three reasons. First, the Russian revolution remains the inescapable point of reference for all socialist debate. Every current or tradition in socialism – Social Democratic, Stalinist, Trotskyist, Libertarian, Council Communist, Anarchist, etc – has defined itself in relation to the Russian revolution: its victors and victims, its successes and failures, its promises and deceptions, its practices and potentials, the strengths and weaknesses of its theorisations and rationalisations. Any perspective for building socialism today

cannot fail, directly or indirectly, to relate to that epochal event. For all the advantages of historical hindsight and the blase insouciances that tend to be promoted by accumulated wisdoms, we are in so many respects still to become contemporary with that past.

Second, the rejection of communism in the former second world and beyond, and of socialism in any form beyond the notion of an ameliorated liberal democratic capitalism, is directly linked with a repudiation of all that the Russian revolution stood for. Socialism in practice is seen to be Stalinism which is Leninism-Bolshevism which in turn is the meaning of the Russian revolution. The mainstream current of historical introspection in the ex-USSR has already begun to converge with the traditional right-wing and liberal orientations of Soviet historiography in the west. The staples of that historiography are well known. It is now almost impossible to deny the fact of mass revolutionary upsurge in town and countryside in Russia before, during and immediately after 1917, and has to be taken into consideration by a serious historian. But on the main interpretive questions the mainstream orthodoxy is clear.

The Bolsheviks carried out a coup though they did have some popular support. They aborted the only hope for Russia in 1917 which was the 'third way' (between Bolshevism and right-wing authoritarianism) of institutionalising a liberal democratic regime led by Kerensky or a Kerensky-like figure. Leninism/Bolshevism necessarily led to the totalitarian state because of the inherent totalitarianism of Leninism in which the premier though not the only culprit was the Leninist conception and practice of the party. After seizure of power Leninism had to and did lead to Stalinism. Restoring the historical pride of today's Russia means re-establishing a continuity with the aspirations of the pre-Bolshevik, liberal and/or Tsarist era. Since many socialists find that they agree in part or whole with this new orthodoxy in the former socialist countries, they have to decide where they stand. Was the October Revolution premature? – the view of Hobsbawm among others. Was it betrayed, either by Leninists or Stalinists or

post-Stalin revisionists? Should it never have happened? Perspectives about a desirable socialism of the future are once again linked to an assessment of the desirability and trajectory of the Russian revolution.

Third, of all the 20th century revolutions that 'succeeded' only the Russian revolution was based, however briefly, on structures of proletarian or workplace democracy that were an alternative to the basic representative forms and institutions of bourgeois democracy. Any contemporary discussion of socialist democracy must settle accounts with the lessons, negative or positive, of that experience of direct democracy via the Soviets. Should the institutions and values which have emerged through the experience of bourgeois democracy – parliament, rule of law and an independent judiciary, voluntary associations in civil society, etc – be articulated with socialist values and the organs of direct democracy, e.g. soviet-type bodies, in a context of largely socialised property relations? If so, how? Is such a project at all possible in a meaningful way for a modern functioning society?

Some of these questions will be touched upon, arising as they do from the drama of the Russian revolution. But mainly they form the backdrop and context of justification for the more specific investigative focus of the first part of this paper, which is an assessment of the widely accepted judgments of the presumed iniquity or irrelevance of Leninism for the future construction of socialism. If Stalinists and Maoists are defenders of the thesis of the continuity of Leninism and Stalinism and award a plus sign to this connection, many an anti-Stalinist while agreeing that there is a basic continuity between the two would simply reverse the value sign making it a minus. This leaves Trotskyists and some 'critical Leninists' within the broader socialist tradition to insist that there is a basic discontinuity between Leninism and Stalinism and thus to mount some kind of defence of the former while strongly repudiating the latter.

WHAT IS LENINISM?

But what is this Leninism that is to be the subject matter of investigation? A definition which confined itself simply to

Lenin's views on everything would at once be too subjective, too sprawling, too incoherent and yet too politically narrow. Leninism was more than Lenin. It had resonances, embodiments and influences that fully justify recognising its status as a collective current of real weight in thought and practice.

An identification of Leninism with Bolshevism is politically far too broad for it occludes the real diversities that existed within the Bolshevik party right up to the time of Lenin's death. But an identification of Leninism with mainstream Bolshevism (S. Farber's option) also begs too many questions, especially since the method for determining what is mainstream Bolshevism is usually tautological [Farber 1990]. Those tendencies which were authoritarian constituted mainstream Bolshevism/Leninism which was not surprisingly then considered responsible for the rise of authoritarianism. The judgment of what was authoritarian in essence or tendency is based on the abusive use of the privilege of historical hindsight [Mandel 1972]. Considering that Leninist views on crucial matters were often in a minority within the party, the consistent identification of it with the 'mainstream' is made all the more problematic.

There is a plausible way out of this apparent definitional impasse. Lenin was, above all, a political thinker and leader. Among his most original and important contributions as theorist and activist leader were those regarding the question of power, more precisely state power. The core of Leninism is constituted, above all, as a more or less systematic set of orientations towards the seizure of state power, the conceptualisation of the post-revolutionary proletarian state and the exercise of state power. This more or less systematic set of orientations was in the main held and propagated by Lenin. They were supplemented and developed by other Bolshevik leaders and thinkers, most notably Trotsky. They were endorsed and supported by others within and outside the Bolshevik party, thereby constituting the umbra and penumbra of Leninism.

A coherent pattern can now be lent to the investigation of Leninism. It is the study of Leninism out of power, trying to promote and achieve the revolutionary seizure of state power, i.e. the Leninist concept and practice of the vanguard proletarian party. It is the study of the Leninist concept of the proletarian state that must be built on the ruins of the bourgeois state, i.e. the vision embodied in *State and Revolution*. It is the study of Leninism in power, its practices and the rationalisations and the theorisations of that practice.

The collapse of communism in the ex-USSR, the opening up of hitherto secret archives have not so far suggested any

dramatic new facts that might radically overturn the existing field of arguments and theories about the Russian revolution and the Bolshevik era. The key disputations will most likely remain those of an interpretive nature, notwithstanding whatever new facts may be uncovered. By January 1924 (the time of Lenin's death) the scenario was very different from what it was in October 1917. Soviet democracy no longer existed, the single party state had been institutionalised, the trade unions had been subordinated to party control, all major oppositional currents within the ruling party tamed or defeated. Who can doubt or dispute that many of the seeds of Stalinism were thereby laid and that Leninism had contributed to this seeding?

But this is clearly not enough as Victor Serge would remind us. It is often said that the germ of all Stalinism was in Bolshevism at its beginning. Well, I have no objection. Only Bolshevism also contained many other germs, a mass of other germs, and those who lived through the enthusiasm of the first years of the first victorious revolution ought not to forget it. To judge the living man by the death germs which the autopsy reveals in the corpse, and which he may have carried with him since birth, is this very sensible? [Serge 1963]

LENINISM IN POWER

Understanding the process of authoritarian degeneration between 1917-23 (and assigning responsibilities for it) requires not just the recognition of a number of contributory factors but a confident grasp of the explanatory matrix in which they are to be inserted. First and foremost, what is the balance of responsibility that is to be accorded to objective pressures and constraints and to subjective possibilities and policies for explaining the process of degeneration? There is no consensus on this dialectic of the objective-subjective, only competing theories. Evaluation of the iniquity or otherwise, or of the degree of iniquity of Leninism is critically dependent on the balance that is struck between the weight accorded to objective and subjective factors in determining single events and of the general course of events.

In this respect the years 1917-23 can and should be broken up into two periods, 1917-21 and 1921-23. While one is far from condoning all that the Leninist leadership of government and party did in this first period, the weight of objective factors – namely the profound economic dislocation of the fastest and most uncontrolled demobilisation in modern history, the civil war and its imperatives, the physical decimation of the proletariat, the progressive erosion of the worker-peasant alliance, the failure of the revolution to spread to Europe was enormous. It explains and often (though

not always) justifies the policies of the Leninist leadership.

By the same token, in the period 1921-23, after the civil war had ended, the continuing acceleration of authoritarian degeneration implicates Leninism more seriously [Mandel 1992]. Lenin, Trotsky and their supporters acted on the false assumption that greater concentration of power in the party-state was now more necessary than ever before because the threat to the dictatorship of the proletariat (by now increasingly identified with the dictatorship of the ruling party) was even greater, i.e. the possibility of the restoration of the class power of the bourgeoisie was now stronger. It is striking that in his last months Lenin increasingly obsessed with the dangers of a growing bureaucracy could only advocate measures for enhancing internal party democracy. The emphasis on enhancing internal party democracy as the key move to prevent further bureaucratic degeneration and authoritarian involution of the Soviet state and society was both realistic and ironic. Realistic because by 1922-23 there were no other institutions outside the party which could be called upon to launch a democratic counter-attack. Ironie because the failure to encourage the survival and independent existence of non-party organisations, indeed their erosion, was partly traceable to the subjective failings of Leninism in power.

Secondly, while many of the measures we would regard as authoritarian may have been contingently justified by the exigencies of the time (and were in many cases viewed as temporary) what was totally unjustified was the attempt, particularly by Lenin and Trotsky, to provide a longer term rationale for such actions. It is here that the strongest criticism of the negative long term implications and consequences of Leninism (in power) resides. It is here, in the effort to justify a substitutionist vanguardism, the party substituting for the working class vanguard substituting for the class substituting for the mass – that the criticisms of Leninist vanguardism are most telling and apt.

Thirdly, there were certain areas of theoretico-political darkness which were common to all socialist currents inside and outside the Bolshevik party notwithstanding that this or that particular current may have held more appropriate democratic positions on this or that specific issue. The two most important such areas of darkness were (a) the utter inadequacy of any worked out and feasible perspective of how to move towards a national-level and highly coordinated system of democratic planning. Much of the impetus towards excessive centralisation of state power corresponded to economic imperatives. *Ad hoc* proposals for greater workers' control and autonomy at the enterprise level, e.g. by the workers'

opposition, while useful in themselves were very far from coping with this blindness' (b) The notion of a proletarian democracy was politically nebulous, underdeveloped and institutionally underdetermined. Here if anything, Leninism (through the insights of *State and Revolution*) made more of a contribution to brightening this area of darkness than any other current, though it too was far from adequate.

But the point here is that these blindnesses were not distinctive failings of Leninism as such but were general failings of the much wider tradition of Marxism. That is precisely why decades after 1917 these remain the two principal problem areas facing any effort at reconstructing the socialist project on stronger foundations.

Assessing the contribution of Leninism in power to the institutionalisation of Stalinism and all that this means in regard to the state, bureaucracy and democracy is thus a much more difficult problem than anti-Leninists are prone to make out. After the civil war despite the growing and greater popularity of Mensheviks relative to Bolsheviks in many parts of the USSR at no point did socialist forces together command a popular (majority) following. The central choice posed therefore was never of having in power this or that more democratic socialist current vis à vis the Bolsheviks but of supporting Bolshevik power or accepting a bourgeois restoration and thus the immediate repudiation of what the Russian revolution stood for. This is not pointed out to rationalise Bolshevik deficiencies but simply to establish what the central battle-lines of the time were. Few socialists at the time, rightly so, were prepared to go so far as to endorse such a restoration in the name of acceding to the wishes of a majority. Most hoped that a combination of objective and subjective improvement in the USSR and worldwide would re-establish popular support for socialist (anti-bourgeois) forces. To argue in the light of today that the Bolsheviks should have given up power to bourgeois restorationism after the civil war is simply another species of the 'abusive use of the privilege of historical hindsight' referred to earlier. It was not in any case an option that any Bolshevik would consider and rightly so, given the unforeseeable and open character of history and possible future outcomes.

Yet clearly, all said and done, this period of Leninism offers little positive for us today and for the future. The lessons to be learnt from Leninism in power are two-fold. For the purposes of historical evaluation, the charge of extreme or grave iniquity against it is not justified. But serious criticism and outright repudiation of some of its policies and theoretical rationalisations is most certainly justified. As for its putative and unbroken continuity with Stalinism, the

charge is wrong. It cannot be made to stand simply on the basis of an examination of the record of Leninism in power.

Much more is required to make such a charge stick and bourgeois critics of Leninism and anti-Leninists within the socialist fold recognise as much. If a basic line of continuity can be established between Leninism in power and Leninism out of power then their case becomes immeasurably stronger. The practices and perspectives of Leninism in power are too scattered, its goals too diverse. Objective constraints and exigent pressures intrude far too often. Five years of Leninism in power is too short a period in the whole lifespan of Leninism to be the basis of a convincing verdict on its character. All the more so since Lenin never expected (before the February Revolution) to see a successful revolution in his lifetime, never had reason to theoretically prepare himself or the party for rule after a successful revolution, could only respond pragmatically to a whole stack of unforeseen problems and issues of governance once having achieved power. It is not without reason that in power Lenin was fond of repeating Napoleon's dictum:

We shall light and then we shall see. It was a credo whose force he must have felt all the more acutely when there was no international spread of the revolution to come to the rescue of the Soviet Union under the Bolshevik rule.

LENINISM OUT OF POWER

The search for lines of continuity between pre- and post-October Leninism has taken two roads. Far and away the most travelled road is the one that claims to link up the post-October authoritarian state with the pre-October authoritarian party of Leninist inspiration and design. The substitutionism of the party for the state after October has its roots above all in the inherent elitism and substitutionist impulses of the Leninist concept of the vanguard party whose founding text was *What Is to Be Done?* Vanguardism, Jacobinism and democratic centralism were the original sins of Leninism, the ineradicable marks of Cain on the visage of Leninism which provide the crucial connections via the Bolshevik party's ethos and structure between Leninism out of power, Leninism in power and eventually Stalinism.

If there is one lesson for us in regard to issues concerning the state, bureaucracy and democracy it is that in the preparation for socialist transformation of the bourgeois state in the struggle for power, Leninist vanguardism and democratic centralism must be eschewed at all costs. Despite the large and growing popularity of this line of argument there are immense, indeed insuperable, difficulties for all those, including some highly sophisticated Marxist and socialist scholars, who uphold this thesis of Leninist substitutionism.

It is based on a flawed understanding of vanguardism and of democratic centralism. It cannot be sustained by reference to text nor to context. In the heat of the revolutionary upsurge in 1917 when the Leninist concept of organisation was put to its decisive test, it simply did not behave in the Jacobinist/elitist/undemocratic manipulative way it was presumably doomed to do. It grew ten-fold in six months. It was a highly decentralised party able to respond with remarkable flexibility to mass sentiments, moods and actions. It was certainly a more disciplined force than any other rival or allied party. But it was also more open, democratic and flexible. It was rooted in the urban working class but not more so than the Mensheviks. It was able to attract the more militant sections of that working class throughout 1917 above all because of its political superiority to other parties. The charge that the Bolsheviks carried out a coup deliberately or otherwise, confuses the necessarily secretive and closed character of decision making in regard to military preparations or of planning and executing the decisive phases of armed insurrection with a false political characterisation or imputation of acting without very significant popular and growing mass support and approval. This charge is routinely made in right-wing and liberal Soviet historiography. It has attracted some left-wing anti-Leninist analysts as well.

Those who would draw a line of continuity between the pre- and post-October Leninist party have another huge problem. How are they to evaluate Lenin's *State and Revolution* written during the very heat of the revolutionary struggle? On the eve of the preparation of the seizure of power, Lenin writes his most utopian 'anarchist', 'libertarian' text which barely mentions the word 'party'. So out of kilter is this with the image of Lenin as arch-Jacobinist and elitist manipulator or theorist *par excellence* of the party that almost all those who uphold the thesis of Leninist substitutionism are forced to regard this text and the timing of its authorship as an aberration, an inexplicable departure from the truer or more authentic Lenin. Or else explain it as a piece of self-conscious deceitfulness aimed at pulling the wool over the eyes of opponents and doubters of Bolshevism in its drive to power under his stewardship. Since the text was only published in 1918 this last charge is absurd.

Yet the explanation of its content and timing is simple and straightforward enough. Like all Lenin's writings it was practically motivated by the political needs and exigencies of the time as he saw them. On the eve of the revolutionary seizure of power what was needed was not a utopian text but some kind of blueprint, however rough, for the constructing of the new proletarian state. It was to that eminently practical task that *State and Revolution* was addressed. It had

little place for the Bolshevik or any party because, contrary to the falsehood that for Lenin the dictatorship of the proletariat was always centrally pivoted on the dictatorship of the party he held at the time when the problem of constructing a proletarian state loomed largest, the very opposite view.⁴

Far from there being a theoretical line of continuity between the belief in the necessity of the vanguard party before seizure of power and in its necessity after the seizure, the most important hallmark of Leninist thinking was its belief in the necessity of a rupture in this supposed continuity. This is not in the least difficult to understand. The party, any party, is above all an instrument for the fulfilment of certain tasks. When the fundamental character of the tasks change the character of the instruments required to carry out these tasks must be forged anew. For a bourgeois party operating within the structures and institutions of state power to which the bourgeois party is itself committed to preserving and continuing, the party out of power can organise itself not just for peaceful accession to governmental power but even for anticipating and carrying out the responsibilities of governance. There is no rupture in its organisational character or programmatic self-perception whether in or out of power, hence, for example, the acceptability of the practice of forming a 'shadow cabinet'.

This is eminently not the case with revolutionary parties preparing for revolutionary seizures of power because subsequent revolutionary transformation of state and society are tasks that by definition go so far beyond the capabilities of any single political party that the very nature of the role of the party (whether vanguard or otherwise) must be assessed anew. The content of Lenin's *State and Revolution*, its plausibility and practical value in the eyes of its own believers, rested on the widely held assumption of Bolsheviks of the time that a successful Russian revolution would trigger off a chain of successful revolutions elsewhere, above all in Germany where the much more advanced German working class with its much denser network of protective organisations and structures, would surely lead the way in what would become an extra-national process of revolutionary transformation and consolidation. The silence of *State and Revolution* on the role of the party in the proletarian state is no aberration but concrete evidence of the absence of serious substitutionist impulses in Leninism out of power or before power.

The undeniable substitutionism of Leninism in power have no important roots in Leninism out of power or in the Leninist concept of the party before October. But the vanguard party so central to the success of October 1917 was to undergo a decisive transmutation after October 1917 when the

objective premises of *State and Revolution*, of Leninist and other Bolshevik views on how to go about constructing the new proletarian state were largely shattered. Nor did occasional Leninist rationalisations after 1917 seeking to establish a line of continuity between pre- and post-October Bolshevism (using the legitimacy and prestige of the former to sustain the latter) help matters in any way.

What are the contemporary or enduring lessons to be derived from this historical defence of the Leninist concept of the vanguard party? The accusation of iniquity against it is frankly untenable. It is not the original or inevitable source of bureaucratisation or of Stalinism. It leads not to the most undemocratic form of party organisation, but in fact to the most democratic form of party organisation, if the principles that underlie it are properly understood and applied, e.g. when tendency and faction rights within a party are institutionalised.⁵

The notion of vanguard organisation (the precise forms that such vanguard organisation can take, e.g. party or front, are variable) retains an enduring relevance. This is because the bourgeois state in *all* its forms is itself the *vanguard organisation* of the dominant class(es). The revolutionary vanguard organisation is the precise counterpoint to the bourgeois state, the most effective weapon with which to confront and defeat it.

LENINIST STRATEGY FOR SEIZURE OF POWER

But there is also another charge against the Leninist party. It is the charge of contemporary irrelevance. The concept of vanguard organisation is said to be linked to a particular notion of revolutionary crisis and a particular notion of revolutionary strategy, namely, insurrectionism. Since most advanced capitalist societies have a more developed and denser liberal democratic state, such an insurrectionist strategy is not considered viable in such societies. The cruder version of this argument identifies the 'Leninist' strategy for seizure of power with the goal of insurrectionism. This is inaccurate. The centerpiece of the Leninist strategy is the principle of *dual power* which may or may not culminate in an explosive urban insurrectionism as the final act tipping the scales, as it were. In many third world countries, Leninist strategies are not under that serious fire from within the ranks of the left. It is in bourgeois democracies that the Leninist strategy is more seriously questioned.

Norman Geras has discussed lucidly the two main strategic perspectives for revolution in advanced or stable bourgeois democracies: what he calls the 'gateway' and 'bastion' hypotheses [Geras 1990:51-55]. The first argues that the road to social revolution runs

through the institutions of bourgeois democracy. The second argues that this is possible only up to a point beyond which the route is blocked and the bourgeois democratic state reveals its essential character as a 'bastion' or 'fortress' against social revolution. This bastion must be defeated, destroyed or fatally weakened.

A debate between H. Weber and N. Poulantzas clarified the alternatives in a similar way [Weber and Poulantzas 1977:3-12]. The issue, as Poulantzas himself realised, was not an insurrectionist strategy versus a non-insurrectionist one. It had to do with the precise articulation and relationship between two terrains of struggle, that waged within the existing institutions of bourgeois democracy, and that waged outside it. The non- or anti-Leninist socialists sometimes helped by a particular reading of Gramsci located the decisive terrain of struggle within existing institutions. The Leninist perspective argues not for counterposing the two terrains of struggle and choosing one or the other, but insists that at some point in the struggle within existing institutions (well below the 'critical point') the key centres of power and their power wielders will polarise to the right, and the strategy of capture or transformation of the bourgeois state from within can go no further. The decisive terrain of struggle lies outside, between the 'core' sectors – the top echelons of civil bureaucracy, of the courts, of the executive and the military – of the bourgeois state, and the embryonic and emerging organs of an alternative state, i.e. the emergence of a dual power situation which has to be resolved one way or the other, and to which the struggle within existing institutions is a very important complement.

The second strategy, in effect, insists not just on combining the 'war of position' and the 'war of manoeuvre' (the first strategy can also say as much) but that the possibility of ruthless bourgeois repression in the end game situation even in advanced bourgeois democracies must be allowed for and prepared for. In short, the bastion strategy is more comprehensive and farsighted because it acknowledges and seeks to prepare for a possibility (of a violent showdown) which the gateway strategy refuses to entertain. Or as Geras puts it, "Each now comprehends as is necessary in the given context for any minimally serious strategic approach, both a parliamentary and an extra-parliamentary dimension to socialist revolution, both a continuity and discontinuity of political forms. But they still differ, and critically in this: the former hypothesis [the gateway hypothesis] forbids what the latter one countenances, a point of constitutional rupture. For, in the 'gateway' view socialist transformation must, while in the 'bastion' view it need not, derive its

legitimacy from the parliamentary source" [Geras 1990:54-55].

Robin Blackburn has suggested that revolutions of the Russian type no longer offer us a serious model for strategic purposes. He argues that the special conditions of a "crumbling feudal Absolutist order", its weakness of parliamentary-type representative institutions is what enabled Soviet-type institutions to emerge and secure a near-monopoly of "general political representation". In short, that the experience of dual power as in Russia must be considered exceptional. The Leninist strategy for seizure of power to which the Leninist conception of a workers vanguard party is tied, is thus of increasing irrelevance except perhaps where bourgeois democratic institutions are very weak or non-existent [Blackburn 1992].

The least that can be said about this view is that the jury is still out. Every major revolutionary process at least when it has reached the point of a pre-revolutionary crisis witnessed the emergence in some form – embryonic, infant or adolescent – of organs of direct democracy and rule, i.e. organs of potential or actual dual power. This was so, as John Rees correctly notes in his rebuttal of Blackburn, the case in 1919-23 Germany, in the Finnish Revolution of 1918, in Bela Kun's Hungary, in Spain in 1936, in Portugal in 1974-75, in Chile (a country which had perhaps the strongest tradition of bourgeois democracy outside the advanced capitalist world) in 1972-73 [Rees 1992].

However, there is a hidden nugget of perception in Blackburn's argument which needs to be excavated. Soviet-type bodies were based primarily on workplace representation. They were quintessentially the expressive organs of worker or producer interests. Their level of strategic importance corresponds closely to the level of strategic importance of the working class. Some notion of vanguard organisation may indeed be indispensable as long as the bourgeois state exists and needs to be confronted. But how necessary is it that we strategically focus on the creation and consolidation of a vanguard *working class* party? Is this not outmoded? Insofar as the Leninist party meant not just a vanguard organisation but a vanguard workers organisation, is not its time largely up? Not so much because of its presumed iniquity or vanguardism, or its supposedly faulty strategic commitment to dual power, but because of the profound politico-strategic implications of the transformation of the proletariat and the working class movement in the era of late capitalism? What is being criticised as irrelevant here, it should be noted, is not specifically the 'Leninist strategy' but the broader category of working class-centred political strategies for socialist transformation of which Leninism is a distinct sub-category.

The classical vision of the role of the proletariat as the 'universal class', the strategic actor in the struggle for socialist revolution has not been disproved. But it has been rendered more problematic. The working class both would and could make the revolution. It would, because its 'objective' interests drove it to want to do so. It could, because (a) it was at one and the same time the majority in an industrialised society as well as being strategically located at the heart of production; (b) the very processes of capitalist production would, on balance, objectively reinforce its sense of collectivity and its status as an increasingly self-aware collective actor.

But in late capitalism two developments have greatly disturbed the classical perception of the role, direction and capacities of the proletariat. First, the ethical or subjective inspiration for committing to the socialist project has become relatively more important compared to the motivations that would seem to more 'naturally' flow from one's 'objective material interests'. As such, groups and individuals ethically committed to socialism, whatever their class position, have become more important. The actors which have done most to transform post-1945 capitalism, have been the 'new social movements' based on identities other than class. These movements have been motivated by other than class interests, often by moral outrage and by their determination to subvert 'accepted' cultural meanings and values. These social movements may not substitute for the role of the working class in the overall socialist project but significant currents within them cannot be ignored. They must be part of the combination of agencies/actors that strive for socialism and whose consolidation is a primary strategic-political task. Second, the increasing segmentation and differentiation within the working class has made the organisation of even elementary class unity and independence considerably more difficult and complicated.

The overall result is a diminution of the importance of the industrial working class and therefore of all theoretical-political strategies which implicitly or explicitly have had just this working class at the heart of its strategic perspective. The Leninist concept of the vanguard working class party was one such strategic perspective. It was premised on the centrality, progressively so, of the working class (and of the industrial working class component within the wider category of wage earners) to the strategic alignment of forces fighting on the revolutionary battlefield.

If the Leninist concept of the party needs to be carefully reassessed (though not casually discarded) it is because the role, inclinations and capacities of the working class in late capitalism needs to be carefully reassessed. Furthermore, the kind of socialist

organisations that are required at any point of time is always connected to the kind of tasks required to be carried out.

The historic impact of 1989 cannot be minimised. The very project of socialism being questioned as never before. Disillusionment about the desirability and feasibility of a socialist alternative has never been greater. For the first time since Marx and the rise of industrial capitalism there is a sense that the big forces of history are no longer moving "our way". Never before has Lukacs's notion of the "actuality of the revolution", by which was surely also meant its immediacy, seemed more remote and unreal.

What is required today is not so much the forging of the instruments of revolution but the rehabilitation of the very idea, possibility and necessity of a socialist alternative itself. It is, in short, time for a much more ecumenical approach by all currents with the broad socialist tradition. Leninist currents can and must be a part of the constructive team for consolidating just such ecumenism. The organisations that will most conduce to this task are likely to be looser and politically more eclectic and diffuse than vanguard structures. This is not a demand for the dissolution of the latter, nor an assertion of their historic irrelevance. But it is to suggest that the primary task confronting socialists today to which Leninists among many can contribute, is other than a singular minded or exclusive emphasis on the construction of vanguard political formations. Leninists must learn to work 'pre-Leninist' or 'non-Leninist times, as were.

THE 'LENINIST' STATE

Let us return, however, to the other road traversed by anti-Leninists, *albeit* by a few. Travellers on this route put the onus for the emergence of post-October authoritarianism not on the Leninist concept of the party, i.e. not on the thesis of substitutionism, but on the Leninist concept of the state, i.e. on the presumably an liberation authoritarian thrust of *State and Revolution*. Easily the most important systematic proponent of this line of argument has been A.J. Polan, although echoes of it are found elsewhere among the critics of the authoritarian dangers of Marxist utopianism.

What Polan has done is to go one step further – to attack not so much 19th century Marxist utopianism but Leninist utopianism as it sought to advance and develop Marx's concept of the commune-state. In attacking Leninism as its strongest point, his very vision of an alternative to the bourgeois state and to bourgeois democracy. The purpose of Polan's assault is not spelled out but it is clear enough to defend bourgeois democracy as essentially untranscendable.

But his way of carrying out this assault

is consciously anti-historical. He refuses to see the writing of *State and Revolution* as practically motivated and thus has no explanation for the 'puzzle' of why it was written, when it was. Unlike others who argue that the problem of Leninism in power was that it was insufficiently guided by the principles and values of the text; or others who insist that it was the rapid failure of its attempted implementation and its increasingly obvious inapplicability that consigned it to the theoretical closet, Polan argues for an altogether different link between text and context, between Leninist precepts and Leninist practice.

His argument allows him to ignore the study of context altogether and to confine himself to the 'purity' of the text, and thus to Leninism unscathed by practice. The link he postulates is one of "cultural effect" between the text and subsequent events, i.e., the creation of an ethos or spirit that 'infused' the politics or rather anti-politics of Leninism in power. Polan is thus absolved of the responsibility of having to show how the principles embodied in *State and Revolution* were causally related to specific authoritarian policies of the post-October government. The argument is conducted on a more ethereal plane impervious to empirical refutation or confirmation.

But this method which clearly makes for bad history is also in a key respect more relevant for contemporary purposes. It helps Polan to concentrate on crucial questions concerning the feasibility and desirability of a proletarian state and of proletarian democracy. The principles and values embodied in Lenin's *State and Revolution* are ones which most anarchists, libertarians, Trotskyists, and many other kinds of anti-Stalinist socialists would still uphold in their quest for a qualitatively superior form of democracy than that existing anywhere today. In this sense the conception of the state elaborated upon by Lenin in *State and Revolution* is not strictly identified or widely seen as 'Leninist'. Polan seeks to show the iniquity and irrelevance of these principles and values and of the institutional recommendations and biases that flow from them. First, he attacks the philosophical foundations of direct democracy and the commune-state which he believes is based on the totalitarian impulses of 'general will' theory. By contrast all democracy means "discursive will formation" which is only possible in a "polity that is composed of voluntary associations of individuals who are legally constituted as trans-situational citizens..." Any notion of a viable and more primary producer democracy is a dangerous chimera, as also the striving for an asymptotic convergence of state and civil society.

Second, he attacks any notion of the possibility or desirability of a 'withering away' of the bureaucracy. All modern

societies, contrary to Leninist or Marxist intuitions, must involve the deepening and consolidation of the bureaucracy as a social layer and must recognise the abiding worth of bureaucratic expertise. Weber is strongly counterposed to Lenin. All one can do about the bureaucracy is to control and check it. It cannot be progressively eroded nor its functions usurped through 'self-administration'.

Third, all attempts to replace indirect forms of representation and authority by more direct and mandated forms of representation and authorisation are a recipe for disaster. One of its most pernicious consequences is the attempted conflation of legislature and executive functions at different levels. But to so conflate legislator, civil servant, minister and critic is absurd, impossible and dangerous. A direct democracy has no space for the opposition to behave simply as opposition. Fourth, the commune-state is not federalist, as it should be, but is centralist and therefore always more open to an abusive centralisation of power.

The force of these criticisms is a real one. But Polan spoils his case by an excess of zeal and a narrowness of vision. For him the search for a better democracy than the socially and economically iniquitous and the politically elitist democracy of bourgeois society is a fruitless one. There is no point in wasting one's time in modelling an alternative democracy even at the theoretical or intellectual level. For him, the only lesson of the Leninist and Marxist past is not the need to elaborate, modify or discard from the stock of themes regarding democracy, state and bureaucracy that constitute our socialist tradition, but simply and categorically to reject it altogether. That is why his book is not entitled *Lenin and the Underdevelopment of Politics*, a reasonable and more accurate charge, but *Lenin and the End of Politics*, a caricature and a canard.

We can at this point in this paper take leave of Polan and Leninism though reminding ourselves that we must nonetheless build on the legacy of classical Marxism – the lineage that runs through Marx, Engels, Lenin, Luxemburg, Trotsky and Gramsci – as well as on the bequests of other currents within the socialist movement. The crucial intellectual project that faces us today is drawing up an alternative model of democracy. The crucial political project will be to try and convince hundreds of millions that such a model is not just workable but worth the risks of fighting aggressively and continuously for it.

Only some general observations will be made concerning the first of these: the intellectual task of drawing a rough blueprint of a socialist democracy transcending capitalist liberal democracy. For those who would still cling to Marx's view that we cannot and should not attempt to draw even

the roughest of blueprints, one can only reply that "times have changed". This is one opinion however hallowed by its descent from Marx, that must be firmly contradicted. We do have to try and compose in advance some of the 'music of the future'.

II

The construction of a desirable alternative model to bourgeois democracy is perhaps the easier of the tasks confronting socialists. Feasibility has two aspects. The first concerns the workability of an alternative model, its plausibility of functioning. Indeed, the desirability of an alternative is greatly enhanced if it can persuade of its workability. The second aspect is the most important and the one that this paper in its concluding reflections on matters pertaining to the state, bureaucracy and democracy will not touch. This is the problem of the feasibility of means, of reachability rather than workability. This is the realm of political strategy. One has in mind here the bourgeois democracies. It is here that a superior model of democracy is likely to be established both in the course and as a result of a successful socialist revolution. And it is in these very societies that the difficulty of making a successful socialist revolution has been greatest.

C. B. Macpherson is surely right when he reminds us that if we are able to resolve the key problems of how to reach this model of superior democracy, i.e., carry out a successful socialist revolution in existing bourgeois democracies, especially in the advanced ones, then we will have gone a long way in overcoming the problems regarding how to run such a model of democracy [Macpherson 1977:98].

In what follows only some brief general principles will be put forward to defend the idea of an alternative socialist democracy by engagement with some counter arguments thrown up by those who claim that advanced capitalist liberal democracy barring some minor reforms is untranscendable. The necessity of a socialist transition is taken for granted. No sustained arguments are put for why this is so. But do we need to remind ourselves that gross global inequalities, the existence of mass-scale privations and the impossibility of an economic system based on the 'law of Moses', i.e., constantly expanding accumulation of capital, to cope adequately with global ecological problems, should be reasons enough to confirm the validity and urgency of this search for a societal alternative to capitalism?

PHILOSOPHICAL RATIONALE

Liberal democracy which concentrates on political democracy and political rights to the exclusion of basic social and economic 'rights' and of social and economic democracy, rests on the philosophical

argument that negative freedom is the main kind of freedom that should be pursued and defended. Attempts to pursue and defend positive freedom (i.e., a notion of freedom that goes beyond the liberal idea of restricting the state from interfering with the 'liberty' of citizens), to argue for the enhancement and fulfilment of the goals of all-around self-development, individual capacities, social and self-mastery, will lead to disaster. Freedom (understood as negative freedom) is largely counterposed to equality in contrast to the radical socialist view that equality is central to any meaningful notion of freedom. Indeed strong equality is said to be vital for strong freedom.

At the philosophical level the defence of the need for and superior worth of positive freedom and its equal distribution is hardly a problem. Nor is it possible to carry on with the view that freedom and equality are to be traded off against each other. All notions of freedom involve an inescapable and central commitment to some kind of equality. As Amartya Sen points out, they differ in regard to 'equality of what'? [Sen 1984, 1992; Gould 1990].

SOME CONTEMPORARY QUESTIONS

Classical marxism was committed to the notion that it was necessary and possible for there to be the progressive withering away of the bureaucracy, the state, the market, private property relations, and market relations like money, the commodity form, etc. Moreover, there could and should be the progressive convergence of state and civil society. This is in direct contrast to the fundamental axioms of capitalist liberal democracy. The bureaucracy endures and grows as society advances industrially and it is desirable that this happens. But the dangers of bureaucratic growth and power must be checked and controlled.

The market far from withering away must endure and prosper. It is, along with private property relations, the economic bedrock for the existence of a separated political democracy. The state cannot progressively withdraw though its role should be defined clearly either as the minimal state of right-wing conservatives or the welfarist state of liberal persuasion. State and society must remain apart as separate domains though the former encroaches on the latter.

Who is more right? Is it feasible or desirable to want or strive for the 'withering away' of state, market, private property in the means of production, the bureaucracy, and to try and merge state and society? The lessons of 72 years of 'actually existing socialism' would suggest an 'in-between solution'. The idea of the withering away of state, bureaucracy, all private property relations, and the market is a useful signpost to show the direction that contemporary societies must move in. That is to say, the scope of

three – state, bureaucracy, private property relations – can and should be significantly reduced, qualitatively so from the levels that exist today. On the fourth, the market, the case is more uncertain and clouded.

Certainly the classical vision of a constant or continuous process of withering away of state, bureaucracy and market seems neither feasible nor desirable. Some minimum level of state, bureaucracy and market/market relations/money seems unavoidable. The classical perspective rested on the assumption that the overcoming of scarcity, i.e., abundance was possible. This notion of abundance was never an absolute one. It meant a saturation of most needs where a hierarchy of needs was postulated. The more recent and widespread recognition of the existence of 'population limits' (something that the classical view has consistently ignored or rejected) suggests that any socialism that emerges on a global scale will have to content itself with, on average, lower levels of industrialisation and lower levels of consumption than exist in the advanced capitalist countries.

In short, socialism will probably have to be much more a conscious ethical choice than something that emerges out of the institution of an economic system which promises greater productivity than capitalism. One is not advocating Mao's 'socialism of austerity'. One is taking of a 'socialism of comfort' with an average work week that is halved from the prevailing norm. But this level of comfort if it is to be globally generalised will have to involve a lowering of mass consumption standards already reached in the west and Japan.

In the classical vision, abundance was not a physical notion but a psychological one. But it was always assumed that this 'psychological revolution' of life under socialism-communism had its material roots in the superior productivity and more plentiful production and availability of goods and services than under even advanced capitalism. It is this link that now needs to be reconsidered. The 'psychological revolution' is now perhaps as much the precondition for the institution of socialism than just the 'natural' accompaniment of the consolidation of a socialist economic system.

THE BUREAUCRACY

The great strength of Weber's theory of the bureaucracy was his willingness to address the growing complexity of modern life, both in the economic and political spheres. He saw much of the impetus for the emergence and consolidation of the bureaucracy in its technical superiority to other systems of co-ordinated decision-making. He could thus provide insight on the substantial autonomy of the bureaucracy and on its 'inevitability' in any modern

society. Unlike the classical Marxist tradition then, Weberians were much less likely to underestimate the importance of the bureaucracy and the difficulty of replacing it by more direct forms of self-administration. The history of so-called socialist regimes suggests that Weber was more prescient and perceptive on this score than Marx or Lenin.

But Weber's great weakness was his refusal to inthricate his theory of the bureaucracy in a theory of class power and thereby open up recognition of the possibility that a decline in or elimination of the latter could lead to a decline of the former. Indeed, Weber would insist that only a regime of private property could provide a major check on the bureaucracy. Weber and Schumpeter rejected the notion of the state as the embodiment of popular sovereignty and saw democracy as simply the method or procedure for restricting and periodically replacing political authority which must necessarily be invested in the career party politician. Such a democracy can never go beyond the bounds of a competitive elitism. Modern life is the coeval rule of the technical expert and the career politician, and cannot really be anything else. Weber, in effect, outlaws the possibility of radical political, social and economic changes, and by so doing scotches all efforts to expand the realm of democracy and self-administration in these spheres.

Weber recognises the tension between bureaucracy and democracy but gives a final 'resolution' to it. There is no prospect of qualitatively enhancing democracy. At its core, Weber sees the root source of the bureaucracy in modernity's need for rational administration. But what he does not see is that this rationality does not operate in a social vacuum. It is decisively marked by wider social relations, e.g., of class power. Thus the notion of what is 'rational' is itself partly determined by class or social position and can change depending on the changing balance of class and social forces. Furthermore, even the rationality that the bureaucracy possesses for dominant classes or for itself is a partial rationality locked into a wider irrationality reflecting the basic dialectic of rationality-irrationality of capitalism itself.

The first suggests the feasibility of reducing the bureaucracy the second the desirability. But a general empirical and sociological survey of political and corporate bureaucracies over the last 50 years would indicate that there are a range of possibilities to Weber's strict top-down model of decision-making and concentration of authority and power. Both life and theory have partially transcended Weber's elitist and pessimistic vision of democracy and bureaucracy.

In its broad sweep, if not in its extreme optimism, Mandel is right to stress our ability to reduce and weaken bureaucracy.

by the transformation of its political, social and economic preconditions [Mandel 1992:197-210]. Politically, the keys are (i) decentralisation of power through a combination of federal and democratic centralist (pyramidal) forms of devolution and direct democracy, and (ii) the expansion of mass access to information and the progressive reduction of spheres of secrecy. Socially, the keys are (i) the expansion of mass education and the institutionalisation of free or cheap access to high levels of learning and (ii) the dramatic reduction of the working week. Only then is it objectively possible for people to self-administrate and participate in decision-making in more and more of the areas that affect their lives, directly or indirectly. Economically, the keys are (i) the 'psychological revolution' mentioned before, and (ii) the elimination of the enormous 'waste' that accompanies capitalist production, e.g. much of advertising and retailing costs, much of the resources devoted to military expenditure, and to setting up the kind of specialised, e.g. legal and tax-accounting, services to protect the class wealth and power of the rich.

THE STATE

The central question here is the articulation of the institutions of direct and indirect democracy. This remains a grey area of debate among democratic socialists. It is no longer a question of seeking to wholly replace an indirect parliamentary system of governance with a pyramidal system of direct democracy, i.e. a Soviet-type system. This is so at least for two reasons. First, the very fact of a prolonged historical experience in many countries with some kind of a representative parliamentary system has enabled it to enjoy deep popular endorsement and commitment. Such institutions are unlikely to be 'bypassed' in the actual historical process of transition to socialist democracy. In this respect the Bolshevik experience should now be seen as an exception rather than the anticipation of a general norm.¹ Second, there has been a significant revaluation leading to greater recognition of some of the weaknesses of the Soviet or pyramidal system of direct democracy and of some of the strengths of the representative parliamentary system.

A nationally co-ordinated pyramidal system especially where countries and populations are large, can be, in practice, an extremely indirect form of democracy. Even delegate meetings especially the lower down in the pyramid you go, become extremely cumbersome because of their size, and effective policy-making and its overseeing devolves on much smaller executive committees who can wield inordinate power. At the upper levels or at the top of the pyramid, revocability by the masses at the bottom becomes very difficult because the

chain of revocation must pass through each tier in the pyramid.

There is much to be said for a direct relationship between the mass of citizens and a directly elected council/parliament/assembly at the top which can represent the former through a competitive party system. Such elected representatives should be subject to the right of recall. Furthermore, some system of checks and balances must operate. Though the judicial system should be democratised, e.g. with elected and recallable magistrates, the principle and practice of an independent judiciary, and of a binding constitution, must be preserved.

The crucial question, historically, has been where the centre of gravity of a proletarian democracy or of a state representing the 'dictatorship of the proletariat' should lie? The usual answer has been that the tilt should be to those organs that represent the individual as producer rather than as citizen. Therefore it is the Soviet-type institutions that must have primacy over the citizen-based parliament-type institutions. But this general principle leaves very much open the ways in which the distribution of authority between different institutions is to be organised. In fact, if self-administration is to be qualitatively enhanced and enacted in practice, it will mean a very significant reduction in the powers and responsibilities of national-central governance whether of the Soviet or parliamentary type. The state will not disappear but it will become weaker.

A third feature of this model of participatory democracy will be the institutionalisation of workplace democracy. At the level of the enterprise, factory or producing unit, control by direct producers is a must. Socialisation of property and workers self-management cannot mean the state deciding the mechanics of production and investment at the micro-level. Moreover, in cases where production in a unit (whether of goods or services) is not for a general market but for identifiable sets of customers/beneficiaries, then those who enjoy the goods and services must also be represented in these macro-processes of deciding what is produced? how much? etc.

Much of the above discussion remains exceedingly vague. Both limitations imposed by space and by this author's inabilities are to be blamed. But there have been attempts to develop in greater or lesser detail, the outlines of a viable model of participatory democracy combining direct and indirect institutions of democratic decision-making, plan and market, centralisation and decentralisation. These are well worth serious study [Gould 1990; Held 1987; Macpherson 1977].

THE MARKET

There have been three approaches to the question of the market under socialism. There is the classical approach which insists on the

withering away of the market as principle co-ordinator and allocator of resources. The domain of the freely distributed must grow continuously. Money must progressively disappear as a medium of payment and as store of value. Democratic planning of the economy must be institutionalised through open political processes involving pyramidal structures of congresses of different kinds of producers/consumers. A central government would retain certain macro-economic functions concerning credit, implementation of the 'broad' guidelines of a National Plan democratically selected from alternatives after nationally organised debate [Mandel 1986, 1988 and 1992].

The other two approaches can be called the 'market socialism' approach [Nove 1983] and the 'socialising of the market' approach [Elson 1988]. It is not very clear how different the third is from the second but it sees itself as a 'third way' between the first and the second avoiding the pitfalls of both and combining their respective strengths. For 'market socialists' there is either the cash nexus (market as co-ordinator) or the rules nexus (bureaucracy as co-ordinator) or some combination of the two. The first and the third approaches believe that there is a third kind of co-ordinating nexus – objective informal co-operation but differ over how to institutionalise it; whether the social character of the market (money, prices) is irredeemably anti-socialist and must eventually be discarded or whether its social character can be transformed so that the market becomes a tool in the enhancement of socialist relations.

What makes the first approach, i.e. the movement towards a money-less and price-less economy theoretically unconvincing, at least up to now, has been its inability to answer the 'dispersed information' argument of Mises and Hayek in the Austrian neo-classical school. The fragmented and contextual character of much economically relevant information, whose knowledge can only be known to specific entrepreneurs or would-be entrepreneurs cannot but escape central planners and would not be acted upon by some process of collective democratic decision-making. Only the entrepreneur would, in most cases, be willing to 'back his hunches' and 'suffer' the (market) consequences. Only the market allows for such effective use of fragmentary information in a world of unavoidably dispersed information. All forms of planning, even the most democratic, involve aggregation of information/knowledge, a process in which there is unavoidably a 'loss'. These also involve, no matter how decentralised the planning process (which must also retain mechanisms of centralisation), a separation between the point of knowledge and the point of will or action, that is a comparative handicap.

The claim that 'truly democratic planning' via the institutionalised active consultation of given producers and consumers would be better than the market in co-ordinating information and sending appropriate signals, i.e. be a better allocative mechanism, simply does not give this problem of 'dispersed knowledge' its due weight. The 'simulated market model' showing the possibility of achieving general equilibrium without the presence of a capitalist market and the private property ownership system on which it rests is once again helpless against the force of this Austrian critique.

The market is to be preferred not because it is the best system of clearance of supply and demand in a world of multiple exchanges but because it copes with constant change, uncertainty and imperfect knowledge (which must characterise all economies) better (more efficiently and with greater encouragement to innovation) than any other mechanism. The innovative risk-taking capitalist entrepreneur rather than the efficiently allocating capitalist market lies at the heart of the superiority of the capitalist economic system [Scott Arnold 1990].

The challenge confronting Marxist economists is to establish a case for socialist self-management and public enterprise that based itself on the dispersed character of economic knowledge and refused the tempting delusion of totally planned outcomes.¹ [Blackburn 1991: 38] Can this be done without markets? Can such markets be divorced from their capitalist institutional underpinnings and can they be made to do such a job?

Only a thoroughly decentralised economy can hope to cope with the problem of dispersed knowledge adequately and can be compatible with genuine socialist democracy. More socialists than ever before, rightly or wrongly, believe that such a decentralised economy must not reject markets absolutely. They must not chase the chimera of a completely commodity-less economy. They may have to learn to live with the market even as they seek to substantially transform the institutional context (property relations, workplace relations) in which the market, money and prices operate.

To conclude, the first steps in fleshing out the case for a socialist economic system will have to be undertaken within the existing framework of capitalism. For some time to come the central strategic perspective will be the transition to the transition rather than the transition to socialism. That is to say, the reconstruction of a feasible and desirable vision of socialism and the creation of a growing mass commitment to its fulfilment will itself require partial successes in the reshaping of capitalism in an egalitarian, humanitarian, indeed in an anti-capitalist direction. All this is at some remove

from the more classical debates and preoccupations in the marxian socialist tradition some of which have featured in this paper. The urgency of those debates assumed the actuality of the revolution in more than just an epochal long term sense. But the changed strategic perspective is forced upon us by the asymmetry in the intensities between the "crisis of socialism" and the crisis of capitalism. That still leaves socialists, marxists and others with a very significant agenda of concrete tasks. It is more than enough to be getting along with

Notes

[An earlier draft of this article was presented at a Socialism Study Week organised at the Indian Institute of Advanced Studies, Shimla, in June 1993. I am grateful to all the participants present there for their comments on the earlier draft. Particular thanks to Javed Alam.]

1 It is in the period of post-October rule that a Jacobinist notion of vanguardism was theorised in order to justify the Bolsheviks holding on to power in the name of a decimated working class and a peasant population increasingly hostile to Bolshevik rule. This notion of vanguardism is well summed up by a former Trotskyist Leninist turned opponent T. Wohlforth. The interests of the working class are expressed through the thinking and practice of a section of that class organised into a vanguard formation—the ruling communist party. Indeed, how else could Bolshevism justify its rule in the face of growing opposition by peasants and growing sections of the working class as well?

Given the then existing alternatives one can agree that the Bolsheviks should have sought to hold on to power but without endorsing the rationalisations they provided to justify this. [See T. Wohlforth 1992]. In general, however, Wohlforth's assessments are unbalanced and often unfair to the tradition he is repudiating. For a more sober view recognising the Jacobinist lurchings of late Leninism (Leninism in power, especially in its last phase) but doing much to show how inadequate the Jacobinist thesis is when applied indiscriminately to Leninism, see N. Harding (1983).

2 No political current, not even the workers' opposition nor the Anarchists and Anarcho-syndicalists, developed a set of systematised ideas about the relationship between enterprise democracy and socialist planning. Though on almost every specific issue of workplace democracy some current or the other put forward what we would in retrospect perhaps consider the better and democratic alternative to the centralising and anti-democratic perspectives of Lenin and Trotsky and the right Bolsheviks (right and centre here being a reference not to permanent biases on all major issues but only in respect to democratisation of work relations, i.e. transformation of relations in production).

The most consistent worker democrats were to be found in the factory committees often shifting their political allegiances or even

critical sometimes of all the parties. The argument that enterprise democracy (more power to factory committees) would have strongly negative effects on productivity due to their parochial and local outlook [F. H. Carr (1966)] endorses this view used by Leninism in power to justify top-down control of workplaces and of the production process. It has been criticised most strongly by S. A. Smith (1985) who is most factory committees were rightly concerned about raising productivity in view their efforts to enhance workers' self-management and autonomy is strongly conducive to this. [See also C. Sirrianni (1982)].

But though the Leninists were particularly bad on questions relating to workplace democracy, most worker committees did not have an adequately comprehensive vision of the importance of factory democracy to the economies and politics of the transition to socialism. Thus P. Fitz (1990) while fiercely critical of Leninism and Bolshevism, as the decisive drawback was that the Russian working class was itself divided (factory committees usually comprised the more skilled male workers) and lacked the unity, collective vision and determination to take over themselves. Thus the number of factories where workers asked Soviets to nationalise them was far greater than the number of factories actively seized. While factory committees resisted trade union attempts (abetted by the right and centre Bolsheviks) to dominate them, they themselves never put forward systematic perspectives to have the unions subordinated to the factory committees.

3 See A. Vanrik (1986). This article combines a review of N. Carr's book (1986) with original analysis to show how distorted so many interpretations of the Leninist concept of the vanguard party have been. It was written as a direct rebuttal of the views promoted by a small but influential circle of Indian intellectuals/students who had become Trotskyist Leninists of a kind in the course of their development as anti-Stalinist Marxists only to subsequently become anti-Leninists and non-Trotskyist/Trotskyists. It is not in the least a coincidence that even in their Trotskyist Leninist phase they had no serious engagement (intellectual or political) with the most important political/organisational embodiment of Trotskyist Leninism, the Fourth International. These anti-Leninists ascribed to Lenin and Leninism what can be called an injectionist thesis of the development of socialist consciousness which was seen as equivalent to theoretical knowledge where the doctor giving the theoretical injection is the party intellectual and the passive patient the non-party working class and the party misses. Even some highly sophisticated analysts producing works of very real merit have fallen prey to this erroneous thesis. A few of them have recognised that there is an ambiguity in 'What is to be done?' in regard to the injectionist thesis but have left it at that while coming down on balance in favour of indictment on this count. Regarding the verdict of anarchist/substantivist Leninists, see C. Sirrianni (1982) and F. Carr (1989). Their verdict and indictment could not have

been logically sustained if they had investigated this ambiguity to see where the balance of plausibility in interpretation of the text actually lies. For fuller treatments of the falsity of the injectionist thesis, indeed its decisive refutations, see N Geras (1986) and N Harding (1983). Geras's exposition, in particular, is outstanding in its textual clarity and balance.

Regarding early (1917-18) contextual evidence of Leninist authoritarianism, one is often provided by anti-Leninist socialists with the staples of liberal interpretation, particularly in regard to the dissolution of the constituent assembly. Limitations of space here, and the fact that this issue is very much at a tangent to the central concerns of this article, prevent a fuller contextual, historical criticism/rejection of these standard liberal claims voiced by anti-Leninist socialists as well. The fact that they are liberal claims does not, in itself, of course, make them wrong.

- 4 Harding (1983) is categorical on this point, insisting that Lenin actually tried to implement some of the key perspectives of State and Revolution in the first months after the October insurrection.

- 5 For a clarification of the political essence of Leninist vanguardism, see A Vanak (1986). E H Carr has commented on the unique vibrancy and exceptional quality of political debate within the Bolshevik party in its heyday, unmatched by any party anywhere before or since. In this day, no bourgeois democratic party and no anti-Leninist socialist party (neither Eurocommunist nor Social Democratic nor Maoist/Stalinist parties claiming to be Leninist) have ever institutionalised tendency and faction rights within their respective parties.

Yet this is the best guarantee of party internal democracy: the best check on the formation of durable political elite able to manipulate other levels of party membership. Very briefly during the Prague Spring, and Gorbachev's glasnost, the issue of institutionalising tendency and faction rights surfaced, only to subside as bourgeois democratic forms of party and non-party organisation became the new lodestar. The only parties anywhere in the world to institutionalise tendency and faction rights (something that Socialists who condemn Leninism in the name of wanting greater democracy should surely endorse) are self-consciously Leninist vanguard parties belonging to the Fourth International. The late R Miliband and L Panitch, while rejecting the undemocratic character of Leninist/Trotskyist vanguard parties, have always been markedly circumspect in criticising the supposedly undemocratic internal life of the Fourth International and its members. With good reason: there are no examples of any other socialist parties which have a more democratic party constitution or a more democratic practice of internal political debate and decision-making.

Non-party formations or movement structures focused on a single issue or sector of oppression can, of course, have much looser and consensual forms of full participation in decision-making. I.e. claim to be more

democratic. It is in the inter-party comparisons that the best Leninist parties come out so well. Anti-Leninists should ponder if they are so inclined as to whether this is in spite of democratic centralism or because of it? Many anti-Leninists might also ponder over the fact that well after the principle of democratic centralism had been constitutionally enshrined, Lenin suggested in 1906 the institutionalisation of a membership referendum on key political questions. [see E Mandel 1992]

- 6 Polan sees the authoritarian Bolshevik party as a subordinate cause of the rise of an authoritarian state under Bolshevik rule. He is reluctant to attribute too much to the Leninist party because he recognises that non- or anti-Leninist parties, socialist or bourgeois, also suffer from the same basic failings, sometimes even more so. Thus, the Leninist party has no monopoly of the trait of excessive rigidity or of the trait of elite manipulation or of the trait of self-righteousness, e.g. claiming scientific correctness for its ideological claims.
- 7 See R Blackburn (1992) and E Mandel (1992). The latter's view is particularly noteworthy as he is widely regarded as a champion of orthodox Leninism. All these torments of direct democracy, and several others could be suggested, are not substitutes but complements to universal suffrage institutions. After the traumatic shocks of fascist military and Stalinist dictatorships, the working masses throughout the world are deeply committed to free democratic elections to parliament-type bodies. It would be suicidal for socialists to set themselves against that commitment in the name of some spurious dogma echoing the arguments of the Bolsheviks and the Comintern between 1917 and 1921. [Mandel 1992: 201]
- 8 See N Scott Arnold (1990) for an unimpressive elucidation of the Hayek/Mises argument and on how Socialists and the socialist calculation debate never confronted the force of this particular criticism, but only sidestepped it. In general, Arnold's book is one of the most serious and sophisticated right-wing critiques of the very possibility of an alternative to capitalism i.e. Marxian socialism/communism. Anathema though his conclusions may be to most Marxists, they will only be seriously considered and evaluated by giving his book the kind of serious interrogation that it deserves. His arguments cannot and should not be casually dismissed.
- 9 The answer to the first question is probably no. The answer to the second is probably yes [see J Roemer 1993]. The merit of Roemer's version of market socialism is that it makes no claim to being the only feasible, let alone desirable, socialism, and no claims therefore to being the proper long-term goal of socialists. Roemer is much more concerned to flesh out the practical details of what might be the initial yet significant forms of structural transformation, which are good in themselves, and which can also convincingly open up vistas of developing alternatives to capitalist institutions/capitalism. He deals in a practical and impressive fashion with modelling what I have called the 'transition to the transition'.

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Making Kerala Model More Intelligible

Comparisons with Sri Lankan Experience

Rex Casinader

Sri Lanka shares with Kerala the achievement of remarkably good social indicators in terms of literacy, life expectancy, fertility decline, low infant mortality rate, etc. And like Kerala this achievement is made the more remarkable because it was made in the context of slow economic growth.

While there are significant differences between the political economies of Kerala and Sri Lanka, a significant commonality is the presence of marxist/radical parties in mainstream politics. An unpacking of this commonality, with some critical variations inscribed within it, may contribute to making the Kerala model a little more intelligible. It may also provide some insights into the increasingly convoluted Sri Lankan development experience problematised by its ethnic pluralism.

ROBIN JEFFREY's review (*EPW*, March 5 1994) of Franke and Chasin (1992) presented an excellent overview of the arguments of the two authors to make the Kerala model intelligible. Jeffrey then makes an informed rejoinder that

Kerala's political activists grew out of a unique conjuncture of circumstances. Within such circumstances Jeffrey locates the importance of anomic/detractive savarna caste youths and avarna activists who confronted brahminic orthodoxy and orthopraxis. But Jeffrey's argument that Kerala's matrilineal past is also a crucial component is questionable. Jeffrey had made this argument in an earlier paper (1987) as well. That this argument may be flawed is suggested by the Sri Lankan experience.

Sri Lanka shares with Kerala the achievement of remarkably good social indicators in terms of literacy, life expectancy, fertility decline, low IMR, etc. And like Kerala this achievement is made more remarkable because it was made in the context of slow economic growth. In fact the Kerala model has also been referred to as the Kerala-Sri Lanka model [Timberg 1981]. In recent years Sri Lanka may be moving away from this model following the advent of a right-wing government since 1977 and their liberalisation policies and adoption of the World Bank/IMF structural adjustment programme, including some dismantling of the subsidies and social welfare package that had, among other objectives, sought to provide equitable access to health care and education. This may have been compounded by the ethnic strife and violence that has sealed up during the last decade. But it is a testimony to the human capital that the Kerala-Sri Lanka model creates that in spite of the difficult times that Sri Lanka is going through, her HDI remains remarkably high [Shiva Kumar 1991: 2345].

Unlike Kerala, Sri Lanka does not have a matrilineal past, so Jeffrey's assertion of the matrilineal past as being a crucial ingredient of the Kerala model fails to

explain the Sri Lankan experience. In Sri Lanka the Sinhalese and a majority of the Tamils do not have a matrilineal past. There is a small Tamil Mukkuwa community on the Sri Lankan east coast with a matrilineal past. But ironically this community is among the few pockets that lag behind the high Sri Lankan national averages in the social indicators referred to earlier.

RADICAL PARTIES IN MAINSTREAM POLITICS AND GOVERNMENT

While there are significant differences between the political economies of Kerala and Sri Lanka, a significant commonality is the presence of Marxist/radical parties in mainstream politics, a commonality that points to the legitimacy of the Franke and Chasin analysis. An unpacking of this commonality with some critical variations inscribed within it may contribute to the discourse to make the Kerala model a little more intelligible. This unpacking may also provide some insights into the Sri Lankan development experience being in recent times increasingly convoluted and problematised by its ethnic pluralism.

Since the formation of Kerala state in 1957, governments have alternated between the CPM-led Left Democratic Front (LDF) and the Congress-led United Democratic Front (UDF). In Sri Lanka too, since its independence in 1948, governments have been alternately held by the right-wing UNP and a centre-left coalition led by the centrist SLFP. This alternating in parliamentary government and electoral process has been in the Sri Lankan case broken by the unusually long hold of electoral power (1977 to date) by the UNP. This period saw ethnic relations become more violent and intense and has been perceived to be a period of erosion of some of the democratic institutions and decline of the strong trade union movement. The emergence of strong organised labour, politicised and linked to Marxist/radical parties beginning in the 1920s/30s in Sri Lanka, parallels the Kerala experience of the symbiotic birth of trade unionism and radical

political parties during the same period. But there are critical differences too that are raised later in this note.

The Sri Lankan left parties that developed during the 1930s included the Trotskyite LSSP and the Communist Party of Sri Lanka, both partners in the centrist SLFP-led electoral alliances and coalition governments since 1956. This validates Franke and Chasin's argument that the Kerala model was driven by left-wing political parties and ideologies. It may be recognised here that even during periods of right-wing governments, the policy trends continued because such governments sought to pre-empt further radicalisation by continuing the social welfare package of health care, education, food and public transport subsidies. This is exemplified by the critical place of rice ration/subsidies in Sri Lankan electoral politics and manifestos until 1977. It further strengthens the argument that the critical factor for the Kerala-Sri Lanka model is the presence of radical political parties in mainstream politics and government.

EDUCATED YOUTH, UNEMPLOYMENT AND POLITICAL MOVEMENTS

A fall out of the Kerala-Sri Lanka model that is problematic is educated youth unemployment. The economies of both Kerala and Sri Lanka were unable to absorb the increasing number of young persons who became educated due to the increasing accessibility of higher education. This may have been compounded by the phase of the demographic transition in both regions, also brought about by the health care features of the model that saw an increasing youth component in the age structure of the population. This phase may be only now beginning to get over. Imbalances within the educational system between technical and non-technical education may have intensified the problem of matching employment opportunities with job seekers.

Among the explanations put forward for the ethnic conflict in Sri Lanka is youth unemployment and competition for jobs and

access to post secondary education. The latter is increasingly seen as a prerequisite for competitiveness in the job market. These explanations have been extended to explain the youth character of the IJTF, JVP and other similar groups. In the case of the JVP, the conflict engendered by economic competition is more of a class character though an ethnic element is not totally absent.

Given that youth are searching predominantly for white collar and professional jobs, the youth movements have also been characterised as petty bourgeois because their job and social mobility aspirations are petty bourgeois in character. There is an element of stigmatisation in such characterisation and it is seen as coming from an orthodox Marxist position (or as Gail Onivedit (1988) characterises it 'proletarian fundamentalism') that sees only the working class as the force capable of ushering in structural change. Those outside it including the unemployed and underemployed are seen as backward looking and politically reactionary and not the historical bearers of any social revolution. Their Marxism if any is seen as adventurist. The CP(M) activists in Kerala are perhaps seen as part of this phenomenon and the increasing youth involvement in CP(M) activities is seen as supporting this analysis. There are however very significant differences between the CP(M) and the youth movements in Sri Lanka though some similarities may be seen between the JVP and the CP(M).

An issue of significance in a comparative examination of Kerala and Sri Lanka is the intense competition for employment particularly among educated youth and its potential implication for ethnic conflict. But for prospective Kerala entrants to the labour force the job market extends beyond its state boundaries. The net out migration from Kerala since the 1930s [Zachariah 1965/95] supports this observation. In contrast in Sri Lanka the job market is contained within the nation by the island character of the country. In the last decade there has been labour migration to the Middle East. Kerala too has made use of this labour market opportunity and the highest number of labour migrants from India to the Middle East are from Kerala. This is indicative in the Indian context of the relative willingness of Kerala job aspirants to be mobile. Obviously this capacity to be mobile includes the rest of India. This scope for a spatially extended job market perhaps helps to reduce competitiveness for jobs in Kerala.

LABOUR MARKET AND GENDER

An issue that needs to be researched is whether the labour market in Kerala is more segmented by gender than in Sri Lanka. If

this is so, then by relative greater exclusion on basis of gender the job market is rendered less competitive. But the data in the Table, which are relevant to this issue, does not suggest the likelihood of a markedly different gendered access to the labour market between Kerala and Sri Lanka.

The differing levels of the indicators on the status of women listed in the Table neatly reflect the differing scale of social development obtaining within India and compared with Sri Lanka. Some of them, such as age of marriage, female literacy and education have also been seen as contributing to other social development processes such as the fertility decline observed in Kerala and Sri Lanka. The common trends of Kerala and Sri Lanka are striking and validate their being classified as one type of development. The data does not suggest a significantly more gendered access to the labour market in Kerala than in Sri Lanka. However the slightly but consistently higher status indicators in Sri Lanka other than in literacy (column 6) are noteworthy.

Of particular interest for examining any gendered access to the job market is the female work participation rate and the percentage of females in non-agricultural activity. The higher rates prevailing in Sri Lanka suggest that the women have a slightly more open access to employment than in Kerala. More rigorous analysis is required breaking down work participation by occupation to identify what contribution-gendered occupations such as certain household industries, nursing, etc. make to the overall participation rate in both regions. This also needs to be done with data more recent than 1981 examining in addition the issue of the invisibility of some of the productive economic activities of women in census and other statistical data. This is not feasible in this note. The importance

of such examination is to identify whether the barriers to women's access to the job market differ between Kerala and Sri Lanka. Impressionistically it would appear that there are relatively fewer barriers for women to enter the job market in Sri Lanka than in Kerala.

The presence of a large female workforce in the Sri Lankan Free Trade Zone, the female labour migrants to the Middle East, female car park attendants, police women and female bus conductors in Sri Lanka are symbols of this, and stand in sharp contrast to Kerala. Among the labour migrants to the Middle East from Kerala females are negligible and confined to some health care professions. There is no free trade zone in Kerala. Female labour force participation in Kerala appears largely confined to gendered occupations such as nursing, teaching, clerical work and some traditional labour-intensive industries such as coir, cashew processing, textile weaving, etc. In Kerala bus passenger seating was until recently gendered and the recruitment of female bus conductors is a very distant or unlikely proposition.

What all this suggests is that there may be relatively greater constraints, some of them cultural, to female labour force participation in Kerala than in Sri Lanka, particularly in occupations that had been male preserves such as bus conductor and police. That educated young persons can perform. In Kerala then, there may be relatively greater gendered access to job opportunities that privileges males. If women's access to the job market is more limited than in Sri Lanka, then women are taking more of the brunt in job market competitiveness and are made to opt out as homemakers. If this is so then the job market in Sri Lanka is apparently more intensely competitive than in Kerala.

TABLE: SOME INDICATORS OF STATUS OF WOMEN IN SRI LANKA AND SELECTED INDIAN STATES

	1	2	3	4	5	6	7	8
Sri Lanka	10.1	24.4	17.1	33	12.2	88	49.1	48.5
Kerala	14.1	21.8	12.8	32	9.4	90	48.5	47.9
Punjab	14.4	21.1	3.1	5	2.2	65	45.0	39.5
Bihar	63.9	16.5	9.2	18	2.4	34	29.7	21.3

Columns

1. Proportion of females married in age group 15-19
2. Singulate mean age of marriage for females
3. Female work participation rate
4. Female workers as a per cent of male workers
5. Percentage of females in non-agricultural activities
6. Female literates per 100 male literates
7. Females as per cent of total school enrolment Grade 1-5
8. Females as per cent of total school enrolment Grade 6-8

Note: All data are for 1981

Sources: (1) For Indian States - Vaidyanathan, 1989, Table, p. 6

(2) For Sri Lanka - Dept. of Census and Statistics, *Population Tables, Preliminary Release No 2* 1982 (for cols 1, 2, 7 and 8)

(3) Dept of Census and Statistics - *Statistical Pocket Book*, 1983 (for cols 4, 5, and 6)

(4) Dept of Census and Statistics - *The Economically Active Population*, 1983 (for col 3)

because a relatively larger section of the population is not kept out of the job market on the basis of gender.

This is not to contradict what is implied by Jeffrey – women in Kerala occupy a better position relative to most other regions in India. Indeed one may argue that the broad north-south distinctions within India in gender relations and position of women improve on the southeast to southwest axis as well. Southwest-south Asia, meaning Kerala and Sri Lanka, may then be one of the regions where the position of women is *relatively* better in the context of south Asia. 'Relatively' has to be stressed, for there are a number of issues that clearly show that women are discriminated against or subordinated in Kerala and Sri Lanka on the basis of their gender. If we are to believe Vanessa Baird's journalistic narrative (1993: 13-14), feminist scholars such as Nata Durvy are sceptical of any gender equity or improvement having been achieved in Kerala. What is being discussed here is only the relative position and status of women. This is similar to the view that women in southeast Asia are said

...traditionally to have enjoyed a relatively 'high status' (enjoying economic opportunities, suffering few legal restrictions or damning stereotypes; participating in cultures where the sexes are construed in terms of complementarity and balance rather than differential worth). Likewise, constructions of 'womanhood' as a unitary and essential category are also undeveloped or are only now developing in response to such transnational processes as film, advertising, and tourism (Atkinson and Errington 1990: viii).

Errington goes on to cite Penny van Esterik who claims that "this alleged high status is accentuated by the contrasting male dominance characteristic of traditional Indian and Chinese societies" (Errington 1990: 1). Leaving aside for the moment the difficulties of defining 'high status' cross-culturally and the validity of homogenising traditional Indian and Chinese societies, observers have been struck by "the complementarity of men's and women's work and the relative lack of ritual or economic differentiation between men and women there [southeast Asia]" (1990:1). It is not my intention to examine the specifics of these claims in this note, but it is significant that similarities in political history and organisation have been seen between southwest India and southeast Asia (Subrahmanyam 1986: 361). Dale is more emphatic:

Certain aspects of the history and political organisation of Kerala are more intelligible when the area is thought of as one of the Hinduised states of southeast Asia rather than as an integral part of the south Asian subcontinent (Dale 1980:11).

Dale sees historical parallels between Kerala and southeast Asia in ecology, transport systems, cash crops, and commerce, and claims that Kerala shares most of the characteristics of the 'southeast Asian personality'. Franke and Chasin, while not drawing parallels to southeast Asia, argue that the Kerala model is influenced, apart from the political economy discussed earlier, by its unique ecology, maritime culture and role in Indian ocean maritime history. These latter features are shared by some of the southeast Asian states and Sri Lanka, particularly the southwestern quarter – the most densely populated region of Sri Lanka. Sri Lanka shares some of the political economy features of Kerala as well, but with some critical distinctions which are discussed below. These similarities further enhance the legitimacy of the Franke and Chasin analysis.

In this context it may be mentioned that Issac's (1986) use of a neologism in Malayalam, *gragara* ('gra' from 'gramam' [rural] and 'gara' from 'nagara' [urban]) to describe the mix of urban and rural landscape and economy in Kerala, has striking similarities to 'desakota' (McGee 1991) in the Javanese context. Desakota is almost an identical neologism coined in Bahasa Indonesia, with 'desa' (rural) and 'kota' (urban) to describe a similar socio-spatial landscape that exhibits an intense mix of urban and rural features.

Though there are dangers of historical geographical determinism in such comparisons and analyses, the acknowledged central role of the political economy of capital-labour conflict and radical ideology in Kerala-Sri Lanka reduces this danger. What is sought to be drawn out in this discussion is that part of the historical geographical/ecological contextualisation that may be shared by southeast Asia and southwest-south Asia may include the nature of gender relations and the status and position of women within them. It is perhaps this feature that Kerala shares, and not the specificity of its matrilineal past as claimed by Jeffrey, that influences Kerala's social history, including the Kerala model. This may make a little more intelligible the sharing of some of the social development features by Kerala and Sri Lanka.

COMPETITION FOR POST-SECONDARY EDUCATION

To return to the discussion on some comparative features of the Kerala and Sri Lankan development experience, the competitiveness in access to post-secondary education in Sri Lanka may also be more intense relative to Kerala. This is suggested because in some ways the Sri Lankan educational system up to the secondary level is more open and less elitist than the Kerala system at comparable levels. In the early

1960s all schools in Sri Lanka run by religious organisations that were financially aided by the state were nationalised. Shortly afterwards, all English medium schools were progressively converted to Sinhala and/or Tamil medium schools. There was just a handful private fee levying schools run by a few Christian organisations that were not state-aided and so not nationalised. But they too had to fall in line with government regulations on the medium of instruction. The Sri Lankan government had also since the late 1940s built a system of state central schools in both rural and urban areas that matched the privately managed schools in their facilities and quality of teaching staff, though sometimes perceived as unequal in social prestige relative to the older, privately managed schools. This obviously was the perception of the elites or elite aspirants.

In Kerala, too, there is a system of state schools, but the colonial school system as exemplified by state-aided (financial) but privately, predominantly Christian-managed schools continues to exist. Medium of instruction was not regulated by the state, and many of the privately managed schools continue to retain English as the medium of instruction. In addition, it appears the union government operates special English medium schools for the children of union government employees stationed in Kerala. For such employees and their families, drawn from all regions of India, English is, or is believed to be, the only common language. The English medium schools and the privately managed but state-aided schools were a colonial legacy that privileged the elites. Entry into this system meant ease of entry into post-secondary educational institutions that had English as the medium of instruction and eventually into a job market and professions in which the knowledge of English was an advantage, if not a prerequisite.

The Communist Party-led governments in Kerala did attempt educational reform that may have corrected some of the elitist features and brought the system closer to the educational system that has emerged in Sri Lanka. But the Christian Church was a major actor. The Congress Party's (the main electoral and parliamentary opponents of the LDF) stand on this issue, electoral politics and alliances in the political context, the nature of centre-state relationships, the Congress Party's position of the centre, and the constitutional and other powers of the centre, appear to have worked against these reforms being pushed through.

These differences, then, between the educational system that emerged in Sri Lanka by the 1960s and the Kerala system suggest that the Sri Lankan system was more open, equitable and less elitist. Such a system perhaps entailed greater competitiveness in the job market and at entry level to post-

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secondary educational institutions. At this level, students in Kerala, particularly those who had been in English medium, had opportunities to seek admission to post-secondary institutions throughout India, and many of these institutions had English as the medium of instruction.

In Sri Lanka the admissions were obviously contained within the national system, and competition for admission was intense. Such competitiveness had implications for ethnic conflict given the plurality of the society. The use of the vernacular languages as mediums of instruction, though a progressive measure that removed some of the elitist features within the educational system, had to contend with the linguistic duality of the society. This may have had implications for ethnic conflict. The number of studies that focus on ethnicity and post-secondary education in Sri Lanka reflect the deep implications of the issue for ethnic conflict in Sri Lanka. The intense interest and competitiveness to gain access to post-secondary education is really a reflection of the intense competition for jobs, and also of a development process that made access to education more equitable. But it was also a development process with an economy that was unable to absorb the human capital that was created by the process.

This comparative discussion of Kerala and Sri Lanka aims at an understanding of the absence of ethnic or ethno-religious conflict in Kerala, and its presence in Sri Lanka. It suggests that while Kerala's social development has achieved social equity levels unmatched in the Indian context, less visible male and elitist privileges may continue to be retained. This, together with the spatial mobility for job search and post-secondary education extended to the whole of India, may have made the job search, competition for jobs and entry to post-secondary education relatively less intense than in Sri Lanka.

But there are also negative trade-offs in Kerala being part of a larger political entity of the Indian union. Some of the efforts to reduce these privileges were constrained by centre-state relations and the constitutional and other powers of the centre. Access to external economic co-operation and industrial development policy initiatives are also contained within the federal political structures.

Sri Lanka as an island nation state was free to proceed with a development process dictated by its own political economy. The big neighbour was not without implications as events of the last decade will suggest, but its island nation character permitted the logic of the social development process to proceed within the ambits of its own political economy. The openness of the Sri Lankan educational system through to the secondary level and then sharply constrained, relative

to its Kerala counterpart, is a case in point. The point here is that the openness of the system makes it more intensely competitive, and when this is locked in within an island nation of ethnic and religious plurality, it can be conflict-producing.

PLURAL SOCIETIES AND CONFLICT

It is important to note that Kerala is also a plural society in religious terms and in fact has, next to Punjab and Kashmir, the highest concentration of minorities (Muslims, 21.2 per cent and Christians, 20.6 per cent) in India. This pluralism is not without its frictional moments and implications for Kerala's political economy. Nonetheless, relative to plural Punjab, Kashmir and Sri Lanka, Kerala is a benign and tolerant civil society, a feature that distinguishes Kerala within the generic Kerala-Sri Lanka model. This discussion note seeks to explore this critical distinction by examining the differences in the multiple genealogies of radicalism in Kerala and Sri Lanka. It is, however, important to note that pluralism in Kerala and Punjab are only in religious terms; linguistically they are relatively homogeneous societies. Pluralism in Sri Lanka is both in religious and linguistic terms, and the dualism, bipolar or bicultural divide between the Sinhala Buddhist and Tamil Hindus has been seen as central to the politicisation and violence of ethnicity in Sri Lanka. The events of the last few years, however, indicate that the Muslims are no longer an audience and that dualism or biculturalism may no longer be a valid characterisation of Sri Lanka. The linguistic divide makes it difficult for dialogue (except for a few who are bilingual) or to hear the 'other' voice, let alone begin to develop a capacity to listen to the 'other' voice.

REFORM MOVEMENTS AND THE POLITICAL ECONOMY

A fact of historical and geographical significance for Sri Lanka's island nation character is the retention of Buddhism as the religion of the majority of its people. The colonial experience of both Sri Lanka and Kerala have many commonalities, but some of the responses to colonialism have been textured by the different religious contexts and the presence of two Hindu princely states, Travancore and Cochin, in Kerala. Some aspects of these responses appear relevant in the processes that have shaped the political economy of Kerala and Sri Lanka. In the colonial encounter, to morally legitimise colonialism, it was often perceived and presented by the colonisers as a 'civilising mission'. The indigenous response was varied, but among them were counter players. As Ashis Nandy characterises them in the Indian context, they

borrowed their fundamental values from the western world view and, in spite of their image as orthodox revivalists, were ruthlessly critical of the Hindus. They also took the position that the Hindus had been great in ancient times and had fallen on bad days because of their loss of contact with textual brahminism [Nandy 1983:23].

In Kerala of the late 19th and early 20th century, a social-cum-religious reformer was the charismatic figure of Sri Narayana Guru (1854-1928). While he shared some features of the counter players, there were significant differences as well. He was not a privileged or 'savarna' caste elite seeking to reform from above. He was a member of a subaltern or 'avarna' caste, the ezhavas, and was challenging Hindu, or more precisely, brahminic orthodoxy from below. It was an anti-brahmin establishment movement from within the Hindu community, not led or orchestrated by Christian missionaries as in some other parts of south India.

The Sri Narayana movement sought the removal of overt discrimination against ezhavas on the basis of caste, such as the limited use of public roads, access to temples, entry to the state bureaucracy, etc. This was both by referral to Hindu texts as a legitimising authority for the inappropriateness of these discriminatory restrictions, as well as by social activism, such as satyagraha at temple entrances, caste association as a lobby and pressure group, etc. In the former, the charisma and learning of Narayana Guru was invoked. By his active participation in the reform movement, he gave a moral and textual authority to the challenging slogan of 'one caste, one god and one religion' to reform brahminic Hinduism.

The Sri Narayana movement became the most sweeping mass movement in Travancore in the late 19th and early 20th centuries. What is significant is that the Sri Narayana movement was not so much a reform movement engendered by the colonial encounter, as by the context of brahminic and caste domination in ideology and praxis. It may have been influenced by the missionary efforts at caste reform and the reforms from above, but basically it was a very successful attack on brahmin orthodoxy from within Hinduism, and it was from below, from the avarna/subaltern castes who were the victims of brahminic orthodoxy, ideology and praxis. This anti-Hindu establishment stance had a liberating influence on Kerala society of that time.

The ezhavas were occupationally concentrated in the coin industry where the trade union movement in Kerala was pioneered in the 1920s [Issac 1982, 1983a, 1983b, 1984, 1985]. There was through them a positive transference of the ethos of the social and moral legitimacy of social equity, and protest from the temple floor to the

factory floor of the coir industry. The egalitarian ideology embedded in Sri Narayana Guru's teachings, and its implication for radical ideology and politics, is seen in the neat turning of the slogan of 'one caste, one god, one religion' to 'no caste, no god, no religion'. The Sri Narayana movement can be seen as part of the historically and ideologically rooted contestation between brahminism and sramanism [Thapar 1989:211-12], and in this contestation the historically most significant is Buddhism. But in Sri Lanka the absence of brahminism and the continuity of Buddhism makes this contestation a non-issue.

This leads us to briefly examine the nature of Buddhist revivalism in late 19th and early 20th century Sri Lanka. The reference here is specifically to the revivalism led by Anagarika Dharmapala. In contrast to the Sri Narayana movement, the Buddhist revivalist movement has to be contextualised in the colonial encounter. It was a response to the hegemonic position asserted by westernisation and a westernised elite in the colonial context. In this assertion of a hegemonic position there was an implied depreciation of the indigenous and the vernacular, and this included Buddhism. Anagarika Dharmapala's Buddhist revivalism was a response to this, and perhaps this was a reason why the revivalist language had elements of the language of ethnicity, a language that has been described as emotional and passionate, with affinities to concepts of resentment, shame, honour, pride, dignity, insult, inclusion or exclusion, humiliation or recognition [Cairns 1991:169, 174]. The important point to be stressed is that the contexts of the two movements, the Sri Narayana and the Anagarika Dharmapala, are very different, and the character, responses and language of the movements are also different.

Both movements had implications for the political economy of the regions. This Jeffrey identifies as the second of the two tributaries that meet to originate and define the radical political tradition in Kerala. In Sri Lanka among the participants in the Buddhist revivalist movement were the vernacular intelligentsia. They nurtured the movement and were at the same time nurtured by the movement. Part of this process was a growing anti-imperialist attitude, but they failed to find a political niche for their anti-imperialism, for the Ceylon National Congress was for them too elitist, comprador and inadequately militant and/or anti-imperialistic.

As a contextually thick paper by Michael Roberts (1970) suggests, the vernacular intelligentsia found the politically appropriate party with a militant anti-imperialist stand in the Lanka Sama Samaja Party (LSSP) that emerged in the 1930s.

Given the Trotskyite ideology of this party it could continue to espouse a militant anti-imperialist stand during second world war, unlike the Communist Party with its linkage to the Soviet Union and so a commitment to the war effort of the Allies that included imperial Britain. For their militant anti-imperial stand during the war, the LSSP leaders were imprisoned. This enhanced their mass appeal as anti-imperialists with the obvious parallels to Nehru, Gandhi and others in India.

The mass support that the LSSP enjoyed during the 1930s to early 1950s was partly, if not largely, due to the presence of the vernacular intelligentsia and their followers among the party cadres and supporters. It would even appear that the LSSP leadership

was not quite aware of the social and political character of this support for them, except perhaps Philip Gunawardene. In the 1950s with the birth of the centrist SLFP led by Bandaranaike, the vernacular intelligentsia found that this party was the more ideologically appropriate political party for affiliation and support. This among other factors of coalition politics contributed to the growing decline of the mass political character and importance of LSSP since the 1950s. It was the anti-imperialist stand of LSSP rather than its Marxian ideology that was attractive to the vernacular intelligentsia in the 1930s and 1940s.

What is the significance of all this for the Kerala-Sri Lanka development model? Radicalisation of politics and trade



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unionisation, together with electoral and parliamentary politics have no doubt influenced the genesis and shaping of the model in both regions and so this is perhaps the common ancestry of the model. If we examine the radical politics, there is no doubt the centrality of the Marxian ideology, and even other external influences such as the Russian Revolution and the emergence of the Labour Party in Britain. But there is also the genealogy of the two reform movements, which are differing as I have attempted to show here. It is here that some more clues may be found for the absence or presence of ethnic conflict in Kerala and Sri Lanka.

We noted how the Sri Narayana movement had influenced the radicalisation of politics in Kerala and its contextuality in the continuing Indian historicity that Romila Thapar (1989) characterises as the brahmin-sraman contestation. It was located in a space and period of brahminic orthodoxy and domination, and it was a successful protest movement and assault from below and within Hinduism at these structures. This success, together with its moral and social legitimacy and principles of equity - some of them rooted and/or sanctioned by Sri Narayana Guru's teachings - were carried over to radical politics. This is the genealogy that is different from the Sri Lankan one. Seen within it or allied to it is the transformation of caste consciousness into class consciousness [Issac 1985]. It is this genealogy that informs in subtle ways the absence of ethnic conflict and significance of class conflict in Kerala.

In Sri Lanka among the multiple genealogies of radical politics, the one that may be traced to Anagarika Dharmapala is located in the colonial encounter, an encounter that was by definition made racial by white/European/Cristian imperial intrusion. The revival movement that was a response may have been forced to develop a language of ethnicity. This one may argue, with its extension of 'other' to 'others', may make the presence of ethnic conflict a little more intelligible. It is perhaps these genes that also account for ethnicity being not totally absent from the JVP, whose origins are a rural youth radical movement, disenchanted, critical and impatient with the LSSP and CP which they perceived as being increasingly bogged down in coalition politics and parliamentary processes.

This note has sought to analytically locate Anagarika Dharmapala within the colonial encounter and not recover him from this past and place him in a discourse rooted in contemporary western liberal ideological perspectives. There is some violence in such representations. This discourse sometimes leads to demonising and stigmatising the Sinhala Buddhists and the Buddhist clergy with an accompanying

silence on Tamil nationalism that implies an exoneration of such nationalism from any contribution to the violence of the ethnic conflict in Sri Lanka [Tambiah 1986, 1992]. A counter player among the Tamil Hindus who paralleled Anagarika Dharmapala was Arumugam Navalar. Karlasapathy's (1984) writings suggest that his role and activism was also structured within the colonial encounter. Dagmar Hellmann Rasanavagan's (1989) criticism of Karlasapathy's position though a welcome debate is not convincing. There is a need for a comparative examination of Anagarika Dharmapala, Arumugam Navalar, Sri Narayana Guru and E. V. Ramaswamy, an examination that should seek to view the role of these reformers within a Gramscian analysis of traditional and organic intellectuals moving away from western liberal meta-narratives.

SOME CONCLUDING OBSERVATIONS

To conclude this comparative examination of Sri Lanka and Kerala's political economy and the presence/absence of ethnic conflict, it may be pertinent to comment on some issues of cultural nationalism in Sri Lanka in the broader context of south Asia. It has been argued that in spite of the cultural-linguistic regional diversity within the Indian subcontinent in many ways paralleling the diversity in Europe, this did not lead to nation-state formation as in Europe [Embrice 1985]. This it is contended was principally due to three factors: (1) an overarching brahminic ideology whose principal carriers were the privileged castes, further empowered by being the performers of the legitimising rituals for the rulers/kingship; (2) the intrusion of two powerful alien civilisations, the Islamic and the European, which worked against the fusion of regional cultures and political power, a process that seemed to underlie the rise of nation states and nationalities in Europe; (3) the dynastic powers in India were too peripheral to the regional cultures to facilitate a fusion of regional culture and political power.

It may be argued however that in the south Asian context this fusion had occurred among the Sinhalese, but when this occurred is not clear. Indeed the recent debate between Gunawardene (1990) and Dharmadasa (1992) is centred on locating the period when this occurred. In spite of the controversy that this debate has generated, both Gunawardene and Dharmadasa are in fact agreed that national consciousness or cultural/political power fusion had occurred; the disagreement is only on dating when this occurred. Kemper (1991) too addresses this issue and the appropriation and construction of a past to serve the present. But the dating of the 'present' remains unclear. There is no intention here to enter this debate on dating

the emergence of a Sinhala national consciousness or identity.

What is significant in the Sinhala culture is the minimal presence, if not absence, of brahminic ideology, the continuity of Buddhism provided an assistance to brahminic ideology. Regarding the intrusion of alien civilisations, while the European intrusion was felt equally in Sri Lanka as in other regions of India, this was not the case with the Islamic intrusion. Indeed from the perspective of the Sinhala Buddhist culture it was the south Indian/Hindu presence that was the alien intrusion. The way its time was perceived as carrying the virus of Hindu (brahminic) ideology, intrusion, an intrusion that could disintegrate the fabric of culture and political power that was carrying on had occurred among the Sinhalese.

This was further complicated in colonial Sri Lanka by the entry of Tamils, perceived to be homogenised with Hindu/Hindi into what was culturally/territorially Sinhalese. These were the labour migrants from India to the plantations, internal migrants predominantly from Jaffna to take up positions in the colonial bureaucracy and professions, and the increasing presence of Tamils in the colonial urban economy of Colombo and other urban centres. The earlier processes of assimilating such migrants into the fused Sinhala cultural and political power were now constrained. The residential enclave characteristics of the new migrants was a factor, but more important, transport, communications and the printed word enabled the migrant communities to keep in touch with their original cultural regions. This acted against assimilation. Even Jaffna, which had its own cultural regional identity, was in the colonial and post colonial political economy and time/space compression by transport/communications/printed word, increasingly made the periphery of two centres at the same time: culturally of Madras/Tamil Nadu and politically/economically of Colombo, a problematique not without consequence for Tamil nationalism in Sri Lanka.

This presence of Tamils carrying the genes of brahminic ideology or perceived as such, and earlier practices of assimilation being no longer operational, may have generated a fear syndrome among the Sinhalese. This further crystallised the fusion of culture and political power among the Sinhalese. Just as in India where secularism, socialism and brahminism marched under the strange ideological device of the charka which Gandhi had emblazoned on the banner of Congress nationalism [Embrice 1989: 36], in Sri Lanka secularism, geographical electorates and parliamentary majorities were appropriate to reinforce the regional/Sinhalese fusion of culture and political power in the modern Sri Lankan nation-state. In the Indian context Jinnah eventually

sought regional autonomy as a solution for the problem of minority rights. In Sri Lanka too, the Federal Party (and its descendants) sought such a solution dictated by the ethnic geographies of Sri Lanka. The territorial character of this solution for minority rights and protection enhanced the fear/resistance syndrome for the territorial nature of the solution was seen by the Sinhalese body politic as a concrete manifestation of the disintegrating effect of alien intrusion. The suggested solution also privileged minorities who were geographically concentrated meaning the Tamils in Jaffna and the Christian Tamils in the plantations and Muslim throughout island saw little benefit in regional autonomy as a solution for minority rights and protection.

Thus, note a comparative examination of the Sri Lankan and Kerala development experiences and their implications was aimed at making issues in both regions a little more intelligible. It raised the difficulty of accepting Jeffrey's assertion that Kerala's maternalist past is an important element for Kerala's social development success. This note also stresses the usefulness of comparative examination for understanding some of the issues in Sri Lanka. It underlines the need to move away from an isolated examination of the Sri Lankan crisis. It particularly stresses the need to examine Sri Lanka's cultural nationalism and precipitating reform movements in comparison with the broader framework of south Indian cultural nationalisms. They are all in some ways expressions of resistance to Brahmin ideological hegemony in south Asia particularly in its southern form. But at the same time they have significant and differing consequences. Sri Narayana Guru's activism led to liberating influences on caste and the transformation of caste consciousness to class consciousness. The Annamalai Dharmapala movement led to the erosion of caste fissures among the Souths but contributed to ethnic consciousness. Aramangal Nivarthi's work consolidated and perpetuated vellith dominance among the Tamil Tamils. T. V. Rameswamy's activities appear to have had implications for both Tamil nationalism and the political significance of non-Brahmin middle level castes in Tamil Nadu. A comparative study of the four reformers, their activism and its consequences may make the political economics of these regions a little more intelligible.

Notes

- 1 It is also referred to as the Ezhava Social Reform Movement or SNRM after the Sri Narayana Dharmapala Prapichan Yogin (The Society for the Protection of Sri Narayana Doctrine or Lechripal Sthasika and Thirakan 1980).
- 2 At the time of independence in 1948 the Ceylon National Congress transformed itself to the United National Party (UNP).

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Naxalbari and After

Arup Kumar Sen

IN his discourse (September 16) Dehal K Singha Roy has analysed the question of empowerment of rural women from the perspective of the peasant movements in West Bengal. Two radical peasant movements – the Tehhaga and the Naxalite movements – were given special attention. He has correctly argued that the revolutionary zeal of the Naxalbari movement was followed by reformist measures on the agrarian front in course of time. It should be mentioned here that though the Naxalbari movement started as a peasant uprising in Darjeeling district of West Bengal, it took on the character of a broad social movement in India very soon. The legacy of the movement in the minds of the peasants and in the academic/state discourse can be an interesting area of study.

More than two decades have passed since the brutal suppression of the Naxalite movement which spread its wings in the different states of India within a very short span of time in the late 1960s. Now, it may sound anachronistic in the academic circle to talk about the movement since it could not fulfil its projected goals. But all revolutionary movements leave their marks in the social fabric in multiple forms. The Naxalite movement was no exception in this respect. To put it in the words of Samir Sen, Naxalbari exploded many a myth and restored faith in the courage and character of the revolutionary left in India. Indeed the upheaval was such that nothing remained the same after Naxalbari. People had to readjust their position vis-à-vis every aspect of the system: political, administrative, military, cultural.¹

The Indian state was forced to reformulate its agrarian strategy in the wake of the movement. While assessing the land reforms in India, the noted social scientist P.C. Joshi observed: "the rise of Naxalism and the threat posed by it in the late 1960s was one of the main factors responsible for the sense of urgency with which the ruling elite revived the question of land reforms during the close of the 1960s and the beginning of the 1970s".² But such reformist measures coupled with brutal state terror could not erase the heritage of the Naxalite movement from the minds of the Indian peasants. This is evident in the ongoing peasant movements in Bihar and Andhra Pradesh, which are being led by different Naxalite groups: Panchaji Nirmala, a female peasant activist in Andhra Pradesh, was brutally tortured and killed by the police

in 1969. But even now, she is revered as a folk heroine by the peasantry of the Uddanam area.

The Naxalite movement had a significant impact on the student community. A large number of students of different educational institutions in West Bengal participated in the movement. This posed a major challenge to the Indian state. Ranjit Gupta, the then police commissioner of Calcutta, took the schools and colleges to task for their failure to provide the necessary intellectual leadership to the students, and for the erosion of discipline.³ The changes introduced in our education system to cope with the threat posed by the Naxalite movement can be an important area of research.

Writing history is a game of truth construction. The history of blood and terror associated with the suppression of the Naxalite movement did not create a good image for the Calcutta police. Anyone acquainted with the social situation in Calcutta in the late 1960s and early 1970s knows the brutal methods adopted by the police in the streets and within the prisons to teach a lesson to the Naxalites. But in its history written on the occasion of the Calcutta Tercentenary, the Calcutta police tell a different story.

The extremist challenge posed by the Naxalite, which rocked the city in the late 1960s and early 1970s, was contained mostly by police action within the legal and administrative framework.

The picture given above represents an attempt on the part of the Calcutta police to create a benign image of itself at the discursive level. But Ranjit Gupta, who masterminded the strategy to crush Naxalite upsurge, informed us in the mid-1980s about the new measures introduced in the Calcutta police for containing the Naxalite terror. This insider's view negates the authenticity of the discourse created by the Calcutta police in the early 1990s. One important measure adopted by the Calcutta police to fight the Naxalites was to recruit lumpen proletariats of the Home Guards variety who acted as police informers. Another significant measure was to arm overnight for their self-defence a 18,000 strong police force which was traditionally unarmed.⁴ In defence of the strategy of recruiting lumpens in the police force, Ranjit Gupta noted:

This use of the lumpen proletariat (of the Home Guards variety) against the Naxalite lumpen proletariat has often been compared to similar use of the urban riff-raff during

the 1848 revolution by the establishment (in Paris). But I did not copy history to set up the socialists under police control to fight the anti-socialist. The wrong side was the obvious thing to do and it was done.⁵

The above account gives us a hint of the legal and administrative framework which the Calcutta police had in mind while silencing the Naxalite. It is no secret and can find many strategic and tactical mistakes on the part of the leadership of the Naxalite movement. But the brutality of the suppression will remain in our collective memory for many years to come.

Notes

- 1 Samir Sen, Debibrata Pundir and Ashvini Talmule (eds) (1978) *Naxalbari and After: A Frontiers Anthology*, Vol. I, Kalushilpa, Calcutta. Foreword.
- 2 P.C. Joshi (1975) *Land Reforms in India: Trends and Perspectives*, Delhi, p. 90.
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- 5 Evolution of the Calcutta Police (1990) *A Calcutta Police Presentation* on the occasion of the Calcutta Tercentenary, p. 22.
- 6 Ranjit Gupta (1985) 'The Day After Naxalite', *The Illustrated Weekly of India*, April 28, May 4, pp. 10-11.
- 7 *Ibid.*, p. 30.

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American Scholars and South Asian Studies

Ajit Menon

DESPITE his stated intention of focusing primarily on the restrictions placed by the Indian government on American South Asian scholars (Paul Brass *IPW* September 9) goes far beyond this by characterising these restrictions as a form of victimisation. In doing so, he betrays a strong sense of paternalism and liberal sanctimony to which we would like to respond.

Brass's main contention is that South Asian Studies in the US has suffered because of excessive restrictions placed on American scholars. Restrictions which have put certain fields of study out of bounds, caused inordinate delays in research and dissuaded many would-be scholars of South Asian Studies from entering the field. His main argument is that this has occurred because the Indian government in the form of its bureaucratic elite has chosen American scholars as pawns in a chess game to settle a score of grievances it has with the US government arising from relations with Pakistan on immigration policy. The problem with Brass's argument is not his complaint is such. After all, any Indian scholar, especially those from non-government institutions will tell one exactly what type of inconveniences, frustrations and unnecessary delays we often face in our research. Perhaps these bottlenecks, Brass would agree, are also created to dissuade us from doing research. Or is it that the Indian bureaucracy is punishing us for having had the opportunity to pursue research in a similar way as it is punishing Americans for the fact that they are Americans? Brass addresses these concerns only in footnote by saying that social scientists should stand together against all our governments against any restrictions whatsoever on free access of scholars and writers to research. Whether such international solidarity will be anything more than a token action is another question.

But in principle we agree that access to information should be easier to come by.

It is Brass's articulation of the problem however, which is disturbing. Is it really the bureaucratic elite's way of showing its anger with the US? Would it not have been enough if Brass just illustrated the bottlenecks involved in research in India? Obviously not because he had another agenda as well — i.e. to vent his frustrations that American scholars were somehow persecuted minorities. And it is in trying to illustrate this that he adopts an overly paternalistic tone. For example, he says, 'since every upper caste Hindu family in India, and not even every upper caste bureaucratic family in India, can succeed in sending their children to America,

an enormous resentment exists in the minds of many at their failure. Perhaps Brass's depiction of this as an upper caste phenomena allows him to get away with it. But not so what follows. According to Brass, 'it matters not to them (the bureaucratic elite) that their government's policies regarding the obtaining by foreigners of citizenship in India are among the most restrictive in the world and those of the US with all its defects, one of the most open.' What Brass seems to be saying in a round about way is that somehow Indians should be grateful for the opportunities we have to go to the US and even become citizens. Perhaps Brass should examine US visa procedures and its defects more closely. In fact the experience of getting a visa is so dehumanising that it is enough to put anyone off. Moreover, make no mistake that acceptance of Indian scholars (in terms of giving visas) is based largely on the benefit it provides to the US economy as opposed to anything else.

Thus if Brass is truly interested in only highlighting the problems of American scholars, why does he insist on bringing up issues of immigration, Indian scholars in the US and the likes and dislikes of US foreign policy? But now that he has, let me not waste the opportunity. After all in one sense these issues are not mutually exclusive. Thus while Brass seems bitter about the relative ease by which Indians can study in the US assuming it is their children's birthright, he seems particularly frustrated by the fact that well intentioned American scholars are often not welcomed by the Indian government. Is that because he feels the Indian government should like its citizens, also he thankful? Moreover, surely the fact that many of the American South Asian scholars have supported the Indian polity should make little difference with regard to being given academic freedom.

If Indian scholars have kept quiet with regard to the hassles American scholars face, perhaps it is because they felt it is no different than that what Indians face. But throughout the article Brass compares the predicament of American scholars with the so-called excellent access Indians get to the US education which too is highly exaggerated at best as it only applies to a small minority who seek to go. Moreover, one could argue that foreign scholars in general because of their access to larger stipends (in rupee terms) are able to enjoy benefits that Indian scholars cannot. That coupled with the fact that the 'West is best' mentality prevails amongst many of our elites surely if anything privileges the foreign scholar.

The other point we mentioned earlier is that of liberal sanctimony. Brass seems overly concerned and angry about the fact that US scholars are often held accountable for the actions of their government as in the case of Vietnam. Why is Brass so troubled by this? Let us give an example which might make Brass rethink his position. During apartheid South Africa, the call from most of the international community was for economic sanctions — similar to calls for a boycott of the US during the Vietnam war which Brass is referring to. Within South Africa this call was supported by a large majority because it was realised that it was the most effective way to put pressure on the South African government to dismantle apartheid. Very few South Africans who supported this dismantling argued like Brass did that they should not be held responsible for their government's ills. Perhaps Brass can take a lesson out of the South African book. The important point here is that Brass is unwilling and unable to differentiate between resentment at his government and the possible resentment towards Americans (justified or not) as a result of it. And that is because he like most other American liberals is only willing to account for historical wrongs such as Vietnam if it does not make him feel guilty.

So how is this relevant to American South Asian scholarship? It is relevant to the extent that Brass is unable to come to terms with the fact that he as an American might have to endure certain ill feelings based on the actions of his government. And if those ill feelings have crept into the Indian bureaucracy as well (which is doubtful), he will have to deal with it like Indian scholars do. Moreover if that means as Brass himself sarcastically illustrates that Americans are seen as agents of imperialism whether we like it or not and must do everything in our power to make up for the actions of our government, then Americans might just have to do that as well. For similar reasons, we in India have to bear up to our responsibilities with regard to the evils of the caste system though we might not in a manner of speaking be directly party to it. Or does Brass feel we should not do that either?

Thus though Brass might have a genuine grievance with regard to doing research in India, by making it seem as if there is a conspiracy against US scholars, he shows us his true colours. Yes, access to information should be more freely available, but to all scholars who face bottlenecks and that surely includes many more than just the Americans. Somewhat ironically, by writing this article, Brass leaves this reader with the view that he (Brass) like many other western scholars sees South Asia through orientalist spectacles.

National Accounts Statistics of India - 3

Private Final Consumption Expenditure, Public Sector Transactions and Divergences in Estimates

FPW Research Foundation

THIS third set of statistics in this series presents the CSO estimates on (a) the distribution of private final consumption expenditure (PFCE) by major items of consumption and (b) key national accounts statements on the transactions of the public sector with the focus on depicting the sector's share in the respective economy wide aggregates. With the completion of the presentation of the series on micro aggregates in the earlier two issues and those on private and government final consumption expenditures in the present issue, it is now become possible to take a look at the integration of various accounts which the NAS presents in the form of consolidated accounts of the nation and which brings out the extent to which the accounts do not match as a result of divergent data sources and methodology of estimation. We do this in the final section of the present note.

I

Private Final Consumption Expenditure (PFCE)

Private final consumption expenditure (PFCE) is defined to cover current expenditures on goods and services by households including non-profit institutions (NPIs) serving households. There are two dimensions to the concept of PFCE. PFCE in the domestic market and PFCE of resident households. PFCE in the domestic market covers current expenditures of resident households and direct purchases by non-resident individuals and households (e.g. tourists and visitors) and extra-territorial bodies (i.e. diplomatic staff and such other categories) in the domestic market. It does not include resident households' direct purchases abroad which is covered in PFCE of resident households. The product composition of private expenditures published by the CSO by type of objects is that of PFCE in the domestic market. It is only in the current 1980-81 series of NAS that the CSO has produced separate estimates of residents and non-residents' direct purchases abroad and in the domestic market, respectively which has made possible to make use of the appropriate concept of PFCE of resident households at least at the aggregate level in the consolidated accounts of the nation since 1980-81. (For their exclusion in the earlier series, see CSO 1980-79; see also CSO

1989-95.)

The final consumption expenditure of household is conceptually made up of outlays on new durable and non-durable goods and services minus net sales of second-hand goods (scrap and wastes) (SNA 1968). The household consumption expenditure includes the imputed gross rent of owner-occupied dwellings, consumption of own-account production (say, foodgrains production for self-consumption) valued at producer or extant prices and payments in kind of wages and salaries valued at cost, that is the estimated actual cost provision for food, shelter and clothing to farm labourers and other workers. The rest of the PFCE is at market prices. Incidentally, for want of data, the CSO does not cover net sales of second-hand goods.

In the estimates prepared for PFCE, the expenditure of NPIs serving households is incorporated by implication and not by independent estimation. The convention adopted is that NPIs should be included under the government if more than half of their current expenditures are financed on account of funds by government. Due to paucity of data, the CSO includes all NPIs in the household sector irrespective of their sources or extent of public funding (see Bhattacharya and Rameshwar 1991).

Methodology of Estimation

The commodity flow method used in estimation requires working out of commodity balances relating to various items of consumption. The quantity of final consumption obtained from commodity balances is generally evaluated at market prices except for the own-account production mentioned above. The marketed part of food items is evaluated at average retail prices of rural and urban areas. For manufacturing items, the value of output is adjusted for excise duty and trade and transport margins.

Possible Sources of Errors in PFCE Estimation

Admittedly, the basic data on total supplies and prices are mostly the same as those utilised for the preparation of GDP by sectors and as such the shortcomings in the GDP estimates would be inherent in the PFCE data as well. While most of the crops are covered by crop cutting experiments, some of the crops like small millets, other kharif

and tribals pulses, some of the fruits and onion are covered only to a extent of 50 per cent of area. Cattle figures are estimated by the residual method for significant and some historical investment ratio. The inter-censal estimate of live stock population based on increment in stock etc. cannot take account of loss of animals during drought years when production capacity of the animals gets denuded. In the case of inland fishing, benchmark data are projected to other years on the basis of the change in population. Even in registered manufacturing, the data on responding factories are not a sample for the non-responding ones in the year (the latter's past employment figures of year 1992). Above all, the data before 1980 on GDP and consumption goods and services originating in non-formal informal sectors is said to be extremely weak. The value derived indirectly by using some historical figure of value added per worker, the estimated size of workforce in formal sector, indicators and price deflator. In unregistered manufacturing, in trade, the problem has been compounded by non-acceptability for the CSO of even the National Sample Survey (NSS) results from the 3rd and 34th survey rounds on directory and non-directory establishment for the years 1978-79 and 1979-80 respectively. Because of the inconsistencies in their results, see CSO 1989-91 and 1201. The CSO continues to use the data thrown up by the 70th round survey results of 1974-75. (For a detailed discussion of the data base on non-organised sectors, see the extensive debate in the *Journal of Income and Wealth* January 1993). Even the estimates of workforce by activities seem weak for the inter-censal years (Suhbani Rao 1993).

While all of these affect the estimation of PFCE as much as the GDP, there are also possibly significant sources of errors in the commodity flow method applied to the PFCE itself. Data on wastage shed in DMH reports relate to a distant past and that too for a few commodities. The allocation of partly capital goods between final consumption and capital formation continues to be based on 1981-82 AIDIS, so also the proportion assigned to PFCE from services in the informal sector; 80 per cent of gross passenger earnings of the railways, 5 per cent of all transport, 75 per cent of organised shipping, 50 per cent

of taxi fare 90 per cent of auto rickshaw and bus fares and 40 per cent of the postal earnings. In business services the ratio is 10 per cent and for legal services 75 per cent. All of these involve a sizeable proportion of PFCE for which there is no direct current data (Tiwari 1992).

In deriving the constant price series for the services sector which has implication for GDP as well as PFCE the CSO makes extensive use of commodity price indices and questions have been raised in literature about the possible mix up between commodity price determination and factor price determination (Bhatia 1993). There is yet another source of inconsistency in the PFCE estimation by current and constant prices. In the case of cereals and pulses, for instance, current price estimates are based on farm prices for the quantity retained for self consumption and retail prices for the net market supplies, which roughly corresponds to estimates at market prices. In manufacturing this is achieved by adding import and excise duties and distributive

margins to the ex-factory prices. On the other hand, all items in the manufacturing group and food and non-food items where production is in terms of value, the current price estimates are deflated by corresponding wholesale price indices which are sure to leave behind some discrepancy between the two sets of estimates.

CSO's PFCE Compared with NSS Data

A more serious problem with the CSO's PFCE estimation has been revealed in the literature on poverty estimation. Finding that the estimates of total consumption expenditure based on the NSS data were found to be lower as compared to the CSO's PFCE by about 5 to 12 per cent in the 1970s and by more than 21 per cent in 1983-84 and 27 per cent in 1987-88, the Planning Commission has been making upward adjustment on *pro rata* basis to the observed size distribution of consumption expenditure by the NSS and thus reducing the incidence of poverty in the country. This has been questioned in a series of studies on the cross

validation of NSS and CSO estimates of consumer expenditure commodity by commodity, by Minhas and Kansal (1989). They argue that even when adjustment is warranted, a case could be made for item-group specific adjustment rather than the *pro rata* which would also, to an extent, take care of the differing consumption patterns by different size groups [Kansal 1992]. Divatia (1990) however, questioned the above hypothesis that the NSS results are necessarily superior, and Katiyal (1990) explaining the CSO's efforts to make use of as much of current data as possible, objected to the Minhas-Kansal method of working out margins of uncertainty in the three separate revisions of CSO data as they are not comparable.

Brief Results

In the present statistical series Tables 10 (A) and 10 (B) present data on PFCE by objects. The first revelation is that as per the natural Engel's law of consumer expenditure the proportion of PFCE used for food items

TABLE A. CONSOLIDATED ACCOUNT OF THE NATION AT CURRENT PRICES: VARIOUS DISCREPANCIES IN ACCOUNTS

(Rupees crore)

(SNA) Account 1: Gross Domestic Product and Expenditure													
Year	Gross Domestic Product (GDP)				GDP (2+3+4+5)	Expenditure on Gross Domestic Product							
	NDP at Factor Cost	CFC	Indirect Taxes	Less Subsidies		GFCF	PFCE	GFCF	Change in Stocks	Exports of Goods and Services	Less Imports of Goods and Services	Total (7+8+9+10+11+12)	Discrepancies (6-13)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1980-81	110310	12087	16746	3160	136013	13084	98128	26276	2177	9029	13596	135098	915
1985-86	207562	26237	36987	8543	262243	29174	176852	54255	9187	14951	21754	262665	422
1990-91	125602	53195	76329	18609	535517	61779	330371	124004	13387	40635	48698	521478	14039
1991-92	489078	62952	86661	22630	616061	69459	381537	136776	4088	56254	56249	591865	24196
1992-93	555369	72265	95616	20421	702829	78586	419418	151178	12578	67312	73000	656072	46757

(SNA) Account 3: National Disposable Income and Its Appropriation												
Year	National Income Appropriation				NDP at Factor Cost	Disposable Income						
	GFCF	PFCE	Saving	Total (2+3+4)		Net Compensation of Employees from Rest of the World	Property and Entrepreneurial Income from Rest of the World	Indirect Taxes	Less Subsidies	Other Current Transfers from Rest of the World	Total Disposable Income (6+7+8+9+10+11)	Statistical Discrepancy (12-5)
1	2	3	4	5	6	7	8	9	10	11	12	13
1980-81	13084	98128	16699	127911	110310	29	374	16746	3160	2257	126528	1383
1985-86	29174	176852	23418	229444	207562	98	1331	36987	8543	2821	237398	7954
1990-91	61779	330371	74598	466748	425602	246	7299	76329	18609	3711	479488	12740
1991-92	69459	381537	79077	530073	489078	169	-9908	86661	22630	9382	552414	22341
1992-93	78586	419418	68370	566374	555369	312	-11491	95616	20421	8089	626850	60476

(SNA) Account 5: Capital Finance Account (Accumulation)										
Year	Uses					Sources				
	Gross Domestic Capital Formation (3+4+5)	Gross Domestic Fixed Capital Formation	Change in Stocks	Errors and Omissions (11 (3+4+6))	Net Lending to the Rest of the World	Gross Accumulation (2+6)	Domestic Saving	CFC	Net Capital Transfers from Rest of the World	Finances for Gross Accumulation (8+9+10)
1	2	3	4	5	6	7	8	9	10	11
1980-81	30880	26276	2177	2427	1656	29224	16699	12087	438	29224
1985-86	58167	54255	9187	5275	-5927	52240	25696	26237	307	52240
1990-91	144989	124004	12387	7598	17368	127621	74598	52195	828	127621
1991-92	145406	136776	4088	4542	2237	143169	79077	62952	1140	143169
1992-93	154451	151178	12578	9305	12763	141688	68370	72265	1053	141688

has declined, for the Indian population as a whole, from the early 1960s to 1990s. However, while the decline has been distinct and sizeable during the three decades from about 58 to 59 per cent to 48 to 49 per cent in the case of PFCE at 1980-81 prices, it has been indistinct and small from about 53 per cent to 49 to 50 per cent in PFCE at current prices. This proportion for food items in current price series has generally remained higher than that in constant price series, implying that inflation has affected the food consumption basket more than the consumption baskets of other items such as clothing, fuel and power, consumer durables and services. Prices of consumer durables seem to enjoy a distinct advantage in terms of lower increases over the period. Combined with the relative softness of food prices has been the relatively higher rates of increases in the deflators for gross domestic capital formation (Table 6B earlier). These are suggestive of the fact that the middle and upper middle class consumption has been favoured at the cost of the consumptions of the lower classes as well as domestic investment.

A second revelation relates to the unduly low level of 1.8 to 2.0 per cent of PFCE in the form of durable goods. This is because in the CSO estimation procedure, fairly high proportions of consumer durables (or the same as partly capital goods), ranging from 36 per cent in cars to 59 to 74 per cent in motor cycles, refrigerators, sewing machines and electrical goods (see Table 21.1 of CSO 1989:248), have been apportioned to capital formation and only the rest for final consumption. A third revelation is that the services sector, which contributes about 42 per cent of GDP, possesses a share of about 22 per cent in PFCE. Interestingly, between 1980-81 and 1993-94, while the GDP share of the services sector has risen by 5.5 percentage points from 36 per cent to 41.5 per cent, the PFCE share of the sector has galloped by 8.4 percentage points from 13.4 per cent to 21.8 per cent. A final revelation relates to the rather rapid growth in the 1990s of direct purchases by resident households abroad – from about 7 per cent of non-resident purchases in the domestic market in 1980-81 to 33.7 per cent in 1991-92.

II

Public Sector Transactions

Public sector comprises (i) government administrative departments, (ii) departmental enterprises like the railways, posts and telegraphs and other communication enterprises, and other departmentally-run enterprises, and (iii) non-departmental enterprises consisting of (a) financial and (b) non-financial, which are wholly or mainly government-owned companies and public corporations. Administrative departments including defence services are said to constitute the general government

comprising central and state governments, union territories, and all layers of local bodies and panchayati raj institutions. The currency issue function of the RBI is said to be a sovereign function and hence its Issue Department is treated as part of the general government, with the other Banking Department forming part of non-departmental financial enterprises.

Though the UN SNA has recommended that rent paid should be treated as factor payment, and so should be the imputed rent on government-owned buildings, the CSO does not cover them for want of data.

For various transactions of the producers of government services, the budget documents of central and state governments as well as those of a few local bodies form a major source of data. But the budget documents of many local authorities in urban, and more so, in rural areas, are not available. In the case of non-departmental enterprises, the coverage is more or less complete for the central government enterprises based as it is on their annual accounts. Time-lag in the finalisation of accounts of some of the enterprises appears a constraint even at the central level but it is said to be endemic at the states level.

Data Problems

Apart from the time-lag and non-availability of accounts of local authorities and departmental enterprises, the CSO has found that economic classification of state budgets is hampered because expenditures shown in the detailed demands do not match with those shown in the Annual Financial Statements, inter-account transfers cannot be reconciled, and details of 'plan schemes' are not available. As a result the CSO has to use other corroborative sources to undertake the economic classification (CSO 1989:313). Secondly, the estimates of net value added at 1980-81 prices are worked out by deflating the current amounts of wages and salaries by the CPI for industrial workers which is the basis for the granting of DA for government employees, but the full neutralisation is applicable to only employees

drawing pay up to Rs 3,500 per month. It is said that by this process the annual increment also gets deflated (Bhatia 1993). Thirdly, a major source of error relates to the classification of some of the expenditures into current consumption and capital formation and its effect on public sector saving (RBI 1982). Fourthly, the UN SNA has stipulated that the central bank of a country should be shown separately as a financial undertaking, whereas the CSO bifurcates the RBI as stated earlier (on this debate see RBI 1982 and Ghosh 1995). Finally, there is the question relating to whether consumption of fixed capital has to be provided for buildings and other structures maintained by public administration and defence as has been done by the CSO since the 1980-81 series [see Roy Choudhury (1988) who objects to it and Gothoskar (1988) who supported it]. Choudhury argues that repairs and maintenance in these cases was large enough to maintain such capital assets intact; any large maintenance expenditures on buildings, etc. incurred by administrative departments were to be treated as gross capital formation.

Trends in public Sector Share

The generally rising trend in the share of the public sector in total GDP or general loss of saving momentum in the public sector have already been dealt with along with macro-aggregates earlier. GDP originating in public sector was 20.8 per cent in 1981-82 and 28.6 per cent in 1993-94 but public sector saving was 4.5 per cent and 0.2 per cent, respectively. Amongst the tables presented here, certain interesting results stand out. First, slow but gradual rising trend in compensation of employees and total consumption expenditures of the general government as percentages of GDP, observed until the second half of the 1980s, has been halted and the ratios have remained static since the beginning of the 1990s. Interestingly, within these final expenditure categories, the share of the central government in wages and salaries or in total consumption expenditure, which steadily

TABLE B: CONSOLIDATED ACCOUNTS OF THE NATION AT CURRENT PRICES
VARIOUS DISCREPANCIES IN ACCOUNTS

Year	GDP minus Expenditure on GDP (Account 1)	National Disposable Income minus National Income Appropriation (Account 3)	Finances for Capital Formation minus Gross Capital Formation by Institutions (Account 5)	Capital Formation by Type of Institutions minus Capital Formation by Industry or Use
1980-81	915(0.7)	-1383(-1.0)	2427(1.8)	2659(2.0)
1981-82	-1703(-1.1)	478(0.3)	-3743(-2.3)	-760(-0.5)
1988-89	75(0.0)	5102(1.3)	525(0.1)	7849(2.0)
1989-90	918(2.0)	10473(2.3)	3458(0.8)	13097(2.9)
1990-91	14039(2.6)	12740(2.4)	7598(1.4)	16854(3.1)
1991-92	24196(3.9)	22341(3.6)	4549(0.7)	14231(2.3)
1992-93	46757(6.7)	60476(8.6)	-9305(-1.3)	16977(2.4)
1993-94	..	..	-6911(-0.9)	15766(2.0)

Note: Figures in brackets are percentages to GDP at current market prices.

declined until the middle of the 1980s and which suddenly rose thereafter in the second half of that decade when defence expenditures registered a quantum jump. It has experienced a significant upturn and trend since 1988-89 or thereabout. Secondly, the share of the public sector in nationwide gross capital formation which touched the peak in 1983-84 at 52 to 53 per cent has been steadily declining since then; the decline has been rather sharp since 1990-91. It is now ruling at around 41 to 42 per cent. A large proportion of the decline has been in change of stocks and amongst institutions in non-departmental enterprises.

Finally, the public sector share of GDP originating in registered manufacturing has generally been on the upswing and so has been the public sector share in the aggregate investment in the registered manufacturing sector in the most recent period. On the other hand, the public sector investment in real terms has eroded in major sectors and this has been particularly so in agriculture and other primary sectors.

III

Divergences in Estimates Based on Different Methods

Consolidated accounts of the Nation

As referred to in Part I, the consolidated accounts of the nation presented in the NAS attempt to summarise the transactions which take place in the economy in the form of production, household and government consumption expenditures, income and outlay, capital formation and capital finance and to round up or close the system by the account on the external transactions of the nation. The Indian NAS presents partial aspect of the capital finance account (SNA Account 5) in that it presents only the details of gross accumulation and financing of the same and does not incorporate the transactions of financial assets and liabilities. However, the RBI's flow of funds accounts do provide partial data in this respect in a comprehensive manner, the latest being for the year 1992-93 (RBI 1995 and also RBI 1988).

However, because of the independent nature of estimates for different macro aggregates based on separate methods and separate sources of data, it is found that the accounts do not balance. As it is difficult to pinpoint the specific sources of the discrepancies, no attempt is made by the CSO to adjust any of the estimates to achieve balance in different accounts; the differences are retained as discrepancies or errors and omissions. There are three types of discrepancies in three main accounts of SNA (Table A) and there is a subsidiary discrepancy in estimates of capital formation undertaken separately by type of institutions and type of economic activity. There is yet another discrepancy in the external transactions account which, however, is

shown as adjustment of merchandise exports and imports; this is the difference between the figures of merchandise exports and imports from the two sources, namely the RBI and the DGCI&S.

As shown in Table B, the only thing that can be said about these discrepancies is that they have grown over the years in absolute sizes and more significantly even in terms of the proportion to GDP. In the first consolidation (SNA Account 1) estimate of GDP on one side and expenditure on GDP on the other (GCF, PCF, GCF, exports minus imports) differ. It is found that the estimate of GDP based essentially on production method and partly on income method which is treated as a controlling total generally tends to exceed total expenditures on government and private consumption and capital formation derived through the expenditure method (see also column 2 in Table B). Such excess was about 0.7 per cent of the estimated GDP at current market prices in 1980-81 but 2.0 per cent in 1989-90 and 6.7 per cent in 1992-93. What this implies is that if we derive gross capital formation (GCF) estimate is the difference between GDP on the one hand and government and household consumptions combined with net imports on the other (GCF = GDP - PCF - GFCF - X + M) as suggested by Rakshit (1983), the GCF so derived would be higher by as much as 6.7 per cent of GDP that is a total GCF of 30 per cent of GDP instead of 23.3 per cent as reported by the CSO for 1992-93. For 1993-94 it works out roughly to 28.6 per cent against 21.3 per cent as officially estimated. (To an extent of course, the discrepancies for the more recent period will be corrected as more information becomes available each year when the past data get revised).

In the second consolidation statement (SNA Account 3) relating to national disposable income and its appropriation, the total of final consumption and net saving exceeds net domestic product (NDP) combined with factor income from abroad plus current transfers from abroad generally by a larger amount than the first discrepancy, 2.3 per cent of GDP in 1989-90 and 8.6 per cent in 1992-93 (column 2 in Table B). In the estimation procedure, net savings include household saving in financial assets as well as public sector and corporate sector savings whose estimates are independent of the components appearing in the first consolidation.

In the third consolidation which concerns capital finance account (Account 5) the financial sources for gross accumulation (domestic saving and capital inflow from abroad) which are considered as the controlling total, generally exceed the total of independently derived GCF. However, there have been many years when the discrepancy has been the other way about (column 4 in Table B). Though as a proportion of GDP, the discrepancy has not been large but as proportion of gross domes-

tic capital formation, it has been large in recent years: 3.1 per cent in 1989-90 and 15.7 per cent in 1992-93.

The discrepancy in total GDP and expenditures on GDP (Account 1) is disaggregated into the levels contributed by the measures of current disposition of national income (Account 3) and capital expenditure (Account 5). Therefore, discrepancy in Account 1 is the sum of statistical discrepancy in Account 3 and errors and omissions in Account 5 (with net adjustments made for export-import data referred to above).

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Table 10A: Private Final Consumption Expenditure at 1980-81 Prices

		(Rupees crore)																							
		1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	70	71	72	
1	Food Beverage and Tobacco	24212	25152	26155	28116	29151	28935	30401	29253	32633	35300	35381	35516	36508	38891	38364	48400	43697	41082	41916	43697	44800	44771		
		(65.5)	(65.1)	(65.5)	(66.3)	(66.6)	(65.4)	(65.8)	(64.6)	(66.4)	(65.8)	(66.0)	(65.3)	(64.4)	(64.7)	(63.7)	(62.6)	(63.3)	(63.4)	(62.8)	(63.3)	(62.6)	(61.2)		
1.1	Food	21597	22484	23459	25141	25970	25675	27063	26030	29253	31182	31428	31532	32653	34740	38191	33754	33778	36655	37778	39392	40374	40117		
		(58.5)	(58.2)	(58.7)	(59.3)	(59.3)	(58.2)	(58.6)	(57.5)	(58.2)	(58.5)	(58.6)	(58.1)	(57.6)	(57.6)	(56.2)	(55.0)	(55.0)	(56.6)	(56.0)	(57.1)	(56.4)	(54.8)		
1.2	Beverages, Pan and Intoxicants	1232	1254	1272	1403	1511	1574	1563	1502	1669	1705	1808	1825	1879	1916	1981	1941	1880	1886	1752	1880	1945	2053		
		(3.3)	(3.2)	(3.2)	(3.3)	(3.4)	(3.5)	(3.4)	(3.3)	(3.4)	(3.4)	(3.5)	(3.4)	(3.3)	(3.2)	(3.3)	(3.2)	(2.7)	(2.9)	(2.6)	(2.7)	(2.7)	(2.8)		
1.3	Tobacco and Its Products	1223	1246	1266	1395	1492	1524	1555	1494	1662	1693	1667	1646	1646	1851	2166	2263	2295	2064	2295	1883	1908	2016		
		(3.3)	(3.2)	(3.2)	(3.3)	(3.4)	(3.4)	(3.4)	(3.3)	(3.4)	(3.4)	(3.4)	(3.3)	(3.2)	(3.1)	(3.6)	(3.7)	(3.4)	(3.2)	(3.4)	(2.7)	(2.7)	(2.8)		
1.4	Hotels and Restaurants	160	168	168	177	188	202	215	221	229	243	246	303	303	374	308	442	477	491	542	573	585			
		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)			
2	Clothing and Footwear	2012	2483	2636	2900	3025	3199	3391	341	3522	356	3755	3828	3978	4593	5222	5628	5768	5768	6122	5936	6285	6933		
		(5.4)	(6.4)	(6.6)	(6.9)	(6.9)	(7.2)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)			
2.1	Clothing	1854	2314	2451	2693	2803	2964	3144	314	322	327	336	346	356	4927	4927	4927	4927	4927	4927	4927	4927			
		(5.0)	(6.0)	(6.1)	(6.4)	(6.4)	(6.7)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)			
3	Gross Rent Fuel and Power	635	6456	5553	6452	6732	721	744	743	725	724	724	724	724	724	724	724	724	724	724	724	724			
		(1.2)	(1.6)	(1.5)	(1.8)	(1.4)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)			
3.2	Fuel and Power	2455	2445	2501	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505	2505			
		(6.6)	(6.5)	(6.3)	(6.9)	(6.6)	(6.8)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)			
4	Furniture	810	846	850	863	908	965	1020	1050	1114	1179	1248	1264	1366	1350	1481	1596	1596	1596	1596	1596	1596			
		(2.2)	(2.2)	(2.1)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)	(2.4)	(2.4)	(2.4)	(2.5)	(2.4)	(2.5)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)			
5	Medical Care and Health Services	465	512	498	535	557	610	610	654	679	749	824	910	991	1144	1309	1426	1526	1598	1650	1712	1704			
		(1.3)	(1.3)	(1.2)	(1.3)	(1.3)	(1.4)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)	(2.0)	(2.2)	(2.4)	(2.5)	(2.5)	(2.5)	(2.5)	(2.4)			
6	Transport and Communication	942	945	996	1041	1071	1173	1222	1248	1248	1248	1248	1248	1248	1248	1248	1248	1248	1248	1248	1248	1248			
		(2.6)	(2.4)	(2.5)	(2.5)	(2.5)	(2.7)	(2.6)	(2.8)	(2.8)	(2.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)			
7	Recreation	729	748	764	792	817	844	877	896	924	966	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000			
		(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)			
7.1	Education	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261			
		(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)			
8	Miscellaneous goods and Services	1401	1418	1458	1507	1522	1572	1622	1637	1637	1637	1637	1637	1637	1637	1637	1637	1637	1637	1637	1637	1637			
		(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)			
PFCE in Domestic Market		36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937	36937			
		(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)			
Price price deflator (1980-81=100)																									

Table 10A Private Final Consumption Expenditure at 1980 81 Prices (Concluded)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
1 Food Beverage and Tobacco	4461	4569	4487	4522	4754	5264	5611	5736	5835	5832	6073	6609	6530	6530	6530	6530	6530	6530	6530	6530	6530	6530	6530
1.1 Food	4011	4141	4041	4122	4354	4864	5211	5336	5435	5432	5673	6209	6130	6130	6130	6130	6130	6130	6130	6130	6130	6130	6130
1.2 Beverages Pan and Intoxicant	450	428	446	400	399	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
1.3 Tobacco and Its Products	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
1.4 Hotels and Restaurants	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180
2 Clothing and Footwear	702	752	747	821	949	1032	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061	1061
2.1 Clothing	660	710	706	783	906	989	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011	1011
3 Gross Rent Fuel and Power	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111
3.2 Fuel and Power	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111
4 Furniture	2452	2380	2272	2572	2748	2892	3014	2834	2776	3078	3449	3841	3952	4385	4744	4787	4856	5477	5714	5483	5406	5461	5461
4.1 Furnishings and Appliances and Services	1954	2021	2057	2054	2167	2329	2495	3006	2970	3036	3102	3168	3234	3303	3370	3441	3518	3598	3672	3753	3819	3890	3890
5 Medical Care and Health Services	2853	3110	3254	3447	3702	3927	4348	4599	5107	5620	6061	6972	7615	8178	9487	10386	11397	12557	13726	14591	15705	16848	16848
6 Transport and Communication	139	141	143	143	145	144	146	150	151	154	157	161	164	166	173	177	179	184	188	192	198	205	211
7 Recreation Education and Cultural Services	1319	1329	1461	1497	1514	1520	1550	1668	1725	1704	1736	1725	1753	1625	1577	2172	2310	2605	2941	2941	3041	3225	3225
7.1 Education	118	118	119	119	118	117	116	118	117	116	116	115	115	113	115	116	116	117	119	119	119	119	119
8 Miscellaneous goods and Services	2540	2459	2495	2427	2769	3047	3141	3172	3456	4828	4045	4128	4221	4861	5498	6016	6428	7537	7693	7748	8148	8627	8627
PFCE in Domestic Market	73647	75654	75747	80063	82165	88706	94041	91379	99292	103848	107071	115057	119464	124054	130262	135129	143468	140738	155454	158204	160392	166833	166833
PFCE Price Deflator (1980-81=100)	52.5	61.6	74.6	72.2	73.1	78.0	80.0	89.4	100.0	109.5	116.9	127.7	135.7	143.3	153.5	165.8	180.5	193.7	213.8	241.2	264.7	287.5	287.5

Note: Figures in brackets are percentages to PFCE in the domestic market at 1980 81 prices

Table 10B: Private Final Consumption Expenditure (PFCE) by Object at Current Prices

	1960 61	1961 62	1962 63	1963 64	1964 65	1965 66	1966 67	1967 68	1968 69	1969 70	1970 71	1971 72	1972 73	1973 74	1974 75	1975 76
1 Food Beverages and Tobacco	8117 (60 4)	8345 (59 4)	8694 (58 7)	9690 (59 0)	11789 (60 9)	12363 (60 5)	14304 (62 2)	18631 (65 2)	17974 (63 3)	19806 (64 4)	20628 (63 4)	21528 (61 3)	24047 (62 2)	29594 (63 5)	36247 (64 1)	35674 (61 7)
1.1 Food	7072 (52 6)	7418 (52 8)	7716 (52 1)	8639 (52 6)	10642 (55 0)	11087 (54 3)	13341 (56 1)	17624 (60 1)	16134 (56 8)	17963 (58 4)	18651 (57 3)	19346 (55 1)	21778 (56 3)	27076 (58 1)	33354 (59 0)	32654 (56 5)
1.2 Beverages Pan and Intoxicants	385 (2 9)	439 (3 1)	456 (3 1)	487 (3 0)	505 (2 6)	537 (2 6)	652 (2 7)	715 (2 5)	792 (2 8)	871 (2 8)	923 (2 8)	976 (2 8)	889 (2 3)	1011 (2 2)	1207 (2 1)	1195 (2 1)
1.3 Tobacco and its Products	562 (4 2)	383 (2 7)	411 (2 8)	443 (2 7)	505 (2 6)	593 (2 9)	649 (2 7)	717 (2 5)	868 (3 1)	773 (2 5)	844 (2 6)	978 (2 8)	1118 (2 9)	1181 (2 5)	1245 (2 2)	1354 (2 3)
1.4 Hotels and Restaurants	97 (0 7)	105 (0 7)	111 (0 7)	121 (0 7)	137 (0 7)	146 (0 7)	162 (0 7)	175 (0 6)	180 (0 6)	199 (0 6)	210 (0 6)	228 (0 6)	262 (0 7)	326 (0 7)	441 (0 8)	471 (0 8)
2 Clothing and Footwear	1191 (8 9)	1227 (8 7)	1324 (8 9)	1575 (9 6)	1797 (9 3)	1825 (8 9)	2187 (9 2)	2305 (8 1)	2476 (8 7)	2456 (8 0)	2798 (8 6)	3391 (9 7)	3589 (9 3)	4559 (9 8)	5570 (9 9)	5701 (9 9)
2.1 Clothing	1060 (7 9)	1090 (7 8)	1184 (8 0)	1420 (8 6)	1664 (8 6)	1664 (8 1)	2020 (8 5)	2137 (7 5)	2294 (8 1)	2306 (7 5)	2656 (8 2)	3221 (9 2)	3397 (8 8)	4352 (9 3)	5304 (9 4)	5387 (9 3)
3 Gross Rent Fuel and Power	2437 (18 1)	2628 (18 7)	2760 (18 8)	2924 (17 8)	3217 (16 3)	3465 (17 0)	3665 (15 4)	3901 (13 8)	4173 (14 7)	4403 (14 3)	4652 (14 3)	5059 (14 4)	5465 (14 1)	6160 (13 2)	6795 (12 0)	7463 (12 9)
3.2 Fuel and Power	464 (3 5)	541 (3 8)	554 (3 7)	593 (3 6)	752 (3 0)	858 (4 2)	910 (3 8)	985 (3 5)	1085 (3 8)	1140 (3 7)	1193 (3 7)	1318 (3 8)	1409 (3 6)	1738 (3 7)	1948 (3 4)	2181 (3 8)
4 Furniture Furnishings Appliances and Services	307 (2 3)	324 (2 3)	359 (2 4)	385 (2 3)	435 (2 2)	464 (2 3)	541 (2 3)	596 (2 1)	665 (2 3)	730 (2 4)	844 (2 6)	1021 (2 9)	1105 (2 5)	1166 (2 5)	1446 (2 6)	1686 (2 9)
5 Medical Care and Health Services	205 (1 5)	227 (1 6)	253 (1 7)	296 (1 8)	345 (1 8)	390 (1 9)	472 (2 0)	505 (1 8)	536 (1 9)	565 (1 8)	618 (1 9)	727 (2 1)	854 (2 2)	1004 (2 2)	1180 (2 1)	1386 (2 4)
6 Transport and Communication	394 (2 9)	446 (3 2)	480 (3 2)	544 (3 3)	611 (3 2)	658 (3 2)	708 (3 0)	798 (2 8)	897 (3 2)	964 (3 1)	1052 (3 2)	1178 (3 4)	1264 (3 3)	1545 (3 3)	2159 (3 8)	2432 (4 2)
7 Recreation Education and Cultural Services	341 (2 5)	374 (2 7)	419 (2 8)	465 (2 8)	520 (2 7)	584 (2 9)	654 (2 7)	721 (2 5)	825 (2 9)	925 (3 0)	972 (3 0)	1092 (3 1)	1177 (3 0)	1305 (2 8)	1542 (2 7)	1708 (3 0)
7.1 Education	159 (1 2)	175 (1 2)	196 (1 3)	217 (1 3)	243 (1 3)	273 (1 3)	305 (1 3)	337 (1 2)	385 (1 4)	432 (1 4)	454 (1 4)	508 (1 4)	566 (1 5)	624 (1 3)	761 (1 3)	871 (1 5)
8 Miscellaneous goods and Services	450 (3 3)	485 (3 5)	515 (3 5)	558 (3 4)	634 (3 3)	674 (3 3)	754 (3 2)	887 (3 1)	839 (3 1)	927 (3 0)	981 (3 0)	1105 (3 1)	1187 (3 1)	1305 (2 8)	1566 (2 8)	1772 (3 1)
PFCE in Domestic Market	13442 (100 0)	14056 (100 0)	14804 (100 0)	16435 (100 0)	19348 (100 0)	20423 (100 0)	23785 (100 0)	28344 (100 0)	28385 (100 0)	30776 (100 0)	32545 (100 0)	35101 (100 0)	38688 (100 0)	46638 (100 0)	56505 (100 0)	57822 (100 0)
Memorandum Items																
1 Durable goods																
2 Non Durable goods																
4 Services																
Add Direct Purchases Abroad by Resident Household																
Less Direct Purchases in the Domestic Market by Non Resident Household																
PFCE																

(Contd)

Table 10B: Private Final Consumption Expenditure (PFCE) by Object at Current Prices (Concluded)

(Rupees crore)

	1976	77	1977	78	1978	79	1979	80	1980	81	1981	82	1982	83	1983	84	1984	85	1985	86	1986	87	1987	88	1988	89	1989	90	1990	91	1991	92	1992	93	1993	94	
1 Food Beverage and Tobacco	35066	4110	47638	46378	58145	66955	71117	85613	93630	90453	110409	122805	141204	155560	177769	210995	232321	259419																			
1.1 Food	(58.4)	(59.4)	(58.0)	(56.8)	(58.8)	(58.9)	(57.3)	(58.3)	(57.8)	(55.9)	(55.2)	(54.8)	(54.5)	(53.6)	(53.4)	(54.8)	(54.1)	(54.1)																			
1.2 Beverages Pan and Intoxicants	1269	1433	1702	1762	1034	2282	2327	2544	3470	3850	3976	3854	4109	4353	539	6498	7354	5331																			
1.3 Tobacco and its Products	(2.1)	(2.1)	(2.3)	(2.2)	(1.9)	(2.0)	(1.9)	(1.9)	(2.1)	(2.2)	(2.0)	(1.7)	(1.6)	(1.5)	(1.6)	(1.7)	(1.7)	(1.7)																			
1.4 Hotels and Restaurants	1350	1334	1768	1945	2518	2797	2961	3214	3240	3217	3545	3084	5082	628	407	8334	9543	9934																			
(2.2)	(2.2)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.4)	(2.2)	2.0	(1.8)	1.8	2.0	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.1)																			
2 Clothing and Footwear	488	558	585	697	872	1053	1197	1370	1527	1742	1921	2161	2612	3122	3613	4182	4813	5473																			
2.1 Clothing	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)																			
2.2 Footwear	6805	7921	9045	9808	11141	12059	13600	15767	17488	20566	22841	24892	28910	32629	37148	38616	39052	47046																			
(11.3)	(11.3)	(12.0)	(12.0)	(11.3)	(11.2)	(10.6)	(10.9)	(10.7)	(10.8)	(11.6)	(11.4)	(11.1)	(11.2)	(11.2)	(11.2)	(11.0)	(9.2)	(9.8)																			
3 Gross Rent Fuel and Power	6479	7468	8613	9273	10215	11051	12559	14676	16198	19001	21189	22934	26266	30425	33566	34920	35294	42958																			
(10.8)	(10.8)	(11.4)	(11.3)	(10.3)	(9.7)	(10.0)	(10.0)	(10.0)	(10.0)	(10.7)	(10.6)	(10.2)	(10.1)	(10.5)	(10.1)	(9.1)	(8.3)	(9.0)																			
3.1 Fuel and Power	8203	9057	9926	11093	12504	14131	15936	17602	19536	21433	23984	26684	29300	32424	35641	39169	42759	47375																			
(13.7)	(13.1)	(13.2)	(13.6)	(12.6)	(12.4)	(12.4)	(12.0)	(12.0)	(12.1)	(12.1)	(12.0)	(11.9)	(11.3)	(11.2)	(10.7)	(10.2)	(10.1)	(9.9)																			
3.2 Fuel and Power	2464	2833	3211	3776	4612	5406	6271	7124	7841	8523	9813	11258	12475	13652	15011	16427	17698	20078																			
(4.1)	(4.1)	(4.3)	(4.6)	(4.6)	(4.8)	(4.8)	(5.0)	(4.8)	(4.8)	(4.8)	(4.9)	(5.0)	(4.8)	(4.7)	(4.5)	(4.3)	(4.2)	(4.2)																			
4 Furniture Furnishings	1818	1990	2708	2585	2760	3304	3856	4359	4940	5696	6371	6801	8163	10433	11731	12231	12654	13690																			
(3.0)	(2.9)	(3.1)	(3.2)	(2.9)	(3.1)	(3.1)	(3.1)	(3.0)	(3.1)	(3.2)	(3.2)	(3.0)	(3.2)	(3.6)	(3.5)	(3.2)	(2.9)	(2.9)																			
4.1 Appliances and Services	1629	1915	2221	2577	2971	3453	4014	4666	4829	5089	5355	5923	7264	7622	8261	9029	9868	10989																			
(2.7)	(2.8)	(3.0)	(3.2)	(3.0)	(3.0)	(3.0)	(3.2)	(3.2)	(3.0)	(2.9)	(2.7)	(2.6)	(2.6)	(2.6)	(2.5)	(2.3)	(2.3)	(2.3)																			
4.2 Health Services	2608	2864	3303	3929	5107	6378	7680	9645	11261	13310	16605	19942	24328	27988	35675	44472	53144	62225																			
(4.3)	(4.1)	(4.4)	(4.8)	(4.8)	(5.1)	(5.6)	(6.1)	(6.6)	(6.9)	(7.5)	(8.3)	(8.9)	(9.4)	(9.6)	(10.7)	(11.6)	(12.5)	(13.0)																			
5 Transport and Communication	1924	2090	2308	2529	2997	3393	3870	4305	4860	5387	6371	7357	8898	10106	11892	13408	15232	16933																			
(3.2)	(3.0)	(3.1)	(3.1)	(3.0)	(3.0)	(3.0)	(3.1)	(2.9)	(3.0)	(3.0)	(3.2)	(3.3)	(3.4)	(3.5)	(3.6)	(3.5)	(3.6)	(3.5)																			
5.1 Recreation, Education and Cultural Services	1044	1147	1285	1418	1725	1916	2109	2354	2548	2529	3341	4003	4635	5557	6990	7933	8987	10242																			
(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.6)	(1.6)	(1.4)	(1.7)	(1.8)	(1.8)	(1.9)	(2.1)	(2.1)	(2.1)	(2.1)																			
5.2 Miscellaneous goods and Services	2026	2340	2493	2804	3456	4094	4591	4991	5546	6324	8102	9657	10926	13301	14637	16869	19525	21909																			
(3.4)	(3.4)	(3.3)	(3.4)	(3.5)	(3.6)	(3.6)	(3.6)	(3.4)	(3.4)	(3.8)	(4.1)	(4.3)	(4.2)	(4.6)	(4.4)	(4.4)	(4.6)	(4.6)																			
PFCE in Domestic Market	60079	69183	75242	81704	99292	113765	125174	146948	162090	177758	199998	224061	256993	290972	332364	384799	424555	479586																			
(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)																			
Memorandum Items																																					
1 Durable goods	1507	1916	2164	2366	2856	3826	4729	5083	6130	7284	7771	8404	8695																								
(1.5)	(1.7)	(1.7)	(1.7)	(1.6)	(1.8)	(2.2)	(2.4)	(2.4)	(2.4)	(2.5)	(2.4)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(1.8)																			
2 Semi Durable goods	12779	14168	16209	18752	20792	24203	26977	29632	34734	40403	45837	47707	48416	57089																							
(12.9)	(12.5)	(12.9)	(12.8)	(12.8)	(12.8)	(12.8)	(13.6)	(13.5)	(13.2)	(13.4)	(13.5)	(13.8)	(12.4)	(11.4)	(11.9)																						
3 Non-Durable goods	67378	77534	87885	99781	108864	116504	130193	145871	167945	184655	210905	249889	276612	309442																							
(67.9)	(68.2)	(67.0)	(67.9)	(67.2)	(65.5)	(65.1)	(65.1)	(64.8)	(63.7)	(63.5)	(64.9)	(65.2)	(64.5)	(64.5)	(64.5)																						
3.1 Services	17628	20147	22916	26049	29558	33225	38099	43475	50184	57733	67606	79432	91123	104360																							
(17.8)	(17.7)	(18.3)	(17.7)	(18.2)	(18.7)	(19.0)	(19.4)	(19.4)	(19.4)	(19.4)	(20.3)	(20.6)	(21.5)	(21.8)																							
Add Direct Purchases Abroad by Resident Household	85	138	174	228	368	398	341	467	594	699	649	1659	1118																								
Less Direct Purchases in the Domestic Market by Non-Resident Household	1249	1193	1236	1211	1003	1304	1740	1077	2168	2439	2642	4921	6255	6255																							
PFCE	98128	112710	124112	145965	161455	176852	198599	222551	257419	288242	330771	381537	419418	474449																							

Figures in brackets are percentages to PFCE in the domestic market at current prices

Table 11: Final Consumption Expenditure of Administrative Departments

(Rupees crore)

Year	Compensation of Employees				Net Purchase of Commodities and Services	Total Consumption Expenditure *				Consumption of Fixed Capital
	Total	Central Govt	State Govt	Local Authorities		Total	Central Govt	State Govt	Local Authorities	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
At 1980-81 prices										
1960 61	2027(32)	687(33.9)	1037	303	1365	3392(5.4)	1219(35.9)	1773	149	181
1961 62	2208(3.4)	759(34.4)	1115	334	1432	3640(5.6)	1320(36.3)	1822	498	196
1962 63	2481(3.7)	883(35.6)	1202	396	1935	4416(6.7)	1943(44.0)	1877	601	213
1963 64	2724(3.9)	1089(40.0)	1214	421	2777	5501(7.9)	2966(53.9)	1904	631	232
1964 65	3030(4.0)	1168(38.5)	1410	452	2655	5685(7.6)	2782(48.9)	2301	694	251
1965 66	3273(4.5)	1207(36.9)	1486	580	2965	6236(8.6)	2902(46.5)	2401	935	280
1966 67	3379(4.6)	1254(37.1)	1538	557	2890	6269(8.6)	2915(46.5)	2334	770	303
1967 68	3544(4.5)	1273(35.9)	1647	624	2838	6382(8.1)	2878(45.1)	2517	78	323
1968 69	3787(4.7)	1371(36.2)	1764	652	2946	6733(8.3)	2993(44.5)	2771	1012	340
1969 70	4175(4.8)	1462(35.0)	1951	762	3225	7400(8.6)	3107(42.0)	3133	1160	364
1970 71	4610(5.1)	1601(34.7)	2129	880	3496	8106(9.0)	3438(42.4)	3315	1353	386
1971 72	4937(5.4)	1729(35.0)	2267	941	4014	8951(9.8)	4039(45.1)	3533	1380	418
1972 73	5132(5.6)	1763(34.4)	2415	954	3811	8943(9.8)	3953(44.2)	3605	1385	459
1973 74	5385(5.7)	1804(33.5)	2654	927	3420	8805(9.2)	3724(42.3)	3778	1353	500
1974 75	5446(5.7)	2105(38.7)	2525	816	3901	8347(8.7)	3741(44.8)	3455	1151	578
1975 76	5772(5.5)	2207(38.2)	2647	918	3472	9744(8.8)	4126(44.6)	3827	1291	555
1976 77	6174(5.8)	2150(34.8)	2983	1041	3816	9990(9.4)	4211(42.2)	4333	1431	586
1977 78	6484(5.7)	2180(33.6)	3288	1016	3793	10277(9.0)	4306(41.9)	4577	1394	621
1978 79	7006(5.8)	2264(32.3)	3618	1124	4037	11043(9.2)	4463(40.4)	5044	1536	663
1979 80	7339(6.5)	2320(31.2)	3925	1194	4774	11713(10.3)	4686(40.0)	5416	1611	714
1980 81	8017(6.6)	2399(29.8)	4358	1280	4783	12320(10.1)	4589(37.7)	6079	1707	764
1981 82	8208(6.3)	2407(29.3)	4551	1250	4625	12833(9.9)	4851(37.8)	6339	1643	830
1982 83	9114(6.8)	2627(28.8)	5160	1332	5058	14172(10.6)	5288(37.3)	7102	1787	903
1983 84	9459(6.5)	2737(28.9)	5323	1399	5118	14777(10.2)	5610(38.0)	7396	1871	973
1984 85	10286(6.8)	3060(29.7)	5759	1467	5644	15930(10.6)	6131(38.5)	7871	1978	1053
1985 86	11128(7.1)	3333(29.1)	6420	1475	6660	17788(11.4)	7303(41.1)	8507	1983	1366
1986 87	11930(7.3)	3708(31.1)	6761	1461	7693	19623(12.0)	8761(44.7)	8887	1977	1276
1987 88	13151(7.7)	4212(32.0)	7301	1632	8210	21355(12.5)	9657(45.7)	9512	2156	1305
1988 89	14184(7.5)	4404(31.0)	7889	1891	8299	22483(11.9)	9955(44.3)	10140	2388	1385
1989 90	15601(7.7)	4663(29.9)	8864	2074	8160	23761(11.8)	10102(42.5)	11077	2587	1454
1990 91	16123(7.6)	4733(27.1)	9612	2138	8444	24567(11.6)	9891(40.3)	11944	2687	1492
1991 92	16309(7.6)	4755(28.7)	9494	2140	8063	24370(11.4)	9618(39.5)	12051	2701	1555
1992 93	17115(7.7)	4884(28.5)	9966	2265	8039	25154(11.3)	9793(38.9)	12496	2865	1616
1993 94	17940(7.7)	4884(27.2)	10778	2318	8114	27144(11.6)	10737(39.6)	13479	2978	1688
At current prices										
1960 61	773(4.7)	245(33.9)	370	108	308	1031(6.8)	365(35.4)	575	141	41
1961 62	812(5.0)	279(34.4)	410	123	332	1144(7.1)	409(35.8)	574	161	46
1962 63	908(5.3)	323(35.6)	440	145	382	1390(8.1)	587(42.2)	607	196	53
1963 64	1048(5.3)	419(40.0)	467	162	753	1801(9.2)	928(51.5)	654	219	58
1964 65	1193(5.2)	460(38.6)	555	178	737	1925(8.4)	905(47.0)	774	246	68
1965 66	1350(5.6)	498(36.9)	613	239	860	2210(9.2)	990(44.8)	881	339	80
1966 67	1525(5.6)	566(37.1)	694	265	844	2409(8.8)	1074(44.6)	968	367	95
1967 68	1762(5.5)	633(35.9)	819	310	923	2685(8.3)	1155(43.0)	1107	478	107
1968 69	1941(5.7)	703(36.2)	904	334	1004	2945(8.7)	1256(42.6)	1230	559	118
1969 70	2164(5.8)	758(35.0)	1011	395	1143	3307(8.9)	1341(40.6)	1130	536	135
1970 71	2369(6.0)	823(34.7)	1094	452	1315	3684(9.3)	1514(41.1)	1540	630	154
1971 72	2661(6.3)	932(35.0)	1222	507	1618	4279(10.1)	1863(43.5)	1737	684	179
1972 73	2894(6.2)	994(34.3)	1362	538	1624	4518(9.7)	1927(42.7)	1869	722	210
1973 74	3269(5.7)	1095(33.5)	1611	563	1621	4890(8.6)	2005(41.0)	2170	765	266
1974 75	4096(6.1)	1583(38.6)	1899	614	1810	5906(8.8)	2604(44.1)	2479	82	335
1975 76	4681(6.6)	1790(38.2)	2147	744	2319	7000(9.8)	3072(43.9)	2935	993	381
1976 77	5130(6.7)	1786(34.8)	2479	865	2679	7809(10.2)	3233(41.1)	3434	1147	420
1977 78	5538(6.3)	1862(33.6)	2808	868	2753	8291(9.5)	3405(41.1)	3744	1142	468
1978 79	6137(6.5)	1983(32.3)	3169	985	3056	9193(9.8)	3648(39.7)	4248	1297	579
1979 80	6852(6.7)	2137(31.2)	3615	1100	3671	10523(10.3)	4169(39.6)	4896	1458	647
1980 81	8037(6.6)	2399(29.8)	4358	1280	4283	12320(10.1)	4589(37.7)	6029	1702	764
1981 82	9234(6.4)	2708(29.3)	5120	1406	5196	14430(10.1)	5476(37.9)	7110	1844	925
1982 83	11046(6.9)	3178(28.8)	6254	1614	6094	17140(10.8)	6416(37.4)	8572	2152	1132
1983 84	12902(6.9)	3733(28.9)	7261	1908	6916	19818(10.6)	7449(37.6)	9843	2526	1323
1984 85	14926(7.2)	4440(29.7)	8357	2129	7848	22774(10.9)	8681(38.1)	11247	2846	1578
1985 86	17203(7.4)	4999(29.1)	9924	2280	10031	27234(11.6)	11112(40.8)	13075	3047	1940
1986 87	20055(7.7)	6233(31.1)	11365	2457	12306	32361(12.4)	14309(44.2)	14767	3785	2264
1987 88	24121(8.2)	7729(32.0)	13397	2995	14099	38220(13.0)	16992(44.5)	17316	3912	2623
1988 89	28367(8.0)	8808(31.1)	15777	3782	15915	44282(12.6)	19219(43.4)	20285	4778	3049
1989 90	33183(8.1)	9918(29.9)	18853	4412	17483	50666(12.4)	21175(41.8)	23917	5574	3547
1990 91	38258(8.0)	10376(27.1)	22808	5074	19620	57878(12.1)	22815(39.4)	28653	6410	3901
1991 92	43914(8.0)	12589(28.7)	25563	5762	20895	64809(11.7)	25052(38.7)	32478	7779	4650
1992 93	50503(8.0)	14412(28.5)	29408	6683	22777	73280(11.7)	28014(38.2)	36823	8443	5306
1993 94	56875(8.0)	15491(27.2)	34032	7352	28246	85121(12.0)	33071(38.9)	42762	9288	5931

* Excluding consumption of fixed capital

Figures in brackets within Cols (2) and (7) are percentages to GDP at respective prices

Figures in brackets within Cols (3) and (8) are percentages of respective totals of employees' compensation and expenditure

Table 12: Domestic Product from Public Sector by Type of Institutions
(at current prices)

Year	Gross Product of Public Sector				Net Product of Public Sector			
	Total	Admin	Dept	Non-dept	Total	Admin	Dept	Non-dept
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1980-81	24171(19.8)	9020(7.4)	3929(3.2)	11222(9.2)	19276(17.5)	8256(7.5)	2468(2.2)	8552(7.8)
1981-82	29857(20.9)	10470(7.4)	4619(3.2)	14768(10.3)	23999(18.7)	9545(7.4)	2885(2.3)	11569(9.0)
1982-83	36240(22.8)	12536(7.9)	5730(3.6)	17974(11.3)	29360(20.6)	11404(8.0)	3680(2.6)	14176(10.0)
1983-84	42241(22.7)	14583(7.8)	6591(3.6)	21067(11.3)	34185(20.5)	13260(7.9)	4289(2.6)	16636(10.0)
1984-85	49147(23.6)	16910(8.1)	7490(3.6)	24747(11.9)	39739(21.4)	15332(8.3)	4826(2.6)	19581(10.5)
1985-86	58326(24.9)	19870(8.5)	9447(4.0)	29009(12.4)	46938(22.6)	17930(8.6)	6257(3.0)	22751(11.0)
1986-87	69036(26.5)	23029(8.9)	10795(4.1)	35212(13.5)	55938(24.2)	20765(9.0)	7321(3.2)	27852(12.0)
1987-88	79479(27.0)	27663(9.4)	12996(4.4)	38820(13.2)	64551(24.7)	25040(9.6)	9145(3.5)	30366(11.6)
1988-89	94111(26.7)	32479(9.2)	14978(4.2)	46654(13.3)	76558(24.4)	29430(9.4)	10515(3.3)	36613(11.7)
1989-90	109269(26.7)	38250(9.4)	16865(4.1)	54154(13.2)	88406(24.3)	34713(9.5)	11660(3.2)	42033(11.6)
1990-91	125690(26.3)	43997(9.2)	18899(4.0)	62794(13.1)	101940(23.9)	40096(9.4)	13244(3.1)	48600(11.4)
1991-92	149514(27.1)	50614(9.2)	21721(3.9)	77188(14.0)	120743(24.7)	45964(9.4)	15121(3.1)	59658(12.2)
1992-93	171429(27.3)	58171(9.3)	25152(4.0)	88106(14.0)	138374(24.9)	52865(9.5)	17603(3.2)	67906(12.2)
1993-94	202333(28.6)	65552(9.3)	30721(4.3)	106060(15.0)	166024(26.5)	59621(9.5)	22329(3.6)	84074(13.4)

For Gross Product: figures in brackets are percentages to aggregate economy-wide GDP at factor cost at current prices
For Net Product: figures in brackets are percentages to aggregate economy-wide NDP at factor cost at current prices

Table 13: Capital Formation from Public Sector by Type of Institutions

Year	Gross Capital Formation (GCF) from Public Sector				Net Capital Formation (NCF) from Public Sector			
	At 1980-81 prices				At current prices			
	Total	Administrative Departments	Departmental Enterprises	Non-Departmental Enterprises	Total	Administrative Departments	Departmental Enterprises	Non-Departmental Enterprises
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1980-81	11767(41.4)	3019(10.6)	3255(11.4)	5493(19.3)	11767(41.4)	3019(10.6)	3255(11.4)	5493(19.3)
1981-82	15178(44.5)	3210(9.4)	3547(10.4)	8421(24.7)	16781(44.2)	3555(9.4)	3956(10.4)	9270(24.4)
1982-83	16635(50.1)	3347(10.1)	3665(11.0)	9623(29.0)	20100(50.1)	4188(10.4)	4573(11.4)	11337(28.3)
1983-84	15502(47.2)	3339(10.2)	3728(11.4)	8435(25.7)	20381(46.5)	4606(10.5)	4991(11.4)	10784(24.6)
1984-85	17588(52.6)	3576(10.7)	3952(11.8)	10060(30.1)	24915(50.8)	5393(11.0)	5880(12.0)	13642(27.8)
1985-86	18216(45.7)	3867(9.7)	3803(9.5)	10546(26.5)	30874(48.7)	6728(10.6)	6796(10.7)	17350(27.3)
1986-87	19584(48.8)	4083(10.2)	3608(9.0)	11893(29.6)	35415(52.2)	7704(11.3)	6816(10.0)	20895(30.8)
1987-88	17734(42.9)	3840(9.3)	3426(8.3)	10468(25.3)	33059(44.1)	7076(9.4)	7076(9.4)	18120(24.2)
1988-89	19295(38.6)	3959(7.9)	4167(8.3)	11169(22.3)	39364(40.6)	8776(9.0)	9332(9.6)	21256(21.9)
1989-90	20639(40.4)	3301(6.5)	4029(7.9)	13307(26.1)	45566(41.1)	8111(7.3)	9953(9.0)	27502(24.8)
1990-91	21588(37.2)	3808(6.6)	3955(6.8)	13825(23.8)	52150(38.0)	10152(7.4)	10650(7.8)	31348(22.8)
1991-92	20033(39.4)	3712(7.3)	3624(7.1)	12697(24.9)	56504(40.1)	11371(8.1)	11218(8.0)	33915(24.1)
1992-93	20449(37.2)	3965(7.2)	4282(7.8)	12202(22.2)	62356(38.1)	13194(8.1)	14284(8.7)	34878(21.3)
1993-94								

For GCF in public sector: figures in brackets are percentages to economy-wide GCF at constant prices and current prices, respectively
For NCF in public sector: figures in brackets are percentages to economy-wide NCF at current prices.

Table 14A: Gross Domestic Product from Public Sector by Type of Economic Activity at 1980-81 Prices

(Rupees crore)

Year	Agriculture Forestry and Fishing	Mining and Quarrying	Manu- facturing	Electricity Gen. and Water Supply	Constr- uction	Trade Hotels Restaurants	Transport Storage and Communication			Finance Insurance Real Estate and Business Activities			Community Social and Personal Services			Total Public Sector GDP					
							Total	Railways	Transport by other means and Storage	Communication	Total	Banking Ins	Total	Public Admin and Services Defence							
															(11)		(12)	(13)	(14)	(15)	(16)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)					
1960-61	3521.4	149.18	475.10	394.78	150.57	2.11	161.54	339.100	261.23	212.100	341.351	2121.409	1610.100	511.14		5051.80					
1961-62	5081.6	118.14	718.14	421.80	160.58	2.11	1086.55	640.160	291.24	231.100	341.311	2307.42	1714.100	594.16		5652.87					
1962-63	5331.7	236.25	984.17	397.83	182.64	9.11	1165.54	609.160	302.23	254.100	425.364	2584.44	1935.100	649.16		6597.10					
1963-64	5771.8	257.26	1111.18	473.83	200.63	9.51	1246.55	645.100	317.23	284.100	431.352	2854.46	2151.100	702.17		7243.10					
1964-65	6331.8	251.25	1213.18	517.83	199.58	12.61	1294.54	704.100	334.23	307.100	501.394	3151.47	2382.100	769.18		7886.10					
1965-66	7432.4	288.26	1307.19	581.85	213.63	16.82	1392.55	744.100	362.24	326.100	615.463	3307.48	2467.100	840.19		8634.12					
1966-67	8192.2	301.26	1298.18	645.87	236.91	23.42	1465.56	715.100	405.26	345.100	626.478	3547.49	2624.100	923.20		9173.12					
1967-68	8572.4	332.28	1340.20	738.89	264.62	20.35	1541.55	736.100	444.27	363.100	737.548	3756.50	2740.100	1016.21		9777.12					
1968-69	9671.2	347.29	1456.70	859.92	299.68	28.32	1637.56	762.100	501.25	374.100	744.481	4016.51	2910.100	1106.22		10597.13					
1969-70	9262.5	366.29	1496.18	946.93	314.69	33.36	1695.55	789.100	512.27	394.100	815.561	4411.53	3164.100	1277.25		11442.13					
1970-71	10552.6	364.31	1530.18	992.92	314.69	39.15	1798.57	813.100	559.29	427.100	1250.68	4824.55	3431.100	1393.26		12469.13					
1971-72	11232.3	395.32	1449.16	1070.92	351.77	40.40	1873.57	849.100	574.29	452.100	1396.84	5165.56	3671.100	1494.27		13207.14					
1972-73	11321.0	495.38	1600.17	1121.92	369.70	46.34	1987.58	884.100	624.29	477.100	1494.69	5385.57	3805.100	1583.28		14055.15					
1973-74	11972.8	1030.98	1776.18	1152.92	443.10	67.16	2001.55	821.100	668.29	512.100	1643.62	5664.58	3991.100	1673.29		15487.16					
1974-75	11853.0	1055.78	2074.21	1204.92	482.11	51.94	2077.52	860.100	684.26	533.100	1508.77	5735.56	4146.100	1589.26		15839.16					
1975-76	12962.9	1279.84	1969.20	1369.92	452.19	63.15	2386.55	966.100	851.30	569.100	1763.76	6088.58	4355.100	1713.28		17735.16					
1976-77	13553.2	1337.86	2251.20	1520.91	534.10	65.65	2659.57	1034.100	1008.33	617.100	2208.78	6504.60	4594.100	1965.31		19044.17					
1977-78	13092.8	1301.80	2474.21	1594.91	614.10	69.42	2716.57	1085.100	985.32	646.100	2494.81	6819.61	4728.100	2091.33		20015.17					
1978-79	14081.3	1360.81	2541.19	1791.92	686.12	69.48	2739.53	1077.100	973.29	689.100	2891.81	7369.64	5077.100	2292.35		21475.17					
1979-80	13193.2	1590.94	2581.20	1815.92	896.16	70.50	2872.53	1093.100	1034.29	734.100	2780.81	7844.63	5436.100	2408.34		22399.19					
1980-81	13572.9	1715.90	2823.23	1878.90	993.16	83.56	3104.54	1123.99	1183.31	781.100	2931.27	8546.66	5794.100	2752.39		23171.19					
1981-82	14042.8	1834.85	2767.20	2062.91	972.15	83.93	3294.57	1220.100	1211.30	858.100	3128.27	9088.84	5926.100	2831.38		25051.19					
1982-83	14913.1	2326.97	3095.21	2196.90	1078.17	87.51	3382.53	1247.100	1232.29	903.100	3534.29	9683.67	6548.100	3154.40		27631.20					
1983-84	15252.8	2584.10	3411.20	2349.90	1117.17	91.45	3420.51	1243.100	1216.77	961.100	3929.85	10128.68	6775.100	3353.17		29422.20					
1984-85	14952.8	2849.14	3564.19	2613.91	2204.79	93.45	3680.50	1267.100	1366.27	1047.100	4442.32	11011.60	7446.100	3554.42		31837.21					
1985-86	14372.9	2972.13	4037.21	2834.91	475.20	106.55	3932.49	1404.100	1431.26	1075.100	5092.34	11867.70	8016.100	3851.33		34842.22					
1986-87	15773.0	3462.16	4881.25	3142.91	1353.18	112.54	4126.48	1514.100	1466.25	1146.100	5735.36	12767.69	8807.100	3900.45		36188.23					
1987-88	15853.0	3850.12	4877.23	3362.91	1452.19	117.51	4325.46	1576.100	1528.23	1211.100	6357.37	13963.71	9744.100	4259.43		40888.23					
1988-89	14982.4	4151.17	5664.24	3777.92	580.18	57.93	4439.45	1600.100	1492.22	1288.100	7560.41	14994.72	10427.100	4654.46		44542.23					
1989-90	16052.5	4431.16	5467.20	4205.93	797.20	89.34	4671.43	1623.100	1679.21	1369.100	8997.44	16446.72	11213.100	5232.46		48476.24					
1990-91	15602.4	4310.10	6209.22	4511.94	1870.19	36.93	4760.42	1677.100	1632.20	1477.100	9278.42	16966.72	11424.100	5623.46		50334.23					
1991-92	16132.5	4829.10	6634.24	4974.04	1880.18	93.31	4950.42	1775.100	1624.19	1551.100	10903.45	19832.83	11206.70	5616.46		53835.25					
1992-93	16172.4	4845.10	6779.24	5330.94	1944.19	98.29	5122.45	1778.100	1684.18	1725.100	11098.45	11022.85	12156.100	5889.44		55698.24					

(-) means data are not available

Figures in brackets are public sector's percentage shares in the economywide GDP at factor cost originating in respective sectors at 1980-81 prices except for the manufacturing sector where the percentage is to the economywide GDP originating from registered manufacturing

Table 14B: Gross Domestic Product from Public Sector by Type of Economic Activity at Current Prices

(Rupees crore)

Year	Agriculture Forestry and Fishing	Mining and Quarrying	Manu- facturing	Electricity, Gas and Water Supply	Constru- ction	Trade Hotels, Restaurants	Transport, Storage, and Communication				Finance, Insurance, Real Estate and Business			Community, Social and Personal Services			Total Public Sector GDP
							Total	Railways	Transport by other Means and Storage	Communi- cation	Total	Banking	Ins	Total	Public Admin and Defence	Other Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
1960-61	79(1.1)	19(1.2)	57(4.8)	61(7.0)	50(7.8)	5(0.4)	440(68.3)	30(1.00.0)	74(26.6)	65(100.0)	-	64(39.3)	749(52.0)	564(100.0)	185(21.1)	1524(10.0)	
1961-62	94(1.3)	18(1.8)	75(5.7)	71(7.2)	54(8.0)	6(0.5)	483(67.5)	32(1.00.0)	82(26.0)	74(100.0)	-	72(38.5)	844(54.1)	623(100.0)	221(23.6)	1717(10.7)	
1962-63	101(1.4)	31(1.7)	105(7.0)	85(7.3)	62(8.8)	9(0.7)	543(67.3)	37(1.00.0)	92(25.8)	81(100.0)	-	98(42.6)	945(55.7)	702(100.0)	243(24.4)	1979(11.5)	
1963-64	117(1.3)	36(1.8)	153(8.8)	103(7.5)	72(8.9)	7(0.4)	603(68.7)	40(1.00.0)	102(27.1)	93(100.0)	-	106(41.7)	1089(57.9)	816(100.0)	273(25.6)	2286(11.6)	
1964-65	129(1.2)	32(1.5)	199(10.2)	123(7.5)	73(7.6)	13(0.7)	640(66.9)	41(1.00.0)	115(26.7)	107(100.0)	-	123(41.3)	1243(58.3)	934(100.0)	309(25.8)	2575(11.2)	
1965-66	158(1.5)	46(19.2)	221(10.4)	141(77.0)	93(8.4)	23(1.1)	709(68.3)	463(100.0)	128(28.0)	118(100.0)	-	157(44.6)	1406(59.3)	1041(100.0)	365(27.4)	2954(12.3)	
1966-67	173(1.4)	68(26.1)	251(10.8)	179(77.8)	99(7.6)	35(1.4)	779(67.3)	492(100.0)	150(28.4)	137(100.0)	-	158(41.0)	1590(59.9)	1166(100.0)	424(28.5)	3332(12.2)	
1967-68	183(1.2)	84(27.6)	303(12.5)	214(80.5)	121(7.9)	32(1.1)	825(64.0)	498(100.0)	178(27.7)	149(100.0)	-	187(42.2)	1830(61.6)	1322(100.0)	508(30.8)	3784(11.8)	
1968-69	213(1.3)	94(29.0)	360(13.8)	265(83.6)	140(8.5)	49(1.7)	942(63.8)	548(100.0)	214(28.6)	180(100.0)	-	210(43.2)	2015(62.9)	1446(100.0)	569(32.4)	4288(12.6)	
1969-70	219(1.3)	112(31.0)	463(14.6)	318(84.4)	145(7.9)	74(2.3)	1009(63.3)	571(100.0)	235(28.6)	203(100.0)	-	293(53.6)	2252(64.5)	1590(100.0)	662(34.8)	4885(13.1)	
1970-71	249(1.4)	118(31.2)	541(15.9)	373(87.4)	154(7.9)	89(2.5)	1096(63.2)	597(100.0)	261(29.1)	238(100.0)	-	429(65.4)	3445(63.6)	1735(100.0)	710(33.6)	5494(13.8)	
1971-72	289(1.6)	130(32.8)	535(14.4)	411(88.2)	182(8.5)	134(3.5)	1190(63.6)	644(100.0)	281(29.2)	265(100.0)	-	520(67.5)	2747(64.3)	1948(100.0)	799(34.4)	6138(14.5)	
1972-73	339(1.7)	166(38.9)	630(15.4)	447(88.7)	199(8.5)	151(3.6)	1259(61.3)	656(100.0)	327(29.2)	276(100.0)	-	598(67.5)	3001(64.2)	2114(100.0)	887(34.7)	6790(14.6)	
1973-74	376(1.4)	389(79.9)	841(17.2)	473(86.8)	260(10.8)	189(3.6)	1296(56.9)	584(100.0)	399(28.9)	313(100.0)	-	782(71.0)	3406(64.8)	2396(100.0)	1010(35.3)	8011(14.1)	
1974-75	457(1.6)	542(78.0)	1274(20.0)	617(88.1)	345(13.1)	237(3.4)	1563(54.4)	738(100.0)	468(26.3)	357(100.0)	-	1034(75.0)	4260(64.4)	3074(100.0)	1186(33.5)	10329(15.4)	
1975-76	519(1.8)	745(84.3)	1310(19.7)	774(90.4)	353(10.7)	424(5.3)	1900(58.6)	901(100.0)	590(30.6)	409(100.0)	-	1343(75.6)	4882(65.5)	3486(100.0)	1396(35.2)	12250(17.2)	
1976-77	598(2.0)	873(86.4)	1564(20.7)	1025(90.3)	429(11.0)	526(6.3)	2398(62.4)	1113(100.0)	741(33.9)	544(100.0)	-	1639(77.9)	5350(65.3)	3727(100.0)	1623(36.4)	14402(18.8)	
1977-78	686(2.0)	897(80.3)	1742(20.9)	1175(90.6)	507(11.2)	626(6.6)	2533(60.5)	1129(100.0)	805(32.7)	599(100.0)	-	1841(79.1)	5782(65.0)	3998(100.0)	1784(36.4)	15789(18.1)	
1978-79	802(2.2)	993(81.7)	1978(20.6)	1434(92.6)	585(12.6)	622(6.1)	2700(55.4)	1087(100.0)	914(29.6)	699(100.0)	-	2023(80.1)	6414(65.5)	4414(100.0)	2000(37.2)	17551(18.7)	
1979-80	866(2.3)	1432(94.5)	2325(21.0)	1658(92.6)	816(17.4)	726(6.1)	2898(54.0)	1105(100.0)	1033(29.5)	760(100.0)	-	2276(81.2)	7215(65.8)	4999(100.0)	2216(37.1)	20212(19.7)	
1980-81	1357(2.9)	1715(90.9)	2823(23.0)	1878(90.7)	993(16.2)	824(5.6)	3104(54.2)	1123(99.9)	1183(31.1)	798(100.0)	-	2931(27.2)	8546(66.6)	5794(100.0)	2752(39.1)	24171(19.7)	
1981-82	1571(3.0)	3033(85.7)	3357(23.3)	2172(90.3)	1086(15.5)	1051(5.8)	3903(55.4)	1627(99.9)	1357(30.2)	919(100.0)	-	3838(30.6)	3790(84.4)	6661(100.0)	3185(39.5)	29857(20.8)	
1982-83	1866(3.3)	4283(97.5)	4023(24.3)	2613(91.8)	1339(16.6)	1159(5.8)	4860(56.5)	2123(100.0)	1620(30.2)	1117(100.0)	-	4330(30.6)	4270(80.5)	7961(100.0)	3806(41.5)	36240(22.7)	
1983-84	2079(3.1)	5177(105.5)	4886(24.1)	3033(90.2)	1531(16.3)	1210(5.3)	5535(53.8)	2417(100.0)	1805(27.6)	1313(100.0)	-	4978(31.9)	4906(82.3)	9238(100.0)	457(44.0)	42241(22.6)	
1984-85	2325(3.2)	6255(114.6)	5767(24.7)	3624(89.4)	1806(16.3)	1408(5.3)	6662(51.1)	2474(100.0)	2125(26.8)	1463(100.0)	-	5883(33.4)	5797(81.9)	10836(100.0)	5181(44.1)	49147(23.6)	
1985-86	2731(3.5)	6592(106.4)	7250(28.1)	5074(103.7)	2345(18.1)	1712(5.5)	7161(50.8)	3136(100.0)	2423(25.9)	1602(100.0)	-	6973(35.1)	6872(83.1)	12511(100.0)	5977(45.2)	58326(24.9)	
1986-87	3177(3.9)	7948(117.0)	8933(31.6)	6270(112.6)	2341(15.4)	2204(6.4)	8457(51.1)	3765(100.0)	2710(25.1)	1982(100.0)	-	8091(36.3)	7972(82.5)	14933(100.0)	6682(43.0)	69036(26.5)	
1987-88	3482(3.8)	8857(125.0)	9683(30.1)	7336(117.0)	2721(15.5)	2180(5.7)	10347(51.9)	4356(100.0)	3194(25.0)	2797(100.0)	-	9082(36.7)	8944(80.3)	25791(72.6)	7948(100.0)	7843(44.6)	
1988-89	3985(3.5)	10793(117.2)	1217(31.2)	8593(117.3)	3212(15.5)	2035(4.5)	12039(50.4)	4751(100.0)	3730(24.0)	3558(100.0)	-	11090(39.2)	10933(81.5)	30196(73.3)	30858(100.0)	9338(45.9)	
1989-90	4566(3.6)	12015(116.6)	13377(27.7)	10139(116.2)	3881(16.5)	600(3.0)	13922(50.2)	5575(100.0)	4564(24.0)	3983(100.0)	-	14453(43.0)	14275(83.3)	35316(74.0)	24133(100.0)	11183(47.5)	
1990-91	4573(3.1)	12074(102.5)	16501(29.7)	12121(115.8)	4506(15.7)	2374(3.8)	16047(47.3)	6433(100.0)	4890(21.5)	4724(100.0)	-	16996(43.7)	16798(79.6)	40498(73.5)	27109(100.0)	13389(47.9)	
1991-92	5489(3.2)	14142(109.8)	19489(31.9)	14461(113.8)	5125(15.8)	3226(4.6)	18529(45.1)	7342(100.0)	5524(19.7)	5663(100.0)	-	22392(47.1)	22158(79.2)	46661(71.6)	31441(100.0)	15220(45.2)	
1992-93	6063(3.1)	15753(108.5)	22864(33.0)	17191(113.5)	5977(16.7)	3680(4.5)	22190(45.2)	8446(100.0)	6660(19.8)	7084(100.0)	-	24071(46.2)	23804(77.9)	53640(71.8)	36207(100.0)	17433(45.1)	

(-) means data are not available.

Figures in brackets are public sector's percentage shares in the economywide GDP at factor cost originating in respective sectors at current prices except for the manufacturing sector where the percentage is to the economywide GDP originating from registered manufacturing.

Table 15A: Gross Capital Formation in Public Sector at 1980-81 Prices

Year	(Rupees crore)															
	Agriculture Forestry and Fishing	Mining and Quarrying	Manu- facturing	Electricity Gas and Water Supply	Constru- ction	Trade Hotels Restaurants	Transport		Storage and Commun- ication		Finance		Insurance		Real Estate and Business	
							Total	Railways	Age	Cable Tele- vision	Total	Banking	Insurance	Real Estate	Business	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1960-61	622(35.0)	143(7.7)	107(6.3)	46(2.3)	25(1.4)	62(3.4)	669(66.9)	70(10.4)	46(2.8)	74(10.0)	2(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	480(40.8)
1961-62	632(35.6)	132(7.6)	81(3.0)	82(9.6)	30(1.6)	40(2.4)	250(2.2)	660(100.0)	18(2.5)	2(0.3)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	481(40.8)
1962-63	734(38.1)	198(8.2)	80(2.7)	10(0.8)	35(1.7)	28(1.8)	55(5.6)	120(10.4)	16(1.9)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	573(45.2)
1963-64	763(36.4)	271(9.6)	105(3.9)	119(8.4)	37(2.0)	48(2.8)	194(17.8)	145(14.0)	7(2.5)	17(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	647(47.8)
1964-65	806(35.7)	283(7.5)	111(3.3)	117(10.2)	45(2.0)	58(3.1)	176(16.4)	141(13.0)	17(12.3)	13(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	682(47.9)
1965-66	849(34.3)	178(10.2)	152(4.0)	149(9.7)	50(1.3)	26(1.9)	161(6.8)	25(2.0)	-0.2	26(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	741(50.3)
1966-67	800(30.8)	200(9.8)	167(6.7)	121(8.2)	47(1.9)	23(1.9)	55(6.7)	90(11.5)	10(3.2)	16(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	656(42.5)
1967-68	838(32.8)	228(8.4)	140(4.3)	126(8.8)	48(1.9)	23(1.9)	118(6.4)	77(11.0)	20(3.3)	14(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	666(44.7)
1968-69	810(28.0)	166(8.2)	129(4.3)	108(9.8)	29(1.8)	47(3.0)	111(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	600(43.3)
1969-70	888(27.0)	171(6.6)	111(2.9)	120(9.3)	31(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	599(49.7)
1970-71	913(23.0)	214(8.0)	106(2.9)	120(9.3)	31(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	698(42.2)
1971-72	901(23.0)	224(8.0)	101(2.6)	120(9.3)	31(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	760(42.6)
1972-73	1001(23.0)	211(6.0)	147(3.5)	121(8.8)	32(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	905(41.3)
1973-74	1012(30.8)	428(8.4)	192(4.6)	132(10.2)	32(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	896(44.8)
1974-75	956(30.6)	463(7.8)	232(4.0)	145(9.9)	34(1.6)	47(3.0)	100(6.4)	65(11.8)	20(3.8)	15(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	875(42.2)
1975-76	1084(30.5)	773(7.0)	204(4.0)	203(10.2)	100(2.3)	172(7.0)	169(16.9)	598(100.0)	818(51.7)	276(104.5)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1103(48.1)
1976-77	1443(32.4)	932(8.4)	242(7.0)	215(9.9)	117(2.0)	170(6.3)	162(15.8)	734(119.0)	705(47.8)	323(100.3)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1236(54.8)
1977-78	1604(37.5)	943(8.8)	218(2.3)	246(9.6)	215(2.0)	251(2.1)	148(16.4)	526(100.0)	655(43.2)	326(100.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1041(46.6)
1978-79	1744(32.6)	789(10.2)	245(9.3)	260(9.2)	237(4.5)	640(2.5)	163(16.3)	522(100.3)	711(43.2)	353(100.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1251(44.4)
1979-80	1850(34.2)	887(9.1)	302(4.0)	277(9.6)	141(2.2)	201(12.4)	64(6.3)	486(100.0)	620(9.6)	27(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1302(47.7)
1980-81	1892(38.9)	914(9.0)	170(4.0)	295(10.3)	202(4.2)	311(1.5)	89(2.6)	814(100.0)	684(8.6)	21(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1479(44.4)
1981-82	1878(39.6)	1368(9.0)	306(4.6)	319(8.8)	253(2.0)	424(8.8)	117(4.4)	829(100.0)	552(8.2)	46(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1982-83	1857(38.2)	2278(8.3)	310(4.3)	371(9.3)	117(2.0)	424(8.8)	117(4.4)	829(100.0)	552(8.2)	46(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1983-84	1843(41.8)	2232(9.6)	248(4.1)	405(9.4)	170(2.1)	763(8.9)	117(4.4)	829(100.0)	552(8.2)	46(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1984-85	1822(37.1)	2124(9.7)	317(4.7)	400(9.4)	170(2.1)	763(8.9)	117(4.4)	829(100.0)	552(8.2)	46(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1985-86	1631(35.1)	2564(9.6)	48(4.7)	435(9.1)	78(1.6)	0(0.0)	2(2.4)	9(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1986-87	1550(35.6)	2617(9.4)	08(0.1)	440(9.4)	44(1.3)	9(4.4)	39(61.5)	25(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1987-88	1576(33.0)	2349(9.0)	40(6.4)	553(9.4)	117(2.0)	44(4.4)	34(10.1)	20(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1988-89	1482(31.1)	2476(9.2)	256(2.8)	524(9.1)	5(0.2)	44(4.4)	34(10.1)	20(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1989-90	1112(27.2)	2065(9.4)	264(3.0)	481(9.3)	44(1.3)	10(1.0)	14(5.5)	5(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1990-91	1112(27.2)	2065(9.4)	264(3.0)	481(9.3)	44(1.3)	10(1.0)	14(5.5)	5(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1991-92	812(23.0)	212(7.0)	1(0.1)	42(9.4)	44(1.3)	44(4.4)	34(10.1)	20(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)
1992-93	812(23.0)	212(7.0)	1(0.1)	42(9.4)	44(1.3)	44(4.4)	34(10.1)	20(10.0)	34(21.4)	65(10.0)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1(0.1)	1623(40.1)

(1) means data are not available

Figures in brackets represent the public sector's percentage shares in the economy-wide gross capital formation in respective sectors (estimated). b, industry except for the manufacturing sector where the percentage is to the economy-wide GCF originating from registered manufacturing

Table 15B: Gross Capital Formation in Public Sector at Current Prices

(Rupees crore)

Year	Agriculture Forestry and Fishing	Mining and Quarrying	Manu- facturing	Electricity Gas and Water Supply	Constru- ction	Trade Hotels Restaurants	Transport, Storage and Communication			Finance, Insurance Real Estate and Business			Community, Social and Personal Services			Total GCF in Public Sector							
							Total	Railways	Storage	Communi- cation	Total	Banking	Ins	Total	Public Admin and Defence		Other Services						
																		Total	Banking	Ins	Total	Public Admin and Defence	Other Services
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)							
1960-61	132.29	3.72	200.44	114.92	8.71	4.26	241.68	18.10	8	43.27	171.00	6.60	298.77	28.92	13.16	1137.42							
1961-62	141.13	3.72	212.16	107.95	9.19	7.28	308.16	22.71	10.2	63.33	181.00	4.50	239.71	22.91	17.18	1169.46							
1962-63	167.15	3.18	253.37	243.78	13.18	7.10	347.73	34.41	10.1	51.27	291.03	4.36	309.74	28.89	21.21	1464.48							
1963-64	176.34	3.00	291.44	310.94	16.11	10.59	465.79	36.82	12.2	51.29	324.00	3.47	306.75	28.49	22.22	1671.50							
1964-65	208.34	3.74	367.42	319.99	17.13	10.10	494.77	36.02	12.2	65.30	391.00	5.45	400.81	27.93	28.29	1920.51							
1965-66	239.33	5.29	503.46	391.96	18.15	11.70	476.69	35.10	12.6	85.28	381.00	7.38	400.79	27.09	32.29	2184.51							
1966-67	228.28	9.39	575.19	382.98	18.14	40.20	440.69	26.41	10.3	120.36	561.00	10.47	302.75	27.09	32.27	2114.40							
1967-68	232.25	78.85	534.47	407.92	27.29	99.35	407.72	25.41	10.3	100.37	53.98	6.22	488.81	31.30	38.30	2311.41							
1968-69	287.28	60.83	469.55	418.97	30.22	168.80	406.71	22.31	10.3	130.43	531.00	9.37	279.71	23.92	42.31	2146.41							
1969-70	309.26	81.64	439.44	494.98	30.20	38.22	371.64	18.71	10.6	124.36	601.00	10.41	436.77	38.93	48.32	2234.36							
1970-71	348.28	84.90	436.40	638.98	20.16	102.37	509.65	21.10	10.0	202.43	561.00	17.60	523.90	49.11	32.15	2808.42							
1971-72	404.29	97.69	559.22	634.98	20.12	148.23	586.66	30.41	10.0	198.40	841.00	29.76	753.92	70.91	44.40	3293.42							
1972-73	525.32	148.12	678.57	680.98	26.15	182.71	796.72	35.11	10.0	316.51	1291.00	27.79	995.93	91.41	81.54	3743.46							
1973-74	678.36	210.88	1021.47	723.10	48.24	223.22	729.64	32.11	10.0	291.41	171.00	46.74	1113.93	101.11	102.57	4753.43							
1974-75	614.29	276.80	1496.40	1235.10	94.40	311.28	919.64	35.01	10.0	416.44	1531.00	35.66	809.88	71.89	91.48	5849.42							
1975-76	745.29	519.73	1445.41	1448.99	68.27	1192.50	1121.70	38.71	10.0	539.53	1951.00	37.57	935.88	82.01	115.48	7588.46							
1976-77	1057.32	659.85	1737.71	1531.99	84.21	1171.65	1027.69	32.71	10.0	467.50	2331.00	48.58	1122.90	97.31	149.53	8593.52							
1977-78	1258.37	631.88	1607.54	1869.96	150.29	152.21	1071.66	32.71	10.0	434.44	2451.00	49.53	1291.89	112.61	165.50	9897.43							
1978-79	1452.33	626.10	1870.38	2093.93	179.12	464.24	1290.67	48.51	10.0	525.45	2801.00	70.58	1726.91	140.51	221.55	11836.46							
1979-80	1687.33	804.91	2657.11	2568.96	126.22	173.12	1511.62	64.31	10.0	723.39	2961.00	68.48	2068.92	180.51	264.59	13767.45							
1980-81	1892.38	914.95	1170.40	2951.93	292.42	301.13	1819.62	81.41	10.0	684.38	3211.00	110.64	2379.91	216.21	317.57	16781.43							
1981-82	2042.77	1520.90	3144.49	3308.87	290.21	468.83	2098.55	97.71	10.0	604.26	3171.00	129.55	2959.90	255.41	405.55	16781.43							
1982-83	2270.37	2686.85	3833.49	4433.92	176.12	1848.41	2583.59	107.11	10.0	933.34	5791.00	401.80	3524.89	307.11	454.54	20100.49							
1983-84	2424.40	2820.96	3136.42	4599.94	171.24	422.13	2611.56	115.11	10.0	699.26	6771.00	566.10	3710.91	322.31	487.57	20381.48							
1984-85	2379.34	2865.97	4320.53	5278.95	258.24	1029.37	3350.86	140.41	10.0	1112.32	8341.00	662.10	4474.91	389.51	795.58	24915.52							
1985-86	2842.37	4041.96	6488.58	6912.95	291.22	355.77	3496.54	168.51	10.0	892.35	9191.00	838.11	5611.89	479.99	815.57	30874.51							
1986-87	2936.37	4287.94	6136.57	9087.94	308.31	1171.71	5141.64	210.10	10.0	175.38	10741.00	1157.12	6462.90	552.99	942.57	35415.50							
1987-88	3103.36	4096.97	5073.42	9881.95	234.18	2261.32	4630.57	215.21	10.0	1058.23	14301.00	1619.15	6474.90	5508.10	966.58	33059.47							
1988-89	3441.34	4760.99	5172.29	10562.93	61.54	2094.34	6150.57	261.11	10.0	1375.23	21381.00	2239.18	7400.89	6234.10	1176.56	39364.44							
1989-90	3354.30	6246.99	5466.32	11755.95	81.43	1488.26	5923.50	264.31	10.0	2222.29	27271.00	2331.17	6893.86	5578.10	1315.54	45566.46							
1990-91	3626.28	6504.97	7145.32	13769.95	368.19	1455.12	7988.55	307.81	10.0	2019.24	28611.00	2414.13	8932.87	7513.10	1419.53	52150.43							
1991-92	3654.25	6192.97	8468.43	14111.92	368.19	1671.18	9237.56	317.10	10.0	2799.28	32119.99	3218.14	9627.88	8227.10	1400.53	56504.44							
1992-93	4192.26	6376.96	8367.36	15453.82	378.17	1749.83	12391.62	492.10	10.0	2372.25	49981.00	2783.12	11167.89	9584.10	1584.53	62356.42							

() means data are not available

Figures in brackets represent the public sector's percentage shares in the economy-wide gross capital formation in respective sectors (estimated by industry of use) at current prices except for the manufacturing sector where the percentage is to the economy-wide GCF originating from registered manufacturing

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- POPULATION, DEVELOPMENT, ENVIRONMENT: INDIA, 1991-2100**
- DEMOCRATISATION OF THE UN**
- FOREST MANAGEMENT AND SURVIVAL NEEDS**
- VALUE ADDED BY ECONOMIC ACTIVITY: SPECIAL STATISTICS**
- INVISIBLE WORKERS REACH INTERNATIONAL HEIGHTS**
- MONEY MARKET: LINKED MARKETS AND UNLINKED POLICIES**
- SOUTH AFRICA: AFTER THE MUNICIPAL ELECTIONS**

■ ENRON RENEGOTIATION: WHAT HAS BEEN ACHIEVED?

AGRICULTURE MAN ECOLOGY

AME is a programme supported by the Government of the Netherlands, and implemented by ETC, an international not-for-profit consultancy group. **AME** is centred in Bangalore with a focus on rainfed areas of the Deccan plateau. **AME** aims to analyse, develop and promote sustainable agriculture and ecological farming in relation to land use and livelihood choices. **AME** supports and guides local networks of farmers, community organisations, GOs and NGOs with the assistance of researchers and technical specialists.

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Assessing Structural Adjustment

Given that the country is now in the fifth year of the structural adjustment programme, it is time to take stock of at least the major trends in the economy. An examination of trends in broad macro aggregates, however, indicates that exports, imports and the balance of trade are following a long-term trend which has been unaffected by the two doses of devaluation in 1991. The balance of payments deficits thus appear to be unsustainable as they are accompanied neither by improved net export earnings nor by easier external finance. There is also some indication of stagnation in industrial production and acceleration of inflation since 1991

3151

Understanding Migration

Studies of migration have tended to separate two sets of issues: one which concentrates on wages, work and the material conditions of migration; the other which looks at the social and political consequences of assimilation between different cultural forms. Bringing these two concerns together enables a view of work as a process through which affinities are established. Work as cultural practice itself enables the process of integration and different work patterns will implicate degrees of incorporation. It is imperative, therefore, to analyse work rhythms if we want to understand the processes of migration.

3156

Enron: Hollow Claims

Those engaged in the renegotiation of the Enron power project have been claiming three 'achievements': (a) shift to a new fuel (naphtha), (b) equity participation for MSEB and (c) reduction of project cost and electricity tariff. A closer examination of each of these claims serves to dispel the euphoria that has been sought to be generated.

3127

Forests and the Poor

Sustained community participation in joint forest management projects is possible only when the survival needs of the poor have been met beforehand.

3130

Population and Environment

While the nature of environmental problems depends on the level of economic development, the character of industrialisation, the degree of urbanisation and the effectiveness of public policies, the central role of a rapid lowering of the rate of population growth in securing environmental improvement is indisputable.

3163

Efficiency of Input Use

What is the picture of trends in the efficiency of input use in the economy that emerges from the changing relationships between output, input and value added in the major sectors? Special Statistics.

3170

Linked Markets

The last two months' developments in the foreign exchange and money markets have thrown into sharp relief the close linkages developing between the two markets.

3120

Unlearnt Lessons

On election-eve the leaders of the Muslim Personal Law Board are again indulging in fanning communal passions and aiding communal politics in the country.

3129

'Invisible' Workers

While home-based workers are the most 'invisible' of all unorganised sector workers as they work in the privacy of their own homes, their very invisibility has in some ways contributed to the internationalising of issues concerning them.

3133

ANC Wins, but ...

The municipal elections in South Africa have confirmed that the ANC retains mass support, but the newly-elected town and rural councils face serious hurdles in fulfilling popular aspirations.

3137

Nationality Question

EVERY glance at any morning newspaper will establish that whether internationally or nationally the nationality question continues to be one of the burning issues of our times. The massacres in Rwanda and Bosnia, the invasion of Chechnya, the atrocities on the Kurds, the civil war in Sri Lanka, Palestine, Kashmir, north-eastern India and so many others show that a democratic solution to the nationality question is yet to be achieved whether in India or in other parts of the world.

This is not surprising. The era of imperialism has aborted the growth of many a nationality. A few nations, which for historical reasons had an advanced development early in history, are suppressing many relatively less developed nationalities economically, politically and culturally.

But this is an era of the liberation of nations also. Anti-imperialist national liberation struggles in the third world continue their heroic battle against their oppressors — be it the imperialist countries or chauvinist nations or the comprador rulers of a country. The Irish, Kurds, Palestinians and Tamilians in Sri Lanka are among those well known for their decades long glorious fight for self-determination. The Latin American, African and Asian nationalities are also on the warpath against imperialism for their liberation.

In India, the nationality struggles of the Kashmiris, Punjabis, Nagas, Assamese, Bodos and other north-east nationalities have been going on for many years and even decades now. Many other nationalities like the Jharkhandis, Gorkhas, Uttarakhandis etc. are fighting against oppression. Instead of attempting to solve the genuine problems of these nationalities, the Indian rulers have resorted to inhuman and brutal suppression of their struggles. They have tried every dirty trick in the book in order to divide the people, divert their struggles and defame their movement. Unable to provide even an attempt at democratic resolution, they have been dubbing all these movements as creations of the 'foreign hand'. Despite that the nationalities are valiantly fighting.

India is a country of many nationalities living under the yoke of oppressive ruling classes. The aspirations of these nationalities formed part of the anti-colonial movement but they were betrayed by the all-India ruling classes who, with the facade of federalism, created a unitary, authoritarian and centralised state. Even the constitutional powers or rights, limited though they are of the states, have been time and again tampered underfoot by the centre as the misuse of Article 356 or the financial devolutions to states starkly reveals.

The suppression of aspirations of all nationalities in different degrees and the brutal

repression of their struggles is an integral aspect of the anti-people and anti-national character of our state and ruling classes. Hence the democratic movement against their corrupt and venal rule must incorporate the nationality movements also. In fact, the Peru, Philippines and Indian revolutionary movements encompass both the national aspirations and the anti-feudal agrarian revolution and are surging forward to destroy imperialism and bring a new social order devoid of all sorts of oppression.

Imperialist compradors, national chauvinists have been united all the while in suppressing national aspirations. It is time for the nationalities in struggle and other anti-imperialist movements to develop strong bonds of solidarity with one another. Only such united struggle can destroy imperialism, the biggest foe of all the people of the world.

In India too there is a pressing need for the different nationality struggles as well as for the revolutionary movement to realise the commonness of their goals. Only in this way can the overall movement to build a new India go forward. It is with this view that All India People's Resistance Forum (AIPRF) is holding an international seminar on the nationality question at the MPCU Auditorium, Delhi from February 16 to 19, 1996. Among the participants will be William Hinton, author of *Red Sun* and *Shenfan*, authority on modern China; Ngugi Wa Thiong'o, famous Kenyan writer; Jose Maria Sison, former chairman of the Philippine Communist Party; and Jan Myrdal, author of *India Awaits*. We appeal to all people to make the seminar a success by extending it all moral and material help.

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Dalit-Bahujan Forum

FORMATION of the Dalit Bahujan Intellectual Forum of India (Kancha Ilaiah August 5, 12) is welcome as an emancipatory endeavour. Realisation of the need to foreground or combine Ambedkarism with (the democratic practice of) Marxian materialism is equally welcome when attempts are made to reduce him/it into a cult, and also to counter his/its appropriation by the Hinduva forces to frustrate the rise of mass consciousness necessary for establishing a casteless, classless and propertyless society. It is not quite off the mark to characterise the traditional Marxist practice in India as brahmanical Marxism, but the movement, in parts of Bihar and Andhra Pradesh, could not have escaped notice as outgrowing the bounds of brahmanical Marxism, provided it sheds

centralism and adventurist violence to become relevant to dalit bahujan liberation.

The suggestion of the Forum meeting to restructure laws for radical redistribution of land especially among women for cultivation and housing is commendable. But this should extend to the restoration of the means of livelihood and production in the primary sector to all actual workers to break the patriarchal system and ensure gender equality. All primary producers should emerge as free and associated producers by their own struggles.

Syndicated entry into banking and finance and grant of licences presupposes prior attainment of resources and skills. Only a tiny top layer can gain as they already have done in the process of socio-economic class differentiation mediated by state policies and opportunities, however limited, thrown up by the predatory market economy. Higher education also by its very nature benefits a similar small segment. The two in conjunction with one another and in preference to urgent/prior universalisation of primary to high school education would strengthen the power of the elite over the masses. Will not this superior-led change on top of the existing non-dalit bahujan versus dalit bahujan and initial dalit economic contradictions further asunder the society? How would it square up with the breaking of the brahmanical stranglehold? And is not upholding the internally given and contradictory social order the function of brahmanism?

Emancipation of the dalit bahujan masses must be won by themselves through a series of struggles/ processes transforming circumstances and women/men. It is not the success of the few at the expense of their fellow humans. No amount of correct theory or vaunted democratic claims on the part of the elite can restore power to the toiling masses once it has passed from their hands, as it happened in the former USSR, which ultimately disintegrated and the fragments of which are now in the embrace of globalisers.

One cannot agree more with the promotion of dalit-bahujan productive intellectuality. But this can come through 'real movement, which abolishes the present [exploitative and rotten] state of things. This would need alteration of man on a mass scale in a practical movement' (of the masses) to change 'social relations, social practices, human society or social humanity' in satisfying their (basic) needs in co-operation with all fellow human beings. Would it not be imperative to transform the Intellectual Forum into a Mass Movement?

T D SOYANTAR

Ahmedabad

Not by Fire-Fighting

THERE is little to be gained by pointing out that the spread of malaria and the virtual breakdown of one of the oldest vertical disease control programmes have not come as a surprise. Yet it is necessary to do so in order to understand the extent of neglect health care has suffered in the last couple of decades. The spread of malaria and the state's response to it document, in no uncertain terms, the priorities of our model of capitalist growth with a welfare veneer.

The resurgence of malaria reported, in the last few months has been in the urban areas and metropolitan regions which make significant contributions to economic growth. The resurgence is not a regional phenomenon any more. Malaria appears to have made a comeback in Maharashtra, Karnataka, Assam, Orissa, West Bengal, Rajasthan, Haryana, Punjab and Gujarat. Most alarmingly, of the two million cases reported this year, half are of cerebral malaria. Nor for that matter is the reappearance of malaria a recent development. The National Malaria Eradication Programme achieved its best results in 1965 when the number of cases fell under 100,000 and that of fatalities to almost nil. But by the 1970s most of the problems that are so prominent today in large parts of the country were already becoming visible: resistance to insecticides in vectors, drug resistance in parasites, inadequate allocation of funds, administrative breakdown, inadequate water management and insufficient attention to health consequences of large construction projects, whether for irrigation, power or urban development.

Significantly, even as every episode of malaria epidemic in high profile regions has brought about changes in programme strategies, its continuous spread in tribal and remote regions appears to have created few ripples. Malaria has been considered to be endemic in these regions and little effort has been made to understand the epidemiology of the disease, conduct entomological surveys and devise and execute special programmes of control. This speaks of not only a lack of scientific enterprise but also a certain metropolitan arrogance on the part of health planners, an attitude which is in large measure a consequence of the location of health care in the capitalist scheme of things. Historically the capitalist state has taken cognisance of disease, whether cholera, typhoid or TB, only when it either affects the dynamics of production and/or the well-being of the ruling classes.

A survey by the NMEP directorate has brought out that the sharpest rise in cases of malaria have been in the tribal districts where not only has the programme collapsed but the health infrastructure, if it had ever been in place, has become dysfunctional. More than 64 million tribals live in regions which are termed malaria endemic. Moreover, the proportion of cases of *plasmodium falciparum*, which

causes the virulent cerebral malaria, has risen from 51 per cent in 1984 to 66 per cent in 1990. In West Bengal while the resurgence of malaria in the state recently has received wide publicity, in some districts such as Jalpaiguri the disease has been endemic for years.

The district had recorded 22,000 cases in 1992 which rose to 42,000 in 1994 and 27,000 cases had already been reported in the first half of this year. Cases of cerebral malaria had risen even more sharply over the period. And what is the status of the programme in this endemic region? Posts of technicians in several blocks are unfilled, no entomological study has been undertaken for want of entomologists, no attempt has been made to study the epidemiology of the disease, shortage of funds has consistently come in the way of timely spraying and so on. Another major problem has been the lack of local control over the different elements of the programme, making for inflexibility and failure to respond quickly to emerging situations.

Forced migration from tribal regions because of lack of development has contributed to the spread of the problem to the metropolitan areas and new regions opened up by developmental activity. The breakdown of the programme has been such that areas which are not considered epidemic prone have been unable to cope with the disease when it begins to spread. There are also several contributing factors. One is the collapse of public services in urban areas, especially consequent upon the spread of cities requiring reclamation of land. In Calcutta, for instance, the reclamation of the Salt Lake area and the draining of the wetlands have meant a choking of the drainage area for the city's sewage, resulting in the accumulation of semi-solid waste around the city. In the older pockets of Bombay, the age-old sewage and water systems have given way under the enormous growth of volumes, again resulting in inefficient drainage and the pooling of wastes. Around regions of new growth as a consequence of irrigation and power projects, such as in parts of Maharashtra, Punjab, along the Teesta in West Bengal, around the Narmada project in Gujarat and along the Indira Gandhi canal in Rajasthan, poor drainage, waterlogging and an unbelievable lack of attention to micro planning has created extensive breeding grounds for the mosquito vector. No baseline or post-project entomological surveys have ever been undertaken in these areas. In addition to all this is the extensive misuse of drugs, partly because of miseducation and partly promoted by the growing tribe of private medical practitioners in these newly developing regions.

Given this background it is obvious that no solution can lie in short-term measures or attempts to remedy regional

lapses in the administration of the programme or taking state governments and municipalities to task. As early as 1981 the ICSSR/ICMR report *Health for All: An Alternative Strategy* had warned that there was hardly any prospect of achieving substantial gains unless a breakthrough in technology occurs. It had recommended that research be undertaken on alternative methods of vector control and on reintroducing engineering and environmental measures used before the DDT era. In view of the apparent absence of research on programme strategies and technologies for the control of malaria these suggestions deserve serious attention today. Even more important it is necessary to restore the pre-1965 levels of investment in disease control programmes. The union government's expenditure on national disease programmes as a proportion of health expenditure came down from 27 per cent in 1965-66 to less than 5 per cent in 1993-94. Except Andhra Pradesh and Tamil Nadu, no major state spends more than 15 per cent of its health budget on disease control programmes. West Bengal spends just about 9 per cent and Assam a mere 7 per cent. Piecemeal and haphazard increases on particular programmes will only worsen the situation for other diseases left out of the largesse.

The resurgence of malaria is an indicator of a serious systemic problem whose roots go beyond the health sector. The model of health care adopted under the welfare framework in countries like India where the health revolution which occurred in the western countries as a consequence of economic growth had not taken place, with control of diseases receiving high priority, needs to be re-examined. Clearly the eradication of communicable diseases even then efficient control can only be achieved on a base of sustained and equitable social and economic growth. Adequate levels of food consumption, minimum standards of shelter and literacy and education are assumed components of disease control programmes; the absence of which affects their success. While intensive eradication and control programmes can bring down levels of morbidity quickly, they are no substitute for strengthening the social and economic base which itself can only follow political empowerment.

INDUSTRY

SAP's Bounty

WHEN the stabilisation and structural adjustment programme began in mid 1991 it was expected that there would be a marked slowing down of activity in the economy, which is of course what did happen. In 1991-92, the programme's first year, the general index of industrial production rose

by 0.6 per cent and GDP by 1 per cent. There followed in the next two years growth of 2.3 per cent and 5.6 per cent, respectively, in industrial production and of 4.3 per cent each year in GDP. It is remarkable however that the growth indicators for big manufacturing and service companies in the private sector remained as robust as ever.

According to a study of 520 public limited companies in the private sector in the financing portfolio of the Industrial Development Bank of India (IDBI), these companies' growth of gross fixed assets was as high as 27.8 per cent in 1991-92 against 20.6 per cent (for 505 companies) in 1990-91. Growth of net sales accelerated from 18.5 per cent to 21.3 per cent. In the following three years, growth of fixed assets remained high between 23.5 per cent and 26.2 per cent and of sales between 15.3 per cent and 24.7 per cent. Even allowing for inflation, the growth of fixed assets and sales in real terms of large companies in the private sector in the post-reform period has undoubtedly been very impressive.

Even more striking has been the rise in their profits and profitability. After large increases in 1990-91 and 1991-92, then profit before tax (PBT) and profit after tax (PAT) suffered a temporary setback in 1992-93 but in the next two years PBT rose by over 55 per cent each year and PAT by 63.7 per cent in 1993-94 and 58.8 per cent in 1994-95. Return on sales (gross profit after depreciation as a percentage of net sales) showed a steady rise from 13.3 per cent in 1990-91 to 16.2 per cent in 1994-95. Operating profits as a percentage of sales too rose from 7 per cent in 1990-91 to 10.1 per cent in 1994-95.

However, because of the substantial addition to fixed assets during these years, return on capital employed did not go up though it remained high at over 16 per cent. The ratio of capital employed to net value added rose from 2.92 in 1990-91 to 3.94 in 1994-95 and that of capital employed to value of output from 0.64 to 0.95. As a result, gross profit as percentage of capital employed, which had been over 20 per cent in 1990-91 and 1991-92, was 17 per cent in the next three years. Gross profit as percentage of total net assets, which had been 12.4 per cent in the first two years, remained below 12 per cent in the subsequent three years. Return on shareholders' capital (profits after tax as percentage of net worth) which had been around 17 to 19 per cent in the first two years, fell to 13.9 per cent in 1992-93 but picked up to 15.5 per cent in 1993-94 and 16.6 per cent in 1994-95. Crudely measured, productivity of capital could be said to have gone down during the period, gross value added as a percentage of capital employed declining quite sharply from 40.82 per cent in 1990-91 to 28.91 per cent in 1994-95.

A factor which has contributed to the rapid rise in the profitability of industry is

the whopping rise in 'other income' which includes dividends and other earnings on financial investments. 'Other income' of the 520 companies in the IDBI study shot up from Rs 1,343 crore in 1990-91 to Rs 4,525 crore in 1994-95. As percentage of PAT, 'other income' has been in the range of 40 to 42 per cent, indicating how a large proportion of the profits of companies has been coming from sources unrelated to their primary activities of manufacturing or providing services.

Interestingly, even as the companies' earnings from treasury operations have gone up, their own interest burden has declined. Interest and other financial expenses constituted 45.3 per cent of gross profits after depreciation in 1990-91 but fell to 35.4 per cent in 1994-95. It is however the tremendous saving in tax payments that has boosted the profitability of the corporate sector, a feature which was in evidence even before the current economic reforms but has got markedly reinforced. Thanks to increased incentives linked to capital investment, corporate taxation as a percentage of PBT, 23.85 per cent in 1990-91 and 28.28 per cent in 1991-92, declined to 20.25 per cent in 1992-93, 15.85 per cent in 1993-94 and 13.99 per cent in 1994-95.

In the distribution of gross value added, interest and financial charges declined from 22.38 per cent in 1990-91 to 20.71 per cent in 1994-95. The share of wages and salaries likewise fell from 33.96 per cent to 28.41 per cent but that of profits before tax rose from 27.18 per cent to 37.93 per cent.

The growth of the large companies has been greatly assisted by support from the all-India development banks whose disbursements nearly trebled from Rs 7,351 crore in 1990-91 to Rs 21,800 crore in 1994-95. Significantly, during the same period, assistance disbursed by SIDBI and the state-level financial institutions intended for medium and small industries, rose much more modestly from Rs 2,964 crore to Rs 4,793 crore.

POIITICS

Pre-Election Posturings

THE pre-election intrigues and machinations have already begun, if some recent developments are any indication. Politicians in their individual capacities, as well as their parties on an organisational level, are preparing for alliances — caring two hots for any ideological commitment from their would-be allies or for the bitter memories of mutual squabbles that ruined such alliances in the past.

Uttar Pradesh being the largest state and one which for historical reasons has played a crucial role in post-independence India in determining the fate of governments in New Delhi — the victory of the BJP in the civic polls there (although confined to only

25 per cent of the state's total electorate residing in the urban areas) seems to have set alarm bells ringing among its political opponents. Mulayam Singh Yadav of the Samajwadi Party (SP) who till the other day was treating the Janata Dal as an untouchable, worse than the Congress or the BJP, is now reported to be seeking a rapprochement with the Janata Dal leader V P Singh. Meanwhile, Mulayam Singh's *bete noire*, the Bahujan Samaj Party (BSP) is being wooed by both the Janata Dal and the Congress. Union food minister Ajit Singh (who is from Uttar Pradesh and, as the son of the late Charan Singh, expects dynastic loyalty from his strongly clannish Jat followers) has already begun negotiations with BSP leaders Kanshi Ram and Mayawati. He appears to be playing his cards right till now. In the recent civic polls, he was reported to have advised his followers in Meerut to work for the victory of Ayub Ansari, the BSP candidate for the mayoral post. The Congress Party thus hopes to garner votes from the Jat base (assured by Ajit Singh) and the dalit base (if Singh can strike up in alliance with the BSP) and (by its tacit support to the Muslim mayoral candidate) recapture the Muslim vote bank which it lost in Uttar Pradesh and elsewhere following Narasimha Rao's total surrender to the Singh parivar which with complete impunity demolished the Babri masjid three years ago. It is yet to be seen however whether the voters will be taken in by the Ajit Singh-Kanshi Ram masquerade.

But such local adjustments, realignments and alliances in the states may not reflect the strategies of the parties and leaders at the national level. While in Uttar Pradesh or a few other Hindi-speaking states some Congress leaders may come up with tacit understandings with candidates from other parties to defeat the BJP in Delhi their leaders are playing their own games, with quite a few among them smuggling up to the BJP. Union home minister S B Chavan in particular raised the hackles of his own partymen when he recently attended a colourful ceremony organised by the BJP to mark its completion of two years in power in Delhi and praised its performance. His colleagues in the party were at the same time demonstrating in the streets protesting against the all round failure of the BJP government in Delhi. Some days earlier Chavan had indirectly soothed the Sangh parivar's sentiments by asserting that he saw no reason why he should apologise for the demolition of the Babri masjid. By his outbursts against US 'evil designs' on Kashmir, he is making the right noises that are calculated to please the BJP super-patriots who, sensing the popular mood of disenchantment with the US-dictated liberalisation programme, have switched from their erstwhile pro-US stand to anti-US slogan-mongering.

In the event of a hung parliament at the end of the polls next year, it is not only the present incumbent Narasimha Rao who will have to seek the support of the BJP or other opposition groups/ fronts to be able to hang on to the prime minister's chair, but ambitious aspirants like Chavan also will be compelled to resort to the same stratagem to replace him and occupy the chair. The shifting alliances among the parties and the overtures among the politicians that we see today are a sign as much of their preparation for fighting the coming elections as of the post-election strategy of finding a niche in the ruling block whichever combination comes to power in the centre.

IMF SURVEILLANCE

Only for the Poor

STRENGTHENING of IMF surveillance is the buzz word in conferences on international finance. This, we are told, is the lesson of not only the Mexican financial crisis but also of the recent ups and downs in the dollar's exchange rate vis-à-vis the yen. But are we sure that strengthened IMF surveillance will apply equally to the major industrial countries? Will they subject themselves to that discipline?

G-7 countries are more concerned with IMF surveillance over developing countries than with strengthening the IMF's surveillance over their own policies, observes Charles Mallara, managing director of Washington-based Institute of International Finance, who was earlier representing the US on the IMF's board as an executive director. And who would know better than Mallara, representing as he did none other than the US on the IMF's board?

But if the IMF's strengthened surveillance has to have credibility, Mallara is convinced that its ability to exercise surveillance over the major industrial countries is critical. The fact remains, however, that when it comes to themselves the industrial countries have tended to be very cagey in accepting IMF's surveillance. In this context, the two communiqués, one issued by G-10 and the other by G-24, are worth comparing. While the latter group, representing the developing countries, endorses in principle the procedures recently established at the IMF to strengthen its surveillance role, the former group, representing the major industrial countries, chooses not to refer directly to the subject of IMF surveillance. Instead, referring to reports on the continuing efforts to underpin the stability of financial markets by enhancing supervision, promoting transparency through improved disclosure and fostering the reliability of payments and settlement systems, the group just reaffirms the importance of strengthening safeguards against systemic risk without any commitment whatsoever

that the industrial countries are willing to let the IMF do the surveillance over their policies in this regard.

It is interesting that the IMF managing director went out of his way in his address to the 50th annual meeting at Washington to say that of the 30 countries he or his three deputies visited, 10 press points of concern in our surveillance—six were major industrial countries. What he did not say is how receptive these industrial countries were to the points of concern conveyed to them by the IMF. If Charles Mallara is to be believed, the IMF's points of concern may well have been politely but firmly consigned to the dustbin by practically all the six industrial countries. Whether the IMF likes it or not, the fact is that the industrial countries have not recognised not yet that they need a multilateral agency, not even one they control, to monitor their policies.

MAHARASHTRA

RPI's Quest for Relevance

ATTEMPTS to unify the many factions of the Republican Party in Maharashtra representing the dalits have generally taken place on the eve of elections. The latest declaration by leaders of the RPI factions affirming their intention to merge thus conforms to tradition. The only difference

a significant one perhaps—is that on all the previous occasions the Congress Party had been in power in the state and had successfully sabotaged the RPI's unity plans, whereas it is now out of power. This means that since there is no possibility of a unified RPI entering into an alliance with the Shiv Sena-BJP, the Congress has little to fear from Republican unity.

But this is no assurance that it is going to be smooth sailing for Republican Party unity. With the Congress unable to put its house in order for the past one year, the Republican Party, even if it achieves a measure of unity, could suffer further marginalisation in Maharashtra politics. The Athavale faction of the party is facing an internal crisis with its two foremost leaders, Ramdas Athavale and IM Kamble, squabbling over a legislative council seat. While a decision had been taken to conduct a united rally on December 6 by a committee headed by B C Kamble, Athavale tried to hold a separate rally of his own at the Shivaji Park in Bombay on that day. He gave up the attempt only when the gathered dalit masses rebuked him. To mention another issue, Prakash Ambedkar's term as a Rajya Sabha member is about to end. Since his RPI (Ambedkar-Bakujan Mahasangh) had failed to win a single seat in the last state assembly elections, the Rajya Sabha seat is bound to become a bone of contention. The Shiv Sena-BJP government has in the meantime decided to

withdraw a large number of cases registered under the Prevention of Atrocities Act. This is a political challenge which the Republican leaders cannot evade.

What will be the electoral strategy of the Republican Party in the forthcoming elections, even if the various factions succeed in hammering out a common programme? Athavale has announced the severance of his ties with the Congress with the reciprocal expectation from Prakash Ambedkar that he would similarly distance himself from the Janata Dal and the left forces. In that case, will the Republican leadership, which claims to control the 7 per cent Buddhist vote in the state, make a significant impact in the elections? Should the Republican leadership turn down an understanding with the so-called third front and choose to contest the elections on its own, will that not indirectly help the SS-BJP? If Athavale stays firm in his objection to an alignment with the Janata Dal left forces, the new-found Republican unity itself may be imperilled.

The Shiv Sena-BJP combine, for its part, has been trying to mobilise non-Buddhist dalit groups, the chambhars and matangs, mainly in the state, though it has been careful not to make anti-Ambedkar public statements. The alliance has floated the Maharashtra Chhatmakar Sangha, but on the occasion of its launching, Babanrao Gholap, a Chambhar leader, and others spoke of the relevance of Ambedkar. The incidents of the defacement of Ambedkar's statues in Jahia and other places during the Congress regime is also being exploited by the alliance. When it was in the opposition, the Shiv Sena often indulged in such actions and provoked sectarian violence. But now that it is in power, it blames Pakistan's ISI for the incidents.

Thus even if the Republican leadership succeeds in agreeing on a common programme on December 25 and thus raise expectations of the Republican Party re-emerging as a significant force in Maharashtra politics, its stand vis-à-vis other political forces in the state will be crucial in determining its role and influence in the coming Lok Sabha elections.

BOSNIAN AGREEMENT

Better Than None?

UNDER heavy pressure from the US government, on November 22 the presidents of Serbia, Croatia and Bosnia initialled a peace accord to resolve the four-year-old conflict in Bosnia-Herzegovina. As with the previous peace proposals, this plan embodies the principle of ethnic separation by dividing the country into two parts, a Muslim-Croat federation and a Bosnian-Serb entity, theoretically united within a single state with a weak central government. By pushing for this settlement, the US and

the NATO countries have tacitly accepted the notion that the various ethnic groups of the Balkans cannot live together. This is in line with the emerging dominant view that attributes ethnic conflict to irrational 'primordial' forces rather than to political manipulation. Thus, the agreement in effect legitimises the horrifying policy of 'ethnic cleansing' which the Bosnian Serbs, supported by Serbia, carried out with impunity while the same countries which are now so keen on 'peace' stood by and watched. Now that much of that process has been completed—producing two million refugees driven from their homes, not to mention a quarter of a million dead or missing

and the Bosnian Serbs have begun to face military setbacks, the US has used the opportunity to present itself as a saviour which is making the ultimate sacrifice by committing 20,000 troops to the planned 60,000-strong NATO peace-keeping force.

For Clinton this is an about-face from his earlier stand condemning the policy of ethnic cleansing, although secretary of state Warren Christopher has tried to present the agreement as a victory for all those who believe in a multi-ethnic democracy in Bosnia. For the Muslims and many others in Bosnia who were always in favour of maintaining the multi-ethnic character of the country, the pact can hardly be termed a victory, although the Bosnian prime minister has claimed it as one. While it may appear that the Muslims have gained from the settlement at the expense of the Serbs, who have failed to achieve their goal of a greater Serbia, in fact it implements the Serbs' desire for ethnic separation and practically recognises the status quo in regard to territories held. Although they have accepted the agreement as the best they can now hope for, Muslims will not easily forget that they were left to resist Serb aggression and their ethnic genocide for so long without visible support from the international community, which refused to lift the arms embargo.

The agreement is flawed in many other ways as well, which makes its workability far from certain. First, a section of the Bosnian-Serb leadership is opposed to the plan and promises to pose a threat to its implementation, although their participation may well be forced by Serbian president Milosevic. Serbs in Sarajevo have also been demonstrating against the provision that keeps the city united and part of the Muslim-Croat federation. Second, the agreement gives people the right to return to their homes but this is hardly likely to happen, ethnic cleansing is already a *fait accompli* in many places and will not be easy to reverse. Third, while indicted war criminals are proscribed from holding public or military office, there is no provision that ensures their arrest or trial. Fourth, the two constituent units of the reconstituted Bosnian state will be allowed to keep their

own armies—hardly an auspicious sign for unity—and the proposed Muslim-Croat federation itself is likely to be very fragile. Finally, the deployment of NATO forces as per the plan is in question, as is their ability to actually implement the agreement rather than to further complicate an already tortuously complex political situation.

A moot question is to what extent Clinton's sudden commitment to a peace agreement in Bosnia was determined by political compulsions—i.e., the 1996 elections. Having failed to produce most of his promised domestic reforms, Clinton may be banking on successes in foreign relations, especially of the peace-making kind, to see him through the election. Closely following the Bosnian accord came his visit to Ireland and Northern Ireland, during which he posed as a prophet of peace. Perhaps Clinton hopes that even if the American people look askance at such foreign adventures and are unlikely to vote him back to office on their account, at least he will go down in the history books as a great statesman. If this is the real reason for the haste with which the agreement was pushed through, it is all the more reprehensible, for by accepting the logic of political division of territory along ethnic lines, the 'peace' accord may well encourage similar wars in other parts of Europe.

Still, there is something to be said for the view that any sort of peace is better than none at all, especially in light of the inhuman atrocities that have been committed during the course of this conflict. One can only hope that the agreement does indeed lead to peace rather than to further violence in the name of self-determination.

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CURRENT STATISTICS

EPW Research Foundation

The annual inflation rate declined further to 8.1 per cent in the week ended November 18 although the WPI for all commodities at 299.1 continued to show a rise. The rise in net RBI credit to the centre touched the record level of Rs 19,350 crore compared to a decline of Rs 975 crore in the corresponding period last year. The general index of industrial production rose by 1.5 per cent during April-July compared to 8.9 per cent in the comparable period last year. Exports rose by 24.5 per cent in April-October 1995 and imports by 30.8 (non-POL imports by 34.8 per cent) thus further widening the trade deficit to \$2.7 billion. Petroleum products, capital goods and chemical products continue to be the main contributors to the sharp import growth while food and live animals, ready-made cotton garments, gems and jewellery, chemicals and chemical products and capital goods constitute the major exports.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Nov 18 1995	Variation (Per Cent) Point to Point								
			Over	Over 12 Months	Fiscal Year	So Far	1993-95	1993-94	1992-93	1991-92	
			Month	Latest	Previous	1995-96	1994-95				
All Commodities	100.0	299.1	0.5	8.1	10.1	4.9	7.1	10.4	10.8	7.0	13.6
Primary Articles	32.3	310.2	1.0	8.4	11.5	6.2	10.5	12.7	11.5	3.0	15.3
Food Articles	17.4	343.1	1.6	7.9	8.9	9.3	13.4	11.9	4.4	5.4	20.9
Non Food Articles	10.1	327.9	0.4	10.0	17.6	1.3	6.4	15.5	24.9	1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.9	-0.1	1.2	2.4	13.1	15.2	13.2
Manufactured Products	57.0	295.6	0.2	9.1	10.1	5.0	6.3	10.7	9.9	7.9	12.6
Food Products	10.1	283.9	0.5	4.3	8.9	4.2	8.0	8.1	12.3	6.8	10.7
Food Index (computed)	27.5	321.4	0.9	6.7	8.9	7.6	11.6	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Nov 18, 1995)	100.0	294.3		9.7	10.2	8.9	10.6	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Over 12 Months		Variation (Per Cent)		Point to Point			
			Latest	Previous	Fiscal Year So Far 1995-96	1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	319 ¹	0.6	10.4	10.3	8.9	8.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)	249 ¹	0.8	9.7	9.7	2.0	2.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1413 ²	0.6	12.9	10.3	8.7	6.5	10.6	11.6	0.7	21.9

Money and Banking (Rs crore)	Nov 10 1995	Over Month	Fiscal Year So Far		Variation		Point to Point			
			1995-96	1994-95	1995-96	1994-95	1994-95	1993-94	1992-93	1991-92
Money Supply (M ₁)	560976	6052 (1.1)	30174 (5.7)	39077 (8.6)	78617 (17.4)	73307 (19.3)	50916 (15.5)			
Currency with Public	114299	3623 (3.3)	13510 (13.4)	12886 (15.7)	18806 (22.9)	14170 (20.9)	7111 (11.7)			
Deposits with Banks	440904	1343 (0.3)	14771 (3.3)	25793 (7.0)	58956 (16.0)	57925 (18.7)	43377 (16.3)			
Net Bank Credit to Govt	245754	4331 (1.8)	23338 (10.5)	9478 (4.6)	16375 (7.9)	28315 (15.9)	18657 (11.7)			
Bank Credit to Commercial Sector	306450	4692 (1.6)	16795 (5.8)	12762 (5.7)	44991 (18.4)	17147 (7.5)	30187 (15.3)			
Net Foreign Exchange Assets	75429	2510 (3.2)	495 (0.7)	18451 (35.1)	23298 (44.3)	7674 (110.9)	3726 (17.6)			
Reserve Money	186477	3693 (2.0)	17198 (10.2)	22455 (16.7)	30607 (22.1)	27493 (25.7)	11274 (11.3)			
Net RBI Credit to Centre	118263	5507 (4.9)	19350 (19.6)	975 (1.0)	2130 (2.2)	260 (0.3)	4257 (4.6)			
Ad-hoc Treasury Bills	35580	2704	12100	5350	1750	6300	6445			
Scheduled Commercial Banks										
Deposits	397652	1277 (0.3)	10793 (2.8)	23356 (7.0)	53630 (16.1)	52144 (18.6)	39017 (16.1)			
Advances	227751	5071 (2.3)	15691 (7.4)	11179 (6.5)	40638 (23.8)	11566 (7.3)	23757 (17.5)			
Non-Food Advances	214524	4995 (2.4)	15239 (7.6)	7429 (4.6)	37797 (23.4)	8875 (5.8)	21684 (16.6)			
Investments	155142	1756 (1.1)	5889 (3.9)	11838 (8.8)	13965 (10.3)	28641 (26.9)	16820 (18.7)			

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	July 1995	Fiscal Year So Far		Average for Full Fiscal Years		Point to Point			
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
General Index	100.0	260.1	256.8 (11.5)	230.3 (8.9)	250.6 (8.4)	231.1 (5.6)	218.9 (2.3)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)
Mining and Quarrying	11.5	242.7	242.3 (14.8)	211.0 (1.9)	245.8 (6.3)	231.2 (3.4)	223.7 (0.6)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)
Manufacturing	77.1	252.0	247.3 (10.8)	223.1 (10.1)	241.8 (8.8)	222.3 (5.5)	210.7 (2.2)	206.2 (0.8)	207.8 (8.9)	190.7 (8.6)
Electricity	11.4	332.3	315.8 (12.5)	298.6 (7.1)	314.6 (8.5)	290.0 (7.4)	269.9 (5.0)	257.0 (8.5)	236.8 (7.8)	219.7 (10.9)

Capital Market	Dec 08 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3083 (-21.5)	3280	3926 (18.6)	2944	3583	3233	4604	3261 (-13.7)	3779 (65.7)	2281 (-46.8)	
National Index (1983-84=100)	1430 (-23.8)	1492	1877 (17.9)	1342	1691	1572	2176	1606 (-12.2)	1830 (79.2)	1021 (-48.1)	
BSE-200 (1989-90=100)	312 (-29.9)	329	445 (15.6)	296	385	360	497	368 (-18.2)	450 (92.3)	234 (-60.0)	
NSE (Nov 3 21, 1994)	68 (-29.2)	72	96	72	83	-	-	79	-	-	-

Foreign Trade		October 1995	Cumulative for Fiscal Year So Far						
			1995 96	1994 95	1994 95	1993 94	1992 93	1991 92	1990 91
Exports	Rs crore	8684	55275 (27.5)	43356 (14.1)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
	US \$ mn	2469	17204 (24.5)	13820 (13.9)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (1.5)	18143 (9.1)
Imports	Rs crore	9810	63955 (34.0)	47732 (19.8)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
	US \$ mn	2703	19905 (30.8)	15215 (19.8)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn		2297	16249 (34.8)	12075 (30.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (22.2)	18045 (3.1)
Balance of Trade	Rs crore	-1126	-8680	-4379	-6375	-3259	-9687	-3809	10640
	US \$ mn	234	2701	-1395	-2018	1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Nov 24,	Nov 25,	Mar 31	Month Ago	Year Ago	Variation Over		1994 95	1993 94	1992 93	1991 92
	1995	1994	1995			Fiscal Year 1995-96	So Far 1994-95				
Rs crore	61016	62180	66028	-968	-1163	-5012	14554	18402	27430	5385	10223
US \$ mn	17629	19527	20816	-629	-1898	-3187	4351	5640	8724	731	3383

Foreign Trade

Commodity Composition of Imports and Exports	1995 96		1994 95		1994 95		Full Fiscal Year 1993 94		1992 93	
	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn
Imports										
Food and live animals										
chiefly for food										
Pulses	855(1.6)	269	2359(5.9)	752	3986(4.5)	1269	1651(2.3)	526	1911(3.0)	660
Cashewnuts	294(0.5)	93	276(0.7)	88	574(0.6)	183	567(0.8)	181	334(0.5)	115
Sugarcane	251(0.5)	79	353(0.9)	113	685(0.8)	218	483(0.7)	154	376(0.6)	130
Sugar	77(0.1)	24	1557(3.7)	496	2246(2.5)	715	neg	neg	neg	neg
Crude materials, inedible oils, except fuels	3988(7.4)	1256	3119(7.8)	1004	6483(7.3)	2065	4273(5.8)	1362	4777(7.5)	1649
Fertiliser crude	206(0.4)	65	203(0.5)	65	471(0.5)	150	388(0.5)	124	359(0.7)	158
Metalliferous ore and metal scrap	1126(2.1)	355	1081(2.7)	345	2127(2.4)	677	1411(1.9)	450	1922(3.0)	664
Mineral fuels, lubricants and related materials	11637(21.5)	3668	9709(24.1)	3095	20837(23.5)	6636	19508(26.7)	6219	18575(29.7)	6396
Petroleum crude and products	10388(19.2)	3271	8646(21.5)	2756	18629(21.0)	5933	18045(24.7)	5753	17142(27.0)	5919
Animal and vegetable oil, fats and waxes	1151(2.1)	363	742(0.6)	77	612(0.7)	195	168(0.2)	54	168(0.3)	58
Chemicals and related products	8791(16.2)	2771	5589(13.9)	1782	13077(14.7)	4165	9317(12.7)	2970	8913(14.1)	3077
Organic chemicals	2797(5.2)	880	1828(4.5)	583	4449(5.0)	1417	2783(3.8)	887	1871(3.0)	646
Fertiliser manufactured	2205(4.1)	695	872(2.2)	131	2351(2.7)	749	1983(2.7)	632	2023(3.2)	698
Manufactured goods classified chiefly by materials	8635(15.9)	2721	6341(15.8)	2021	14622(16.5)	4657	11619(20.0)	4661	12455(19.7)	4300
Pearls, precious/semi-precious stones	3103(5.7)	978	2455(6.1)	783	5019(5.7)	1598	8294(11.3)	2644	7072(11.2)	2442
Iron and steel	1918(3.5)	604	1450(3.6)	462	3559(4.0)	1133	2347(3.2)	748	2060(3.3)	711
Non ferrous metals	1399(2.6)	441	981(2.4)	313	2689(3.0)	856	1804(2.1)	480	1144(1.8)	395
Capital goods	12499(23.1)	3939	8775(21.8)	2797	19611(22.1)	6246	16630(22.7)	5361	13123(20.7)	4531
Machinery except electrical and electronic	5638(10.4)	1777	3595(8.9)	1146	8549(9.6)	2723	5902(8.1)	1882	4786(7.6)	1653
Transport equipment	1575(2.9)	496	1614(4.0)	514	3467(3.9)	1104	3981(5.4)	1269	1338(2.1)	462
Project goods	3775(7.0)	1190	2664(6.6)	839	5583(6.3)	1778	5067(6.9)	1614	3701(5.8)	1278
Others	6591(12.2)	2077	4055(10.1)	1293	9476(10.7)	3018	6934(9.5)	2211	3503(5.5)	1209
Gold and Silver ^a	1160(2.1)	366	851(2.1)	271						
Total	54145(100.0)	17065	40219(100.0)	12820	88705(100.0)	28251	73101(100.0)	23306	63375(100.0)	21882
Exports										
Food and live animals chiefly for food	6691(14.4)	2109	5285(13.5)	1685	11935(14.5)	3804	10851(15.6)	3459	8084(15.1)	2791
Cashewnut	584(1.3)	184	643(1.8)	205	1242(1.5)	395	1045(1.5)	333	745(1.1)	257
Oil meals	677(1.5)	213	794(2.0)	253	1795(2.2)	572	2324(3.3)	741	1535(2.9)	533
Marine products	1299(2.8)	409	1373(3.8)	438	3522(4.3)	1122	2557(3.7)	814	1743(3.3)	602
Beverages, tobacco and tobacco manufactures	500(1.1)	16	500(1.1)	16	120(0.2)	38	139(0.2)	44	160(0.3)	55
Crude materials, inedible oils except fuels	2845(6.1)	89	2140(5.9)	682	4894(5.9)	1559	4901(7.0)	1563	2798(5.2)	966
Iron ore	831(1.8)	262	579(1.6)	185	1309(1.6)	417	1374(2.0)	438	1104(2.1)	381
Mineral fuels, lubricants and related materials	740(1.6)	233	682(1.9)	217	1304(1.6)	415	1248(1.8)	398	1379(2.6)	476
Petroleum crude and products	740(1.6)	233	682(1.9)	217	1304(1.6)	415	1248(1.8)	398	1379(2.6)	476
Animal and vegetable oils, waxes and fats	368(0.8)	116	724(0.6)	71	476(0.6)	152	357(0.5)	114	162(0.3)	56
Chemicals and related products	4615(9.9)	1455	3492(9.6)	1113	7941(9.6)	2529	6000(8.6)	1913	4198(7.8)	1449
Drugs, pharmaceuticals and fine chemicals	1415(3.0)	446	1082(3.0)	345	2494(3.0)	794	2010(2.9)	641	1533(2.9)	529
Dyes/intermediates/coal tar chemicals	744(1.6)	234	682(1.9)	217	1486(1.8)	473	1151(1.7)	367	958(1.8)	331
Plastic and linoleum products	917(2.0)	289	656(1.8)	209	1477(1.8)	469	1053(1.5)	336	433(0.8)	150
Manufactured goods classified chiefly by materials	25469(54.7)	8027	20334(55.9)	6482	45807(55.6)	14589	38223(54.8)	12186	30752(57.3)	10618
Leather manufactures	1124(2.4)	354	935(2.6)	298	2112(2.6)	673	1793(2.6)	572	2512(4.7)	867
Leather footwear	949(2.0)	299	773(2.1)	246	1575(1.9)	502	1436(2.1)	458	1188(2.2)	410
Gems and jewellery	7849(16.9)	2474	6318(17.4)	2014	14134(17.2)	4501	12532(18.0)	3995	8897(16.6)	3072
Cotton yarn/fabrics/madeups etc	3805(8.2)	1199	3181(8.7)	1014	6951(8.4)	2214	4821(6.9)	1537	3911(7.3)	1350
Manmade yarn, fabrics, madeups etc	1196(2.6)	377	850(2.3)	271	1936(2.4)	617	1335(1.9)	426	1079(2.0)	373
RMG cotton and accessories	4724(9.1)	1331	3177(8.7)	1013	7827(9.5)	2493	6173(8.9)	1968	5156(9.6)	1780
Capital goods	4021(8.6)	1267	3151(8.7)	1014	7328(8.9)	2334	6166(8.8)	1966	4961(9.2)	1714
Metal manufactures	1227(2.6)	387	954(2.6)	304	2353(2.9)	749	2080(3.0)	663	1622(3.0)	560
Machinery and instruments	1254(2.7)	395	1001(2.8)	319	2282(2.8)	727	2004(2.9)	639	1569(2.9)	542
Transport equipment	1372(2.9)	432	1065(2.9)	339	2406(2.9)	766	1857(2.7)	592	1546(2.9)	534
Others	1790(3.8)	564	1039(2.9)	331	2525(3.1)	804	1866(2.7)	595	1192(2.2)	412
Electronic goods	931(2.0)	293	536(1.5)	171	1273(1.5)	405	952(1.4)	303	615(1.1)	212
Total	46591(100.0)	14685	36398(100.0)	11603	82338(100.0)	26273	69749(100.0)	22217	53688(100.0)	18537

Figures in brackets are percentages to total. ^a Excludes gold and silver imports through passenger baggage.

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. — means not available.

RANBAXY LABORATORIES

Focus on R and D

RANBAXY, one of India's largest pharmaceutical companies, achieved a sales turnover of Rs 666 crore for the year ended March 1995 up by 19 per cent from Rs 561 crore in the corresponding period in the previous year. Other income rose from Rs 2 crore to Rs 9 crore taking total income to Rs 704 crore up by 24 per cent from Rs 565 crore in the previous year. As in the previous year, the company incurred zero interest costs. Provision for tax and for depreciation rose by 29 per cent and 953 per cent respectively. Nevertheless the company ended up with a net profit of Rs 110 crore up by 74 per cent from Rs 63 crore in the previous year. A major contribution to the bottomline came in the form of non-operating profit of Rs 20 crore against a loss incurred in the previous year on this count. A dividend of 30 per cent has been recommended by the directors.

Ranbaxy has eight technologically advanced plants which have been designed to international specifications. The company has a state-of-the-art instrumentation system for chemical and sterility testing and an on-line system for material management, inventory control and production planning resulting in lower costs, increased productivity as well as consistent product quality. The company has a strong distribution network being able to reach customers through more than 1,400 stockists.

The company currently exports its products to over 40 countries with marketing operations in 20 of them in addition to having manufacturing facilities in six countries. The exports of the company stood at Rs 296 crore, up by 37 per cent from the previous year. A corresponding rise was seen in imports which moved up by 39 per cent from Rs 127 crore to Rs 176 crore.

During the year under review plants for manufacture of ranitidine and amoxycillin and a pilot plant for R and D in Punjab were commissioned. The new plant for manufacture of pharmaceutical dosage forms in Himachal Pradesh commenced commercial production in August 1995.

Ranbaxy has floated a new fully-owned marketing subsidiary, Solus International. The company has plans to launch eight high-end products with two more to be added in the second stage and four more by mid-1996. The products marketed by Solus include medicines for cardio-vascular diseases, antibiotics and nutritional products and will be launched initially in selected states.

The company has set up a joint venture company in equal partnership with Eli Lilly and Company of the US at Ropini in Punjab to manufacture multi-source pharmaceutical products such as anti-infectives, cardiovascular and anti-cancer drugs besides research and development activities. The Rs 155 crore project will be financed through 50:50 equity by the two partners. The company's joint ventures in Malaysia, Thailand and Nigeria are performing well. The company is holding discussions with the partner in the joint venture in Canada for forming up plans to strengthen its operations and for expansion.

The company's strength lies in research and development and world class manufacturing facilities. A scientific advisory board consisting of eminent scientists from India and abroad has been constituted to advise and provide direction to its research efforts. The company has set up an ultra modern research centre in Delhi. The company has also initiated efforts towards commencing research activities for synthesis of new chemical entities. The company is developing a number of drugs whose patents expire in the next 5 to 10 years and Ranbaxy's R and D activities will give it the necessary edge. A scientific advisory board consisting of eminent scientists from India and abroad has been constituted to advise and provide direction to its research efforts. The company

has set up an ultra modern research centre in Delhi. The company has also initiated efforts towards commencing research activities for synthesis of new chemical entities.

Ranbaxy today is second in the market for drugs and pharmaceuticals. Intense competition in future will depress margins and prompt companies to look to the export market as a way out. Ranbaxy is well placed to take advantage of the opportunities that this scenario will present. By the turn of the century Ranbaxy hopes to derive 50 per cent of its sales from exports. Also on the anvil is a plan to shift to formulations from bulk drugs. The company plans to penetrate the US generic market. Poland, South Africa and Vietnam are likely to be the key new markets.

INDIA CEMENTS

Rise in Demand

India Cements, incorporated in 1964, has two plants in Tamil Nadu and one in Chitlamakur in Andhra Pradesh. The company, a leader in the south, has a 26 per cent market share in Kerala and 19 per cent in Karnataka. The company's plants are located close to the limestone deposits, as also close to the ports. The company uses lignite instead of coal in its manufacturing

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Financial Indicators	Ranbaxy Laboratories		India Cements		MIRC Electronics	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	66597	56110	54424	46343	25561	19995
2 Value of production	68272	56310	54613	46434	29560	20421
3 Other income	907	209	784	329	134	87
4 Total income	69179	56519	55397	46763	25694	20508
5 Raw materials/stores and spares consumed	33714	30335	6796	5937	1515	13076
6 Other manufacturing expenses	2139	1539	10176	14305	11	25
7 Remuneration to employees	4239	3283	4121	3610	23	660
8 Other expenses	15378	13352	17707	15775	5531	4523
9 Operating profit	13709	8020	11092	7130	4036	2274
10 Interest	0	0	3111	1101	2	58
11 Gross profit	14875	7964	7311	4223	550	2221
12 Depreciation	1838	1176	2477	2167	22	164
13 Profit before tax	13037	6538	4738	1848	528	2057
14 Tax provision	2000	190	0	0	52	370
15 Profit after tax	11037	6348	4738	1848	476	1687
16 Dividends	1935	1329	186	571	12	258
17 Retained profit	9032	5019	4052	1277	464	1429
Liabilities/assets						
18 Paid up capital	4304	3406	3007	2451	0	516
19 Reserves and surplus	59978	11574	40712	13705	513	4439
20 Long term loans	36411	22190	19040	22216	0	4746
21 Short term loans	7198	4132	0	2950	112	1293
22 Of which bank borrowings	15725	4132	0	0	0	1293
23 Gross fixed assets	32918	27054	43125	40427	5507	3042
24 Accumulated depreciation	6938	5116	11126	13035	53	558
25 Inventories	13346	10106	9005	8244	5077	3452
26 Total asset/liabilities	125066	54589	63348	48483	7341	15146
Miscellaneous items						
27 Excise duty	4627	3233	7671	7130	678	3678
28 Gross value added	20851	11753	14784	12575	308	3013
29 Total foreign exchange income	30477	22157	2004	2443	113	56
30 Total foreign exchange outgo	21710	14195	4176	1017	549	3528
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	53.2	102.8	87.3	95.6	122	132.0
32 Sales to total net assets (%)	61.7	121.0	104.0	111.9	152.0	181.9
33 Gross value added to gross fixed assets (%)	63.3	53.3	30.1	31.8	6.5	99.0
34 Return on investment (gross profit to total assets) (%)	11.9	14.6	11.6	8.7	1.8	14.7
35 Gross profit to sales (gross margin) (%)	22.3	14.2	13.2	9.1	9	11.1
36 Operating profit to sales (%)	20.6	14.3	20.4	15.4	1.5	11.4
37 Profit before tax to sales (%)	19.6	11.7	8.7	4.0	2.1	10.3
38 Tax provision to profit before tax (%)	15.3	2.9	0.0	0.0	0.2	18.0
39 Profit after tax to net worth (return on equity) (%)	17.2	31.7	14.2	11.4	22.3	34.0
40 Dividend (%)	30.00	25.00	40.00	25.00	60.00	50.00
41 Earning per share (Rs)	25.64	18.32	15.42	7.45	29.54	32.69
42 Book value per share (Rs)	149.4	57.8	108.5	65.5	134.1	96.0
43 P/E ratio (based on latest and corresponding last year's price)	22.4	35.8	16.9	32.2	11	7.8
44 Debt-equity ratio (adjusted for revaluation) (%)	56.6	110.7	57.2	136.7	21.4	95.8
45 Short term bank borrowings to inventories (%)	105.2	40.9	0.0	0.0	0.0	37.1
46 Sundry creditors to sundry debtors (%)	36.1	31.6	156.4	53.5	101.5	193.0
47 Total remuneration to employees to gross value added (%)	20.3	27.9	27.9	28.0	23.1	21.9
48 Total remuneration to employees to value of production (%)	5.2	5.8	7.5	7.8	3.3	3.7
49 Gross fixed assets formation (%)	49.3	-	21.7	-	80.9	-
50 Growth in inventories (%)	47.89	-	16.51	-	46.38	-

process and, since the Neyveli lignite site is very close to the company, is able to source lignite cheaply. The Neyveli site being the only supplier of lignite to ICL in this region, the entire production activity of the company depends on it.

The company closed the financial year ended March 1995 with a sales turnover of Rs 544 crore up by 17 per cent from Rs 463 crore in the previous year. Other income rose by 138 per cent from Rs 3 crore to Rs 7 crore. Total income earned by the company increased by 18 per cent from Rs 468 crore to Rs 554 crore. Interest costs came down by 5 per cent. Provision for depreciation rose by 14 per cent. The company ended with a net profit of Rs 47 crore up by 156 per cent from Rs 18 crore in the previous year. A dividend of 40 per cent has been recommended by the directors.

Exports came down as a result of the firm domestic demand in 1994-95 and stood at Rs 10 crore down by 59 per cent from Rs 24 crore in the previous year. The company's export market comprises south east and west Asian countries. Imports on the other hand rose by 273 per cent from Rs 9 crore to Rs 35 crore.

The prospects for the cement industry are bright with emphasis on the development of housing, highway infrastructure and irrigation. The projected demand for cement in 1995-96 according to the Development Council for Cement Industry is 77 million tonnes including 5 million tonnes for export. The total installed capacity is expected to be around 90 million tonnes. By the turn of the century demand is estimated at 87 million tonnes with an installed capacity of 100 million tonnes. The projections are based on an estimated annual growth of 7 to 8 per cent.

The company was plagued by rising costs in the form of power/tariff and railway freight. Added to this was the increase in labour costs. In 1994-95 the consumption of coal per unit of cement went down from 32 to 28 for the wet process and 23 to 19 for the dry process. This was mainly due to the better quality of coal which despite being expensive worked out much better. The company incurred an expense of Rs 24 crore on this count but favourable demand conditions enabled the company to pass on these cost increases to its customers.

The company has three divisions — cement, shipping and property development. Cement continues to be the major contributor with 90 per cent. The Shankernagar cement plant achieved a capacity utilisation of 106 per cent and the Sankari plant of 101 per cent. Capacity utilisation at the Chalamakur plant was 90 per cent.

The shipping division recorded a turnover of Rs 53 crore, lower than in the previous year, because of the lesser number of voyages performed by the chartered vessels. The

company owns and operates self loading dry bulk carriers which are either time charters or hired out on voyage and spot charters. The future plans of the shipping division include acquisition of another bulk carrier at an estimated cost of around \$ 10 million to be funded mainly through debt and internal accruals. The company has taken delivery of an additional ship which commenced operations in September.

The operations of the real estate and property development division, though low key, continued to be profitable. The division was involved in the construction of residential plots and developed and sold plots as a part of its operations during the year under review.

To consolidate and improve its position in the cement industry, the company has a number of plans on the anvil. It plans to set up a 7 lakh tpa dry process unit at Shankarnagar to be operational by 1996. The project estimated to cost Rs 250 crore has been funded through a mix of Euro issue proceeds, debt and internal accruals. Plans are on to buy viable units from Tamil Nadu Cements and Mexico. The bottlenecking of the Chitlamakur plant is on the anvil. Estimated to cost Rs 30 crore, this plant will increase capacity from 3 000 tpd to 3 300 tpd to achieve 100 per cent capacity utilisation from the current 75 per cent. The company is setting up a new plant with a nine lakh tonne per annum capacity at Daltongir near

Trichy at a cost of Rs 280 crore. Commercial production is expected to commence by January 1997.

The company installed windfarms with a capacity of 10 MW during the year under review.

MIRC ELECTRONICS

Gains of Competition

Incorporated in 1981, the Onida group manufactures a wide range of electronics goods, namely televisions, video cassette recorders, audio systems, air conditioners, washing machines, electronic tuners, etc. The other group companies are Onida Saka, Onida Savak and Momic Electronics. MIRC Electronics, the flagship company of the Onida group, is a strong player in the TV and VCR segment and its products are manufactured under the brand name of 'Onida'.

The company closed the year ended March 1995 with a sales turnover of Rs 288 crore up by 44 per cent from Rs 200 crore in the previous year. Other income rose by 54 per cent from Rs 87 lakh to Rs 1.4 lakh taking the total income earned by the company to Rs 296 lakh up by 45 per cent from Rs 205 lakh in the previous year. Interest cost rose from Rs 58 lakh to Rs 2 crore. Provision for depreciation and tax increased by 38 and 43 per cent respectively. Aided by non-operating profit of Rs 46 lakh against Rs 5 lakh

in the previous year, the company recorded a net profit of Rs 21 crore up by 24 per cent from Rs 17 crore. A dividend of 60 per cent has been declared by the company.

Reduction in import tariffs and duties coupled with an atmosphere of liberalisation has provided the much needed impetus to the electronics industry. Consequent to the rationalisation of prices in the market as a result of increased competition, the demand for consumer electronics products has risen up. The demand for colour TVs grew by 30 per cent in 1994-95.

The company's manufacturing unit at Wada has commenced commercial production and is fully geared for commercial production. The company has significantly upgraded its research and development capability which has enabled it to introduce new models both in the black and white and colour TV segment. For the year under review, the sale of colour TVs increased by 30 per cent while the company increased its sale of black and white TVs by 70 per cent. In the audio market, the company introduced three models targeted at different segments of the consumers. The video market was sluggish in 1994-95. Anticipating the video market to stabilise in the near future, the company is planning to launch a new range of VCRs and VCPs in the current year. The company has been accredited with the ISO 9000 certification for the year under review.

NETAJI INSTITUTE FOR ASIAN STUDIES

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Applications, typed in triplicate, giving full particulars and supporting documents are invited for the following posts borne on UGC scales of pay plus allowances as per State Government rules.

- I **Professor** (1 each) in (a) International Relations (b) Social and Political History (c) Economic Cooperation
- II **Asstt Professor** (1 each) in the said subjects (equiv. to Reader's position)

Qualification: As prescribed by UGC for similar posts with consistently good academic performance at all stage plus formal evidence of research/published work of high standard in the prescribed thrust area indicated below.

- a) Current trends in regional peace and cooperation, particularly in the context of the new economic agenda of West Bengal, with due emphasis on pre and post colonial linkages.
- b) Syncretistic tradition in religion in South Asia.
- c) INA & its impact on Transfer of Power to India.

- N.B.**
- 1) Candidates should hold Master's degree with Honours in International Relations/Pol Science/History for (a), Political Science/History/Sociology for (b), and Economics for (c).
 - 2) Selection need not be restricted to those who formally apply.
 - 3) Selected candidates will have to work for time bound projects having direct bearing on the prescribed thrust area.
 - 4) For the post of Professor, probation will be as per rules of the Institute. Appointment to the post of Asstt Professor will be contractual for a maximum period of three years.
 - 5) Age Below fifty, relaxable in case of outstanding candidates.
 - 6) Particulars required: (i) Name, (ii) Address, (iii) Date and place of birth, (iv) academic qualifications, (v) professional track record, (vi) research, and (vii) publications with duly attested supporting documents for (iii) and (vii).
 - 7) Last Date of receiving application - 31st December, 1995.

Linked Markets, Unlinked Policies

The last two months' developments in the foreign exchange and money markets have thrown into sharp relief the close linkages developing between the two markets. While the Reserve Bank managed to stabilise the spot foreign exchange market by injecting the equivalent of \$1 billion in October, the impact of its intervention was felt in the extreme stringency in the money market as reflected in the shooting up of call money rates which, in turn, led to a speculative surge in the forward premia on the dollar.

I An Overview

THE money market turned extremely stringent and highly volatile during November with the overnight call money rates exhibiting on some days even intra-day variation of 40-80 per cent. The upheaval in the call money market was a carry over of October developments in which the proximate cause for accentuating the stringency was that the Reserve Bank of India was forced to intervene in the foreign exchange market which absorbed liquidity and which continued for nearly three weeks in that month. Fearful of inflationary implications and also the possible pressure on the dollar, the RBI was fine-tuning its support to the money market with the outstanding of its support fluctuating from Rs 2,453 crore on October 16 to as low as Rs 399 crore on October 28. This only compounded the pressure on the liquidity in the market which has been a phenomenon since the beginning of the current fiscal year.

The sluggishness in bank deposit growth has been a constant feature this year. After some pick up in August-September, aggregate deposits of scheduled commercial banks even registered a small fall of about Rs 295 crore in late October-early November. Overall, since March 31, aggregate deposits have registered an increase of Rs 10,793 crore against Rs 23,356 crore during the same period last year. On the other hand, after sharp increases in previous months, non-food bank credit growth showed some deceleration during October-November. Even so, with the corporates increasingly relying on cash credit and overdraft accounts with banks due to the drying up of other sources like CP, there has been a rise in non-food credit of Rs 15,239 crore as against only Rs 7,428 crore during the comparable period last year.

The sources of the sluggishness in bank deposit growth and domestic liquidity are varied. A foremost factor seems to be the trends in the external sector where, apart from the direct erosion of about \$3.2 billion of foreign currency assets worth about Rs 11,000 crore, the official and

private imports of gold and silver seem to have further depleted which does affect potential domestic liquidity by siphoning off foreign exchange through the *havana* market. These factors are certainly affecting domestic saving. The domestic saving may also have been affected by possible ill timing of money incomes of saving classes after the initial flush fell with the liberalisation credit-based consumption and the persistent erosion in purchasing power among the middle and lower classes. There has also occurred drastic reduction in portfolio investments.

The sizeable import surplus and other forces operating on the external sector have helped to intensify the tightness in reserve money despite massive increases in net RBI credit to the central government and in particular through *ad hoc* treasury bills. The peak of Rs 21,500 crore is on August 5. The RBI did manage to bring down the expenditure in *ad hoc* to a level of Rs 6,000 crore on September 22 and further to Rs 4,400 crore on September 29. After remaining at these levels for barely two weeks, the decline trend could not be sustained, the government borrowings through this instrument passed through the Rs 7,000 crore limit once again and has been running over it now consecutively for six weeks and was at Rs 12,100 crore as on November 10. The RBI refinancing facilities and support to the money market have been rigorously curtailed. The external sector developments have also constrained the money multiplier process, with the contemporaneous incremental multiplier remaining as low as 1.75 as against the annual average for the past many decades at about 3.50.

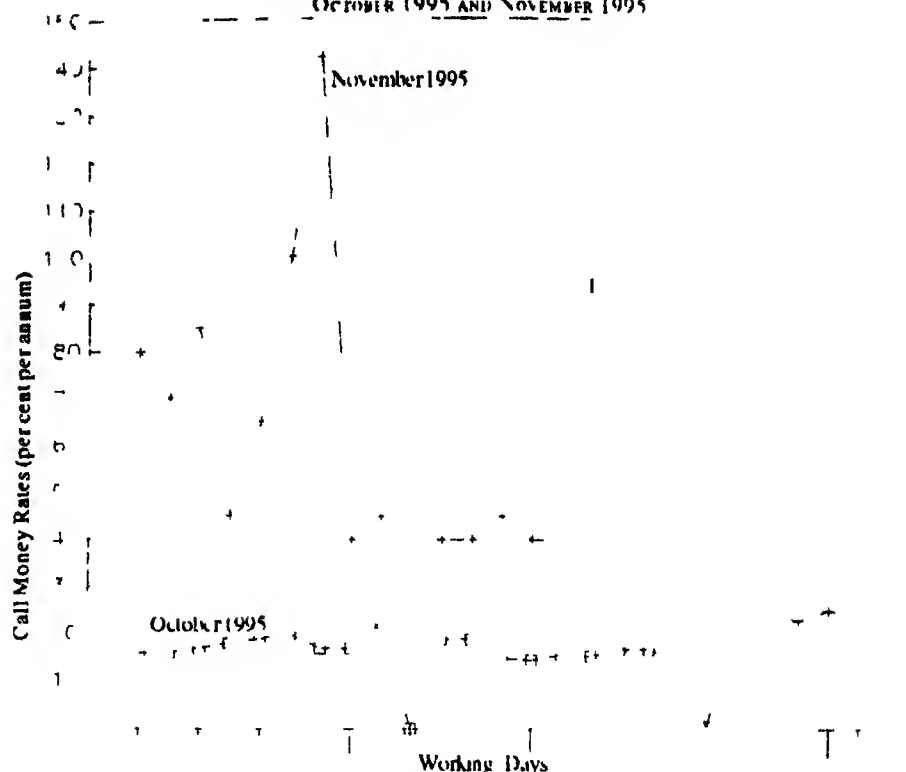
The happenings in the domestic foreign exchange and money markets during the past two months have clearly brought to the fore the close interlinkages between the two markets. After intervening for nearly three weeks and injecting foreign exchange worth approximately \$1 billion during October, the RBI succeeded in stabilising the spot foreign exchange market. With a shift in the RBI stance in favour of intervention when warranted, the spot market remained largely stable except for a few hiccup towards the end

of November, but the overnight money market rate remained high and highly volatile despite the RBI injection of liquidity on a daily basis. The stringency in the overnight call market was in turn felt on the forward premia for one day to six month dollars which came under severe speculative grip. The volatility in the forward market more prominently in cash term and cash spot rates was due to significant arbitrage possibilities between the two markets. As the call rates reached dizzy heights, dollar rich banks, mostly foreign banks, sold dollar cash and purchased dollar in the term (one day) and spot (three days) market; the immediate cash proceeds were deployed in the money market reaping sizeable arbitrage benefits. This warranted the Reserve Bank intervention in the forward dollar market but again with small amounts of interventions, the forward premia remained high (see 'Current Statistics' December 2, 1995).

Significantly, the developments of November highlighted rather sharply the dilemma that the authorities have begun to face due to various contradictions in public policies. With the avowed objective of containing inflation through monetary control, the burden of financial management has entirely fallen on monetary policy at a time when the fiscal situation seems to have almost gone out of control. Growing fiscal needs and large monetized deficit have begun to preempt bank credit and thus, almost for the first time in the Indian economy, the government demands are seemingly crowding out commercial sector credit needs. Besides, the government has accepted the principle of borrowing at market related rates through the auction process. During the current financial year, however, during the initial few floatations which were on auction basis, the RBI has virtually abandoned the auction process for government's borrowing programme and has issued fixed coupon paper though at a high coupon rate of 14 per cent. Despite protestations to the contrary, there is no doubt that such a policy is not sustainable in the present *milieu*. Also, with about Rs 25,000 crore of excess SFR securities, the market is not inclined to absorb more of government paper. Against such a background, the RBI is extremely hard put to see through the government borrowing programmes even by the age-old *modus operandi* of 'moral suasion'.

With a view to releasing long term resources, the Reserve Bank announced a reduction in CRR by half a percentage point to 14.5 per cent from November 11. On November 29, the Reserve Bank announced CRR exemption for the incremental FCNR (B) deposits over the level of November 24, and now even the average CRR applied to the outstandings of the same deposits has been reduced

GRAPH A DAILY TOP-END QUOTATIONS OF CALL MONEY RATE
OCTOBER 1995 AND NOVEMBER 1995



from 14.5 per cent to 7.5 per cent. All these are expected to release over Rs 4,000 crore of additional liquidity during the current fiscal year. Secondly, the RBI relaxed the scheme of money market mutual funds (MMMFs) and decided to permit the private sector mutual funds to set up MMMFs. To make the scheme more attractive, the RBI withdrew the ceiling on the size of the MMMFs and limits on investments in individual instruments. The original scheme was announced way back in April 1992 but had refused to take off. Finally, to ease the liquidity situation and to prevent further fall in the value of the rupee, the government on its part has eased the norms for the deployment of funds raised through global depository receipts (GDRs) and external commercial borrowings (ECBs). The changes included permission to emit freely Euro issue proceeds immediately in anticipation of the approved end uses to structure the borrowings as foreign currency convertible bonds (FCCBs) and to utilise 25 per cent of issue proceeds for corporate restructuring and working capital requirements instead of the hitherto 15 per cent.

II

Money Market Operations

Call money market

As said earlier, the overnight money markets witnessed quantum jumps and high volatility during November. According to the RBI spokesman, the Bank had

withdrawn its support from the domestic money market in an attempt to starve the market of rupee resources; this was done with a view to stabilising the foreign

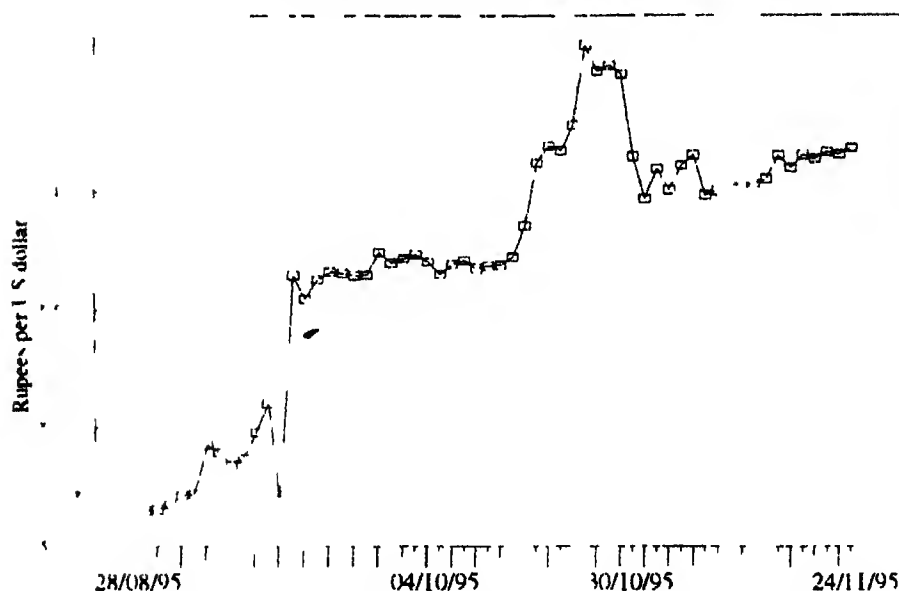
exchange market in which demand for dollars had far exceeded its supply. Once the foreign exchange market stabilised at Rs 34.50/90 a US dollar and remained at this level for nearly three weeks, the Reserve Bank entered the money market once again and with a daily average intervention of Rs 2,000 crore during November, which brought the rates in this market down to 21.24 per cent from a high of 70.80 per cent (see Table 1). Amongst the bulk flows, banks had to pay the third installment of the partly paid security issued in September which was Rs 1,100 crore, while the inflows aggregating Rs 1,500-2,000 crore were due during November 15-30 on account of interest payments on various government paper.

After opening at 15 per cent on the first day of the new reporting week, the rates in the call market went up to 25 per cent on Monday, October 30, and from then on continued their upward trend till they reached 85 per cent on November 3. Small deals were also reported at over 100 per cent. As banks went berserk borrowing at very high rates, the Reserve Bank tried to cool the market through repos done with DIII and SICI and persuading financial institutions to lend in the call money market at 25 per cent. The Reserve Bank support to the market during this week ranged from Rs 900 crore to Rs 2,700 crore. Ironically, NABARD, which has no funds of its own but only draws lines of credit from the Reserve Bank, was also seen lending at very high rates in the call market.

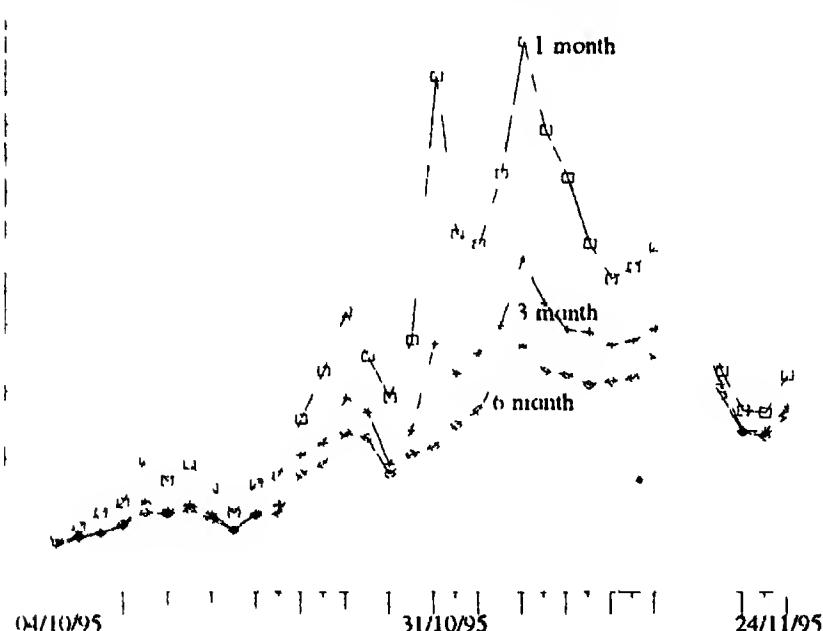
TABLE 1 RBI INTERVENTION IN THE CALL MONEY MARKET AND DAILY QUOTATIONS OF CALL MONEY RATES, NOVEMBER 1995

Date	Call Rate Quotations (Per Cent Per Annum)				Amount of Intervention during the day (Rupees crore)
	Open	Closing	High	Low	
Oct 28	15.00	18.50	18.50	15.00	
30	17.00	19.00	25.00	17.00	
31	25.00	40.00	40.00	25.00	
Nov 1	60.00	40.00	80.00	30.00	900.00
2	55.00	55.00	70.00	55.00	900.00
3	85.00	35.00	85.00	35.00	1900.00
4	25.00	45.00	45.00	25.00	2700.00
6	65.00	25.00	65.00	25.00	4900.00
7			Holiday		
8	50.00	25.00	100.00	25.00	5600.00
9	80.00	25.00	142.00	40.00	5500.00
10 (RF)	10.00	0.25	40.00	0.25	4600.00
11	25.00	45.00	45.00	25.00	5200.00
13	40.00	25.00	40.00	25.00	5300.00
14	40.00	20.00	40.00	20.00	5300.00
15	40.00	40.00	40.00	40.00	5300.00
16	45.00	30.00	45.00	30.00	5300.00
17	40.00	30.00	40.00	30.00	4600.00
18	25.00	40.00	40.00	25.00	4600.00
20	35.00	20.00	95.00	20.00	4000.00
21	18.00	12.00	18.00	12.00	4000.00
22	12.00	10.00	12.00	10.00	3400.00
23	12.00	11.00	12.00	11.00	
24 (RF)	1.00	0.25	1.00	0.25	
25	25.00	28.00	28.00	25.00	1100.00
27	23.00	20.00	25.00	21.00	1100.00
28	20.00	23.00	23.00	19.00	
29	25.00	20.00	25.00	20.00	900.00
30	22.00	22.00	24.00	22.00	900.00

GRAPH B SPOT QUOTATIONS FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



GRAPH C ANNUALISED DAILY 1 MONTH 3 MONTH AND 6 MONTH FORWARD PREMIA IN PERCENTAGE FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



Some banks were also reported to have consciously decided to default on CRR rather than borrow at astronomical rates to maintain it.

Interestingly, foreign banks and the new private banks which have remained meagre participants in this year's government market borrowing programme turned out

TABLE 2 CALL MONEY RATES

Items	November 1995				October 1995			
	24(RF)	17	10(RF)		27(RF)	20	13(RF)	6
Weekly range	0.50-40.00 (0.25-11.25)	20.00-60.00 (9.50-11.25)	0.25-130.00 (6.00-19.00)	15.81-85.00 (5.25-9.25)	0.50-17.00 (0.50-6.00)	12.50-19.00 (5.00-9.50)	1.00-23.00 (0.50-11.75)	14.00-18.00 (10.75-13.00)
Weekend (Friday)	0.50-1.00	30.00-40.00	0.25-10.00	10.00-85.00	0.50-0.25	14.75-15.50	1.00-1.50	17.00-18.00
Weekly weighted average*	na	37.64	37.29	38.32	15.07	15.56	15.84	16.00
D1 III lending rates (range)	na	24.50-36.00	4.00-30.00	10.00-55.00	2.00-16.75	13.90-18.50	3.00-19.50	14.75-18.00

* Weighted average of borrowing rates reported to the RBI by selected banks and D1 III weights being proportional to amounts borrowed. Figures in parentheses represent weekly range during similar period last year.

to be losers as the RBI intervention funds were lent at 25-26 per cent only against the repo of securities. The central bank under the Reserve Bank of India Act cannot lend clean. As these banks had little excess SLR securities in their portfolios, they had to borrow from the market at high rates. Banks could also in general not avail much of the repo facility from the DFHI as it dealt mainly in treasury bills and banks do not have a large portfolio of short-term paper.

The second week (November 4-10) which was also the reporting week, saw an intensified turmoil in the money market with the call rates remaining highly volatile ranging from 25 per cent to 142 per cent. The Reserve Bank was also keen to affect the sentiments of the market to steer the second tranche of Rs 1,500 crore worth of state loans to be floated on Monday November 6. The issue received Rs 2,388.23 crore. It is well known that the Reserve Bank fixes quotas for banks to participate in state loans. The RBI intervention in the money market too was the highest at about Rs 5,600 crore on November 8. Banks reportedly borrowed even on the reporting Friday (November 10) at even 40 per cent rates of interest which was prompted by a treasury calculation that the cost of maintaining CRR on these funds would be cheaper than the cost of borrowing on non-reporting days.

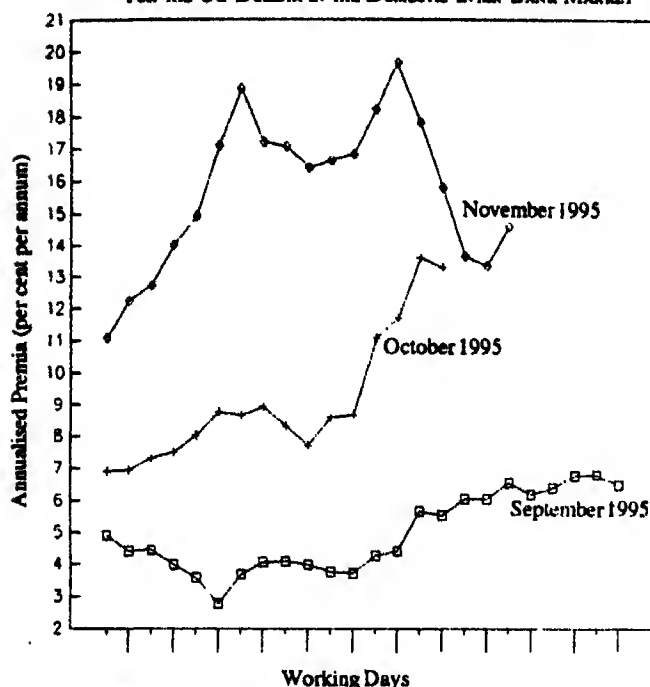
The RBI took no chances in the third week (November 11-17). Apart from rolling over Rs 4,600 crore of repos from the previous week it injected sizeable fresh funds (Table 1). State Bank of India was a borrower in this week as it had to purchase dollars to make oil payments as also to redeem CDs issued to PSUs to abide by the DPII regulation of investing PSU funds only in rated CDs. Though the fluctuations were reduced the call rates nevertheless remained high in the range of 25-45 per cent (Table 2).

The fourth week of the month (November 18-24) was a reporting week and the persistence of RBI intervention though on a reduced scale of an average Rs 2,000 crore brought the rates down from 35-40 per cent to about 10-12 per cent but within it the range of fluctuations remained high (Table 3). As no major outflows were expected this week the RBI was seen to be tapering off its support to the money market.

Foreign Exchange Market

The RBI had succeeded in bringing the spot rate for the US dollar under control

GRAPH D: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



as the rates stabilised at Rs 34.50/90 for nearly three weeks by the end of October. As the money market reeled under pressure caused by RBI intervention in the foreign exchange market, the forward rates for dollar swung to higher levels. Between November 4 and November 17, the six-month annualised forward premia went up from 11-12 per cent to 18-20 per cent, while the annualised one-month premium went up to as high as 37 per cent. The sharp swing in the forward premia forced the Reserve Bank to intervene in the forward market by conducting swaps. This was an interesting development as after the foreign exchange crisis of 1991, the Reserve Bank had consciously closed the swap window. The development was also significant in the perspective of the Sodhani Committee report on the development of the foreign exchange market which had suggested that the Reserve Bank should influence the forward rates by conducting swaps. According to the Committee, by selling dollars spot and buying forward, the Reserve Bank would be able to influence the spot and forward markets with only a temporary depletion in the foreign exchange reserves. After touching a high of about 20 per cent, the forward premia started cooling somewhat and returned to 13-14 per cent levels by the

end of November. However, even at this level the premia remained high and the US dollar got quoted at Rs 37.41 as against the spot rate of Rs 34.81.

The stringency in the money market made it imperative for the central bank to do only purchases of government securities in its open market operations: it purchased paper worth Rs 248.70 crore during November.

III Primary Market Operations

Dated Securities

The month opened with the second tranche of the 10-year 14 per cent State Development Loans of Rs 1,500 crore for

14 states. It opened on November 6 when the funds position in the money market was at its worst and there were fears of undersubscription. The Reserve Bank nevertheless ensured its smooth sailing, received Rs 2,388.23 crore as subscription and retained the oversubscription.

Towards the end of the month, the government of India issued one more dated security – the 10-year 14 per cent paper floated on November 27. This was the third issue of the same paper issued twice earlier in June. A further loan floatation worth Rs 1,500 crore at this point could hardly be expected to receive good response. It was unlikely that even the RBI expected the paper to go through smoothly, but apart from the backlog in the government's borrowing programme, the

GRAPH E: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES – WEIGHTED AVERAGE FOR NOVEMBER, 1995

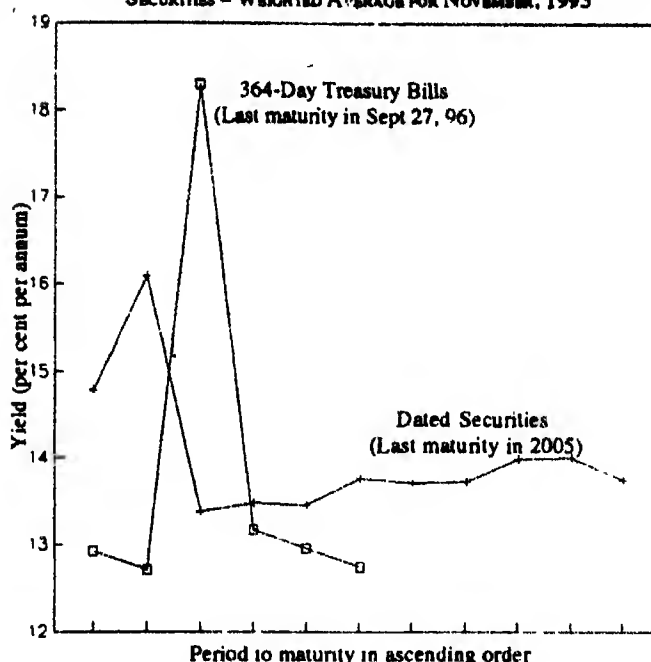


TABLE 4: AUCTIONS OF 364-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
November 9	45	449.00	35	388.00	91.33	9.49
November 23	36	290.00	21	229.00	91.29	9.54
1995						
November 8	6	19.00	6	19.00	88.50	12.99
November 22	11	40.50	5	30.50	88.50	12.99

TABLE 3: DAILY CALL MONEY RATE QUOTATIONS OF HIGH AND LOWS: SIMPLE STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Four Weeks of the Month	November 1995 Week Ended				All Four Weeks of the Month	October 1995 Week Ended			
		24 (RF)	17	10 (RF)	3		27 (RF)	20	13 (RF)	6
Mean	36.28	21.35	34.17	50.73	41.29	14.33	10.91	15.25	14.54	16.03
Standard Deviation	27.88	24.42	8.12	39.70	24.02	5.12	6.32	1.95	6.72	1.22
Coefficient of variation (percentage)	76.84	114.36	23.77	78.27	58.17	35.74	57.95	12.79	46.21	7.61

RBI is committed to sell fresh government paper so as to bring down the levels of *ad hoc*. Even if it meant that the Reserve Bank would have to take the slack, the RBI, guided as it is by the philosophy of forcing the government to reduce borrowings in response to high interest rates, would prefer to lend to the government at market-related rates rather than at 4.6 per cent through the *ad hoc*. As expected, with Rs 787.33 crore, the

market subscribed only 53 per cent of the issue and the rest Rs 712.67 crore devolved on the RBI.

In less than two weeks, the government accessed the market once again for an amount of Rs 2,000 crore. It announced the sale of four-year floating rate bonds (FRBs) linked to the six-monthly average rate of 364-day TBs. The rate of interest offered for any half-year will be 1.25 percentage points over the average rate of 364-day

TBs auctioned during the previous six calendar months; it will have a floor rate of 13 per cent and a rate of 13.73 per cent for the initial half-year ending March 29, 1996. This paper was offered earlier once in September which, however, was not very popular in the secondary market. The response to this second issue was a little more than half at Rs 1,017.07 crore with all applications being accepted and the balance of Rs 982.93 crore devolving on the RBI.

TABLE 5: AUCTIONS OF 91-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price in (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rupees)*		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
1994											
November 2	250.00	35	432.00	8	250.00	0.00	97.97	8.29	4400.00	828.50	3571.50
November 11	250.00	40	549.00	6	225.00	0.00	97.98	8.25	4150.00	828.50	3321.50
		(1)	(25)	(1)	(25)						
November 17	250.00	26	197.00	25	187.00	38.00	97.90	8.58	3900.00	866.50	3033.50
		(1)	(25)	(1)	(25)						
November 25	250.00	34	140.50	26	115.75	109.25	97.86	8.75	3650.00	975.75	2674.25
		(1)	(25)	(1)	(25)						
1995											
November 3	500.00	9	134.46	4	97.40	152.60	96.86	12.97	6501.00	262.00	6239.00
		(3)	(250.00)	(3)	(250.00)						
November 10	500.00	9	15.64	2	1.28	423.38	96.86	12.97	6499.00	414.00	6085.00
		(2)	(75.34)	(2)	(75.34)						
November 17	500.00	9	86.19	4	66.85	257.88	96.86	12.97	6499.00	764.27	5734.73
		(3)	(175.27)	(3)	(175.27)						
November 24	500.00	13	69.92	8	45.92	179.08	96.86	12.97	6499.00	1022.15	5476.85
		(2)	(275.00)	(2)	(275.00)						
December 1	500.00	9	97.63	5	91.13	267.07	96.86	12.97	6499.00	1201.23	5297.77
		(4)	(141.80)	(4)	(141.80)						

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total

*Outstanding amounts are estimated for all weeks of November 1995

TABLE 6: OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING NOVEMBER 1995

Descriptors	Week Ending November, Amount in Crore of Rupees												Total during November		
	24			17			10			3					
	Order		Actual Traded Amount	Order		Actual Traded Amount	Order		Actual Traded Amount	Order		Actual Traded Amount	Order		Actual Traded Amount
	Buy	Sell		Buy	Sell		Buy	Sell		Buy	Sell		Buy	Sell	
1 Treasury bills															
i) 91-day bills	5.00	5.00	5.00	5.00	5.00	5.00	55.00	45.00	45.00	26.00	26.00	26.00	91.00	81.00	81.00
ii) 364-day bills	5.00	5.00	5.00	13.50	13.50	13.00	-	-	-	-	-	-	18.50	18.50	18.50
Sub-total Traded value	10.00	10.00	10.00	18.50	18.50	18.00	55.00	45.00	45.00	26.00	26.00	26.00	109.50	99.50	99.00
2 Dated securities															
A GOI securities															
i) Convertible	54.00	54.00	54.00	69.00	54.00	54.00	19.00	24.00	19.00	35.00	45.00	35.00	177.00	177.00	162.00
ii) Regular	8.08	8.08	8.08	7.81	7.81	7.81	0.70	0.70	0.70	10.24	10.24	10.24	26.83	26.83	26.83
iii) Zero coupon	1.46	1.46	1.46	-	-	-	2.00	2.00	2.00	2.00	3.00	2.00	5.46	6.46	5.46
iv) Repo	55.00	55.00	55.00	-	-	-	20.00	20.00	20.00	-	-	-	75.00	75.00	75.00
B State govt's stocks	0.77	0.77	0.78	-	-	-	-	-	-	-	-	-	0.77	0.77	0.78
Sub-total Traded value	119.31	119.31	119.32	76.81	61.81	61.81	41.70	46.70	41.70	47.24	58.24	47.24	285.06	286.06	270.07
3 PSU bonds															
i) Tax free	2.86	3.26	2.85	5.45	5.45	5.45	4.90	5.10	4.90	8.40	10.60	8.40	21.61	24.41	21.60
ii) Taxable	0.20	0.20	0.20	6.10	6.10	6.10	-	-	-	10.07	10.07	10.07	16.37	16.37	16.37
Sub-total Traded value	3.06	3.46	3.05	11.55	11.55	11.55	4.90	5.10	4.90	18.47	20.67	18.47	37.98	40.78	37.97
4 Commercial papers	-	-	-	1.00	1.00	1.00	12.00	12.00	12.00	66.00	66.00	66.00	79.00	79.00	79.00
5 Debentures	0.84	0.84	0.84	-	-	-	-	-	-	-	-	-	0.84	0.84	0.84
6 ID+IB	-	-	-	1.65	1.65	1.65	-	-	-	-	-	-	1.65	1.65	1.65
7 FRB - Small lot	0.12	0.12	0.12	0.10	0.10	0.10	0.05	0.05	0.05	-	-	-	0.27	0.27	0.27
8 Floating rate bond	-	-	-	2.00	2.00	2.00	-	-	-	-	-	-	2.00	2.00	2.00
9 Govt Company's position															
Bond	1.00	1.00	1.00	-	-	-	-	2.00	-	-	8.00	-	1.00	11.00	1.00
Grand total (volume)	134.33	134.73	134.33	111.61	96.61	96.11	113.65	110.85	103.65	157.71	178.91	157.71	517.30	521.10	491.80

(-) No trading ID: Non-SLR Institutional Bonds IB: SLR Institutional Bonds

364-day Treasury Bills

The government raised Rs 49 50 crore through two auctions of 364-day TBs during November as against the total amount of Rs 59 50 crore bid (Table 4). The yield remained constant at 12.50 per cent (cut off price being static at Rs 88.50).

91-day Treasury Bills

A total amount of Rs 2 500 crore was raised through four auctions of 91-day TBs held during November and one auction held on December 1. The market bid for a total amount of Rs 1 321.24 crore in these five auctions. Of the notified amount, the devolvement on the RBI was more than half at Rs 1 280.02 crore and the share of competitive bids was a little over 30 per cent. At the unchanged cut off price of Rs 96.86, the yield remained constant at 12.97 per cent for all the five auctions (Table 5). Another significant observation was that there were a large number of bids received for small amounts. For instance, the auction of November 10 received 9 bids from the market but the total amount of these bids was only Rs 15.64 crore, giving a meagre average bid size of Rs 1.73 crore per bid.

PSU Bonds

With the first round of PSU divestment programme of the government ending in a near failure and the scarcity of funds forcing the PSUs to look at other options for raising funds, many a PSU was reported to have been taking the private placement route for their bonds. PSUs were also attracting investors with innovations. The Indian Railways Finance Corporation (IRFC) for instance, offered an upfront discount of Rs 50 in the issue price of its 10.5 per cent tax-free bonds with face value of Rs 1 000 at a price of Rs 950, effective return on these bonds working out to 11.05 per cent post tax. IRFC plans to tap the market for another Rs 750 crore in mid-December. Krishna Bhagya Jala Nigam (KBJNL) offered the second series of 17.5 per cent bonds worth Rs 180 crore for private placement. It planned to offer another Rs 250 crore after the successful placement of this issue. SAIL was also in the market with an offering of Rs 300 crore, of which Rs 100 crore was through greenshoe option. Power Grid Corporation placed Rs 134 crore worth of its secured redeemable bonds at 16.5 per cent. Interestingly, the public sector Hindustan Zinc lent one-year corporate deposit of Rs 20 crore to Tourism Finance Corporation of India (TFCI) at 15.5 per cent—a full 7 per cent lower rate than the market. As a result, TFCI postponed its bond issue for some time.

Financial institutions such as IFCI (Rs 200 crore) and ICICI (Rs 500 crore) were also in the market while IDBI (Rs 1 000 crore) and Bank of Baroda (Rs 300 crore) were planning to enter the market in December. IFCI planned to approach the market for Rs 500 crore in

January. ICICI also offered Rs 1 000 crore repatriable bonds to non-resident Indians, the issue of redeemable bonds in the nature of promissory notes at par was aggregating Rs 500 crore with a right to retain oversubscription to the extent of Rs 500 crore. The annualised yield on these bonds was 16.64 per cent. HUDCO was also reported to be planning to come to the market with Rs 300 crore tax-free bonds and Rs 100 crore of normal bonds with attractive front-end discounts. The Indian Airlines was planning to float a bond or debenture issue of size Rs 500-600 crore.

Certificates of Deposits (CDs)

The sluggish growth of deposits and the near absence of liquidity in the market forced the banks to get themselves rated for CDs. This was also necessitated by a government directive which required the PSUs to invest only in the CDs of banks with rating equivalent to P1+ or A+. Banks such as State Bank of India were earlier resisting the government directive and had approached the government to reconsider its stand. The stringency of the money market, however, forced them to abandon their stand and get themselves rated. Among the banks which got themselves rated were:

	(Rs crore)
Bank	Amount for which Rated
State Bank of India	5 000
Bank of India	1 400
Bank of Baroda	1 400
Vysa Bank	450
State Bank of Hyderabad and Punjab	250

This came on top of the outstanding CDs of approximately Rs 1 500 crore in mid-November. At that time, CD rates moved in the range of 15.5-16 per cent. The issuers then were mainly the financial institutions such as IDBI and ICICI. Towards the end of the month, however, when the State Bank of India planned to enter the CD market, it had to offer 17 per cent for three months, which meant a fierce competition with other banks reportedly offering 16-16.5 per cent. Among the PSUs which had funds to offer were NABARD, Gas Authority of India, Power Finance Corporation, Oil India and Maruti Udyog.

The CD market is expected to get further boost following the government's guideline on November 14, which stated that:

"PSUs will not be allowed to invest their surplus funds in UFI and other public and private mutual funds as they are equity based and are therefore inherently risky". They can however put their surplus funds with banks which have net worth of Rs 100 crore as against the earlier stipulation of banks having paid up capital of Rs 100 crore. While such a policy prescription will have a dampening effect on secondary capital market as UFI would sell equities to raise money to meet the repurchase of

units, this will provide necessary fillip towards the development of the CD market.

Inter Corporate Deposits (ICDs)

The inter corporate deposits market moved in tandem with the money market. The corporate sector is always, drew its cash credit limit to the hilt as the call rates soared and offered the funds back through the ICD market with a clean arbitrage benefit of 8 to 10 per cent. The rates in this market increased from 20.25 per cent to 23.28 per cent depending on the creditworthiness of the borrower. Reportedly, many corporates have begun withdrawing from the ICD market as it may turn out to be risky debt trap, as perceived by a large section of the manufacturing and finance companies. With no fresh money coming into the system, most of the earlier ICDs were rolled over in order to avoid defaults. The high interest rate to meet it affected the bill discounting rates which hit the record level of 30 per cent.

Other Developments

Short-term money market is likely to get some boost as the Singapore-based Asia Finance has decided to introduce for the first time in India, rating credit rating which will enable a lot of poorly graded companies to enhance their credit rating and float debt instruments at better rates. Asia Finance is a financial guarantee (FG) company that lends FG for infrastructure bonds and asset-backed securitisation.

In another development, the banks have started disbursing bridge loans in the range of 19-23 per cent after the Reserve Bank liberalised the bridge loan facilities.

IV Secondary Market

The turmoil in the money and foreign exchange markets dampened the secondary market for government securities and other debt instruments. The yields on government paper increased to as much as 16 per cent on account of virtual absence of sellers in the market. The actual traded size of dated government securities on the National Stock Exchange (NSE) continued to fall in November—it was Rs 270 crore in the four weeks ended November 24 as against Rs 292 crore in October and Rs 713 crore in September. The SEI account too recorded dated security deals (excluding repos) worth Rs 965 crore in November as against Rs 987 crore in the previous month and Rs 2 073 crore during September (Appendix Table).

Government Securities

The 12.75 per cent 1996 which was about the only short-term security available in the market and it was naturally the most traded security during the month. It also fetched the highest yield of 16.23 per cent for some transactions or 16.09 per cent average

APPENDIX TABLE: SECONDARY MARKET OPERATIONS IN GOVERNMENT PAPER: RBI'S SGL DATA

(Amount in rupees, crore)

Descriptions	Week ending November 1995: Yield to Maturity on Actual Trading												Total for the month of November 1995			
	24			17			10			3						
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	
1 Treasury Bills																
A 91-Day Bills																
i) Nov 04, 1995	-	-	-	-	-	-	-	-	-	4.40	12.27	-	4.40	12.27	-	
ii) Nov 11, 1995	-	-	-	-	-	-	2.20	13.01	-	8.20	12.24	-	10.40	12.40	-	
iii) Nov 18, 1995	-	-	-	13.00	12.96	-	16.25	13.49	-	57.37	14.79	-	86.62	14.27	-	
iv) Nov 25, 1995	3.00	12.63	-	-	-	-	30.40	13.10	-	0.10	12.96	-	33.50	13.05	-	
v) Dec 02, 1995	3.52	12.93	-	0.25	12.82	-	5.00	13.16	-	4.54	12.40	-	13.31	12.83	-	
vi) Dec 09, 1995	1.76	12.06	-	-	-	-	-	-	-	-	-	-	1.76	12.06	-	
vii) Dec 16, 1995	4.20	12.76	-	-	-	-	-	-	-	-	-	-	4.20	12.76	-	
viii) Dec 23, 1995	-	-	-	-	-	-	26.00	13.14	-	-	-	-	26.00	13.14	-	
ix) Jan 13, 1996	-	-	-	-	-	-	47.25	13.04	-	6.30	12.59	-	53.55	12.98	-	
x) Jan 20, 1996	-	-	-	11.00	13.20	-	20.00	13.14	-	-	-	-	31.00	13.16	-	
xi) Jan 27, 1996	-	-	-	34.53	13.16	-	13.01	12.88	-	29.80	12.72	-	77.34	12.94	-	
Sub-total	12.48	12.68	-	58.78	13.12	-	160.11	13.11	-	110.71	13.72	-	342.08	13.29	-	
B 364-Day Bills																
i) Dec 22, 1995	0.50	12.69	-	26.00	12.94	-	-	-	-	-	-	-	26.50	12.93	-	
ii) Jan 05, 1996	-	-	-	-	-	-	-	-	-	10.00	12.72	-	10.00	12.72	-	
iii) Jan 19, 1996	16.12	12.95	-	121.73	19.41	-	-	-	-	9.00	12.67	-	146.85	18.29	-	
iv) Feb 16, 1996	-	-	-	3.00	13.17	-	-	-	-	-	-	-	3.00	13.17	-	
v) Aug 02, 1996	17.00	12.72	-	28.00	13.07	-	5.00	12.87	-	15.00	13.06	-	65.00	12.96	-	
vi) Sept 27, 1996	-	-	-	-	-	-	5.00	12.75	-	-	-	-	5.00	12.75	-	
Sub-total *	33.62	12.83	-	178.73	17.37	-	10.00	12.81	-	34.00	12.86	-	256.35	16.00	-	
2 GOI Dated Securities																
A Converted (Per Cent: Year)																
i) 12.75, 1996	145.32	17.35	12.99	132.20	17.31	12.99	58.92	14.42	12.87	109.72	13.82	12.81	446.16	16.09	12.93	
ii) 12.00, 1999	35.00	13.76	12.33	-	-	-	-	-	-	-	-	-	35.00	13.76	12.33	
iii) 12.50, 2004	-	-	-	0.06	14.02	13.50	-	-	-	1.50	13.98	13.47	1.56	13.98	13.47	
Sub-total	180.32	16.66	12.86	132.26	17.31	12.99	58.92	14.42	12.87	111.22	13.82	12.82	482.72	15.91	12.89	
B Regular (Per Cent: Year)																
i) 10.50, 1996	-	-	-	0.90	14.78	10.97	-	-	-	-	-	-	0.90	14.78	10.97	
ii) 13.50, 1997	2.06	13.52	13.51	18.40	13.20	13.44	0.67	13.42	13.48	29.65	13.50	13.50	50.78	13.39	13.48	
iii) 13.50, 1997(II)	-	-	-	-	-	-	-	-	-	1.00	13.48	13.49	1.00	13.48	13.49	
iv) 13.65, 1998	0.06	13.22	13.53	0.95	13.48	13.61	-	-	-	1.31	13.45	13.60	2.32	13.46	13.60	
v) 13.12, 1999	25.00	13.71	13.35	-	-	-	128.45	13.71	13.35	-	-	-	153.45	13.71	13.35	
vi) 13.73, 1999	-	-	-	0.35	13.73	13.73	-	-	-	8.00	13.73	13.73	8.35	13.73	13.73	
vii) 14.00, 2005	-	-	-	0.17	14.00	14.00	-	-	-	-	-	-	0.17	14.00	14.00	
viii) 14.00, 2005(II)	0.26	13.67	13.76	0.45	13.73	13.81	-	-	-	12.23	13.75	13.82	12.94	13.74	13.82	
Sub-total	27.38	13.69	13.37	21.22	13.30	13.36	129.12	13.70	13.35	52.19	13.59	13.61	229.91	13.64	13.42	
(A+B)*	207.70	16.27	12.93	153.48	16.75	13.04	188.04	13.93	13.20	163.41	13.75	13.07	712.63	15.18	13.06	
C Zero coupon (Per Cent: Year)																
i) 0.00, 2000	-	-	-	50.00	14.70	12.50	94.78	14.00	12.21	85.00	13.98	12.21	229.78	14.14	12.27	
ii) 0.00, 2000(II)	-	-	-	-	-	-	-	-	-	22.87	13.95	14.14	22.87	13.95	14.14	
D RBI's Open Market Operations																
(A+B+C+D)	207.70	16.27	12.93	203.48	16.25	12.90	282.82	13.95	12.87	271.28	13.84	12.89	965.28	14.90	12.90	
3 REPO																
i) 91-Day T Bill	1.00	-	-	80.00	-	-	78.00	-	-	-	-	-	159.00	-	-	
ii) 364-Day T Bill	15.00	-	-	70.00	-	-	70.00	-	-	100.00	-	-	255.00	-	-	
iii) Govt securities	4663.00	-	-	11385.00	-	-	2547.00	-	-	1722.00	-	-	27317.00	-	-	
Sub-total	4679.00	-	-	11535.00	-	-	9995.00	-	-	1822.00	-	-	27771.00	-	-	
4 State govt securities																
Grand total	4935.80	13.99	13.99	11976.41	0.42	13.13	12.92	0.35	13.78	13.84	0.00	12.95	12.97	3.86	13.86	13.84

(-) means no trading. YTM = Yield to maturity in per cent per annum. CY = Current yield in per cent per annum. * Yield rates of these sub-groups of TBS and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction. 2) Current yield has not been worked out for treasury bills.

for all transactions in November, whereas other securities such as, 13.50 per cent 1997, 13.65 per cent 1998, 13.12 per cent 1999, Zero Coupon Bond 2000, 12.50 per cent 2004 and 14 per cent 2005 (second issue) traded in small volumes in a close yield range of 13.50-14 per cent. 364-day Treasury bills were also actively traded in the yield range of 11.30-13.90 for maturities varying between December 1995 and August 1996.

On account of the extreme scarcity of funds in the money market, there was premium to short-term liquidity. As such, the yield curve for government securities was somewhat inverted during November and showed higher yield at the shorter end and the yield curve flattened towards medium and long-term (Graph E).

Other Instruments

A significant volume of Rs 79 crore was traded in commercial paper on the NSI

(Table 6). The CPs of Coats Vyeilla L&T, Arvind Mills and IL&FS were traded in the yield range of 15.75-16.25 per cent towards the first week of the month. The yield range increased to 17.50-18 per cent towards the month-end. PSU bonds and state government loans were also traded in small volumes.

[Phononita Debnath provided background reviews and VPI Prashant statistical compilations and graphs for this note.]

Enron Renegotiations

Bungling by Government

Subodh Wagle

The government has bungled the entire renegotiation issue. Having promised transparency, it cannot now take unilateral decisions on the project. The only solution is to set up a quasi-judicial tribunal to go into all aspects of the project.

THE controversy over the Enron (Dabhol Power Company) power project in Maharashtra seems to be dying a silent death. Except for a few sceptics and local people fighting for their right to livelihood, everybody appears to be happy with the 'renegotiated' compromise and with the conclusion that wise counsels have prevailed on both the sides and the state of Maharashtra has been spared a great disaster. The sudden and mysterious occurrence of frequent breakdowns in electric supply in recent times in the state seems to have put the last nail on the controversy.

However, a little examination of events as well as of the facts that were leaked out is adequate to raise many doubts. As things stand today (December 7), there are four ongoing processes: the temporarily suspended arbitration proceedings in London initiated by the Enron Corporation, the suit filed by government of Maharashtra in Bombay High Court, the recently concluded renegotiations between Enron and the state government, and rejuvenated struggle by local people. The state government seems to have bungled on all four fronts.

Regarding the arbitration procedures, the threat of compensation of about Rs 1,000 crore to Enron is being used by all to bring back Enron. During the early phase of the controversy when the new state government announced its decision to rethink the Enron deal, many had suggested detailed plans to initiate urgent damage control measures which were aimed at reducing the burden of possible compensation. However, no action was taken on this count which has now resulted into high claims of compensation by Enron. Even during the arbitration proceedings, it is reported that the government failed to provide adequate support and necessary facilities to its own lawyers to the extent that they had to buy their own plane tickets. Secondly, if the government's affidavit in the high court is to be believed, the Enron company and its officials, in collusion with some government and MSI:B officials, have defrauded the state government and people of the state. In this situation, it

is a serious failure on the part of the government to enter into any dialogue with the accused company and its officials instead of initiating legal procedures and punitive actions against them.

Thirdly, the new government, which came into power on an anti-Enron plank, has treated people in the three affected villages in an extremely callous manner. Often the bureaucracy was given a free hand to break the struggle of the local people. The agitators, including women, were taken into custody, refused bail, and were incarcerated in distant jails. Now local people who are still agitating for scrapping of the project feel cheated, and are very bitter about the leaders who had offered all kinds of support to them before coming to power. This author, during his recent visit to the project site where local people were on hunger strike, had an opportunity to hear on the public address system an audio cassette of a speech by Gopinath Munde (March 6), the deputy chief minister, pledging his active support to the struggle of local people to its very end.

Before going into the analysis of the renegotiation process largely focused on the economic issues of project cost and tariff, it must be noted that there are many other equally important issues and objections involved in the Enron controversy. These include environmental objections (both theoretical and practical), social issues rooted in displacement of local people, financial issues like foreign exchange burden, issues of national prestige (highlighted by the chief minister in his speech in the state legislative assembly announcing scrapping of the project) and the issue of increasing dependence on foreign fuel and national security (highlighted by Swadesh Jagannath Manch and Rambhadr Mishra of Prabhodhim, both from the Sanghparivar). The government, now bent on bringing back Enron, seems to have pushed all these issues under the carpet.

Finally, the main accomplishment of the government, acclaimed by many, is its supposed success in reduction of the project cost and tariff. However, all the government's actions that led to the decisions of scrapping

the project and of renegotiating the deal were bungled, if not purposely subverted. First of all, proper and adequate spadework was not done before arriving at both the decisions. In their early memorandum to the new government, the author and his colleagues had requested the government to appoint an expert panel to go into the details of the agreement and its various (especially techno-economic and legal) implications before arriving at any decision. But the government appointed a cabinet subcommittee and announced its decision mainly on the grounds of political exigency and, as admitted later, without adequate investigation of the legal and other implications. This led the government into the hopeless morass of arbitration procedures.

Both the process by which the government arrived at the decision to renegotiate the deal and the rationale as well as manner in which renegotiations were carried out are mysterious. As mentioned earlier, it simply pushed under the carpet all objections and issues other than those of project cost and tariff. Neither did it give serious thought to the host of suggestions for alternative courses of action. The state governments of Kerala and Karnataka have already taken steps which this author and his colleagues had suggested as a component of the short-term alternative. Kerala and Karnataka are going to add between 400 to 800 MW (the first phase of Enron is only 700 MW) through private diesel-based generation. This capacity addition will be at a cost which is competitive with the reported renegotiated cost of Enron and will be achieved in a very short period compared to the Enron project.

After the decision to renegotiate, the government appointed a committee of experts. There has been quite some confusion over the terms of reference of the committee and its status. Though the terms of reference were never announced explicitly despite persistent queries from media, as it turned out later, it was an advisory committee which directly negotiated with Enron officials on behalf of the government. Now the government is going to announce its decision on the basis of the recommendations of the committee. It is worthwhile to look into the composition of such a powerful committee appointed by the government. All the six members of the committee are either bureaucrats, technocrats or mainstream communists who, because of their training and beliefs, are naturally sympathetic to the cause of privatisation and projects like Enron. Interestingly, the government did not appoint any independent expert capable of and interested in taking a critical look at the implications of the project in order to safeguard interests of consumers, of local people, and people

of Maharashtra at large. Neither did it appoint any representative of consumer, trade, or local people's organisations which were opposing the project.

'ACCOMPLISHMENTS' OF RENEGOTIATION

There is nothing to rejoice in the outcome of the renegotiation process. *The Times of India* and *The Economic Times* have quoted various numbers in their editorials congratulating the government. But there are many ambiguities and contradictions in the published numbers. The government is being praised for three 'accomplishments': (a) shift to a new fuel (naphtha), (b) equity participation of MSEB, and (c) reduction in project cost and electricity tariff. A brief analysis of all these three would help dispel the euphoria that has been generated.

First of all, regarding the use of naphtha as fuel, there is nothing new in this proposal as Enron was ready to shift to naphtha even before the project was scrapped. Further, shift to naphtha would imply that this is an entirely new project in many aspects and would require fresh assessment by government, environmental, financial, and other agencies like MoEF, CEA, and FIPB. Similarly, there is nothing entirely new in the offer of equity participation which Enron had made before scrapping of the project, and which MSEB had rejected mainly on financial grounds. Apart from the financial difficulties, there are some legal problems in the participation of MSEB in private power projects as an equity partner. MSEB can certainly nominate other parties. However, considering the past experience, transparency and fairness in nomination process seems to be doubtful.

Coming to the third accomplishment of reduction in cost and tariff, as far as capital cost is concerned, it is reported that it has been reduced by about \$ 375 million (about Rs 1,200 crore). However, according to the same analysts, it should be possible to further reduce the project cost by another \$ 200 to 250 million (about Rs 650 to 800 crore). The renegotiated cost of electricity is cited as Rs. 1.90 per kwh. In this regard it must be noted that the earlier government and supporters of Enron deal had similarly harped on the figure of Rs. 2.40 per kwh, whereas my colleagues and I have demonstrated (*EPW*, June 17) that the actual levelised cost then was between Rs 3.44 and Rs 4.68 per kwh depending upon the assumptions. In this case also it is not clear whether the new unit cost of electricity is the levelised cost, and, if so, what the underlying assumptions are.

Apart from the cost and tariff, there are other equally important economic issues about which there is a lot of confusion. It is not clear whether 90 per cent PLF is guaranteed or the capacity charge is calculated on the basis of 90 per cent availability. With the increased plant capacity, 80 per cent PLF will be equivalent to the 90 per cent PLF

for the previous plant capacity. Hence, with the increased plant capacity in the renegotiated deal, 80 per cent PLF is adequate for making LNG a viable fuel. However, as Enron is allowed to sell the gas to third parties, the guaranteed PLF value should be much lower (which would, to some extent, reduce unnecessary backing-down of MSEB plants and its resultant losses). Secondly, the extremely skewed sharing of the risk burden and issue of penalties and guarantees in the original power purchase agreement (PPA) were among the main points of discussion earlier. Information on sharing of the risk-burden and details of guarantees and penalties for time and cost overruns as well as fuel supply risks in the new agreement needs to be analysed for evaluating the claims of reduction in project cost and tariff.

The renegotiations seem to have damaged the cause of people of Maharashtra instead of benefiting them. First of all, the new government has failed to pressurise Enron to discontinue the arbitration procedures in London which is a serious affront to the prestige and sovereignty of this nation. Secondly, the government has given up the right to cancel the second phase and instead has accepted it, which is going to be extremely harmful to the interests of the nation in the long term. In fact, the government has thoroughly bungled the renegotiations, and, as a result, the post-renegotiation situation appears to be far worse than the pre-scrapping situation wherein the government then had an opportunity to bring down the cost of the first phase without committing to the second phase. In short, it is not clear whether the people of Maharashtra have gained anything in the process of renegotiations, but it is certain that they have suffered not just economic loss but even a loss of prestige and sovereignty.

In light of this, in the first place, the state government should desist from making any unilateral decision on this issue without taking the people and their organisations into confidence. Secondly, other important issues should also be brought into discussion and consideration. For example, the environmental implications of naphtha, the new fuel for the first phase, need to be investigated in detail and in a very transparent manner. Relevant information to evaluate environmental implications needs to be made public. It is reported that the environmental implications of naphtha depend upon the geographic location of the naphtha source. Thus, information on the source and composition of naphtha to be used throughout the first phase needs to be made public.

Thirdly, and most importantly, the final decision should be arrived at in a democratic and transparent manner to which this government had pledged itself. The reported statement made by LK Advani in this respect is very unfortunate. It is sad that local people, consumers, independent experts, and

organisations like *Swadeshi Jagaran Manch* are not included in Advani's list of people who should be taken into confidence before making any decision in this regard. There are well-accepted definitions and procedures to ensure transparency in decision-making by governments even in this country in order to avoid autocratic, quixotic, or capricious decisions based on whims of individuals at constitutional and extra-constitutional centres of power.

The state government has proved itself incapable of handling this vexed issue on its own. So there is only one way left to ensure transparency necessary to safeguard the interests of the people of Maharashtra. It is to resort to the somewhat time-consuming but time-tested institution of a quasi-judicial tribunal or commission with proper terms of reference covering not just techno-economic but all other issues and objections in this regard. These should include: environmental objections (both theoretical and practical), social issues rooted in displacement of local people, financial issues like foreign exchange burden, issues of national prestige, the issue of increasing dependence on foreign fuel, and the issue of national security. A panel of independent experts chosen from the names suggested by all the parties involved should be constituted to help and advise the tribunal (like the Jayant Patil Committee appointed to look into the disputed Sardar Sarovar project).

As far as procedure is concerned, Enron Corporation and the state government should present their proposals and other parties would make their representations commenting on the government proposals and presenting their own alternative proposals. The procedure requires that all the relevant information and details are made available to all the parties involved (this includes all the details of various agreements including the new power purchase agreement as well as all relevant reports like environmental impact assessment.); the representatives of various organisations and local people opposing the project are given sufficient time to react to the government proposals and present their own proposals; and thirdly, the government advisors and officials as well as the proponents of alternative proposals are made to answer the queries raised by all concerned. The decision of the tribunal should be binding on all the parties involved.

To sum up, the new government which has repeatedly promised transparency in decision-making has no right to announce a unilateral decision on the Enron deal without taking into confidence local people and consumer, trade, and other organisations which have been opposing the project. This becomes more important especially after the thorough mismanagement of the entire issue by the government. Hence, the state government should hand over the responsibility of arriving at a final decision to a quasi-judicial tribunal.

Let Indian Muslims Not Repeat the Mistake

Asghar Ali Engineer

The leaders of Muslim Personal Law Board, on the election eve, are again indulging in fanning communal passions and aiding communal politics in the country

RECENTLY there was an ad in an Urdu paper from Bombay inserted by All India Muslim Personal Law Board (MPLB) which appeals to the imams of the mosques that they should explain to the Muslims the significance of shari'ah and its protection. The MPLB further appeals the imams to explain that entering Islam has to be complete which means accepting shari'ah in tota Islam. The ad goes on to say, is a complete way of life and it guides us in every walk of life including our business, service, obedience to the parents, education of children, etc.

The ad adds that now there is an attempt to take all decisions in matters of marriage, divorce, etc. according to the Hindu code rather than the Islamic law. It calls upon the Muslims not to go to courts which decide cases in un-Islamic ways and never accept common civil code.

Apparently this ad seems quite innocuous but there are deeper implications which can have much wider ramifications in Indian politics. The MPLB is also observing a week during which meetings will be conducted throughout India for protection of Islamic shari'ah. The leaders of MPLB and other Muslim leaders will address these meetings.

Before proceeding further I would like to state here that I am not in favour of common civil code (CCC) as the whole issue has been communalised. It is not to empower women but to get votes of this or that community that various political parties are supporting or rejecting it. Moreover CCC is not a solution even if it is not politicised. Indian realities both social as well as political have to be taken into account in accepting or rejecting CCC. Indian society is far from ripe as far as CCC is concerned. What is instead needed is to reform Muslim personal law or other personal laws to make them more equitable and just for women.

MPLB's opposition to CCC is quite understandable but what is objectionable is the methods it is adopting. The Muslim leaders, many of whom have lost their appeal in the wake of demolition of Babri masjid and the riots following it, are again trying to use this opportunity to build up their image by playing with emotions of Muslim masses. It is the same old game they have been playing since independence. This is how they had built up the Shah Bano

movement. Then they had used mosques to frighten Muslims by telling them that if they do not fight these mosques will be locked hereafter and there will be no trace of Islam in India. The innocent masses were misled, and genuinely responded. Millions of Muslims were thus made to protest against the Supreme Court judgment in the Shah Bano case which not only legitimised Hindu communalism but also strengthened Hindutva forces. Ram Janmabhoomi issue also got new lease of life because of Shah Bano movement and India faces communal crisis it had never faced since independence.

It is unfortunate that those very Muslim leaders are playing the same game again. They have found another issue to returbish their image. The Muslim intelligentsia must see to it that the Muslim masses are not made to go through the painful experience once again. The safety and security of Muslim masses lies in strengthening democratic and secular forces. Lot of secular political space is available to Muslims to protect their rights and their religious identity. No secular party, be it the Congress, the Janata Dal, the Samajwadi party or the communists, is in favour of enforcing CCC against the wishes of Muslims, and these parties have already made it abundantly known. Then where is the need for such an agitation which will only strengthen the hands of communal forces and deliver more votes to them? That in turn will make possibility of CCC being enforced against the wishes of minorities more realisable. Whose interests then these Muslim leaders are serving?

It should also be understood that in a secular democratic India one cannot stem the tide of personal law reforms for long. Women cannot be subjugated for ever. Islamic principles as propounded in the Qur'an are quite just and in favour of empowering women. However in various ways provisions like *talaaq-e-thalatha* (triple divorce) were introduced to retain male superiority. Triple divorce has been highly controversial throughout Islamic history and there never was unanimity on it among the Muslims. To defend it as divine law to say the least, is to give Islam a bad name and misuse the concept of divine to perpetrate male domination.

These Muslim leaders have never made any sincere attempt to stop malpractices among the Muslims. Triple divorce is widely

misused to harass women, and has practically become the only way of divorce, though it is considered as sinful form of divorce. Yet, no concerted movement has ever been launched by these leaders to check this misuse. They do not even think for a moment that how a *bid'ah* (sin) can be defended as a divine law. If they really care for Allah's commandment as unalterable why do they not implement the Qur'anic injunction in the verse (4:35) which clearly lays down arbitration before divorce? It is such a fair and clearly expounded provision for women. Yet no Muslim theologian insists on following it in the event of divorce.

If the Qur'anic injunctions are followed scrupulously Muslim women will be greatly benefited and empowered. The Ulama and Muslim leaders who talk of divine shari'ah being immutable kept quiet when the British rulers deprived Muslim women of their right in agricultural property. It was in total violation of shari'ah provision. Thus it will be seen that opposition to CCC on the part of Muslim leaders is a political and not a religious act.

Also the practice of dowry is widely prevalent among Muslims. Earlier there were no instances of bride burning among Muslims. Now so many cases are reported from time to time in Urdu media. Yet the MPLB does nothing beyond passing resolution once in a while. No sustained movement is launched against it. Some Muslim women in Bombay had taken initiative to devise a *nikahnama* stipulating conditions protecting legitimate and Islamic rights of women. It was forwarded to MPLB to enforce it in the interests of women. It is now learnt that MPLB is likely to give its approval to it in rather watered down form. It is reluctant to agree to *talaaq-i-tafwiz* (delegated right to divorce) which is an empowering provision of shari'ah.

The MPLB indulges in Islamic rhetoric but does next to nothing to infuse Islamic spirit. More it indulges in Islamic rhetoric, more the rights of Muslim women are threatened. It organises strong protests whenever privileges of men are in danger. It has also not educated the common Muslims that polygamy was permitted by the Qur'an to help widows and orphans, and that too with full sense of justice to all the wives. In fact Islam encourages monogamy and discourages polygamy. The holy Prophet had specifically prohibited his son-in-law Ali to take second wife while his daughter Fatima was alive. The MPLB leaders keep quiet even when some non-Muslims convert to Islam to take second wife which amounts to gross misuse of Islamic laws. The recent judgment by the Supreme Court asking the government of India to specify its position about uniform civil code was delivered when petition was filed by the aggrieved Hindu wives against such misuse of Islamic laws. Had the MPLB leaders protested against such misuse and

appealed to Qadis not to solemnise such marriage; it would have had very mollifying effect on non-Muslims.

The MPLB leaders kept quiet for a couple of months after the Supreme Court judgment was delivered. And now, when elections are drawing near, they have suddenly woken up and are using threatening language. Some of the speakers in the meeting organised by the MPLB in Bombay on December 2, 1995 even declared jihad for protection of shari'ah. This will provide grist to the BJP propaganda mill. They will in turn declare jihad against Muslim personal law. So far the BJP propaganda about uniform civil code has been in the low key. They are undoubtedly going to include it in their manifesto. But since they are also aiming at the Muslim vote (they have already given the slogan of *taim tarbiyat* and *imarat* for education, training and commerce for Muslims) they may not raise the issue of CCC in a strident manner. It may be used just to satisfy their Hindutva brigade.

In fact, in democracy one must know how to manipulate various vote-seekers; is the vote-seekers if only to manipulate voters. This creates a lot of political space which intelligent voters (or community of voters) can exploit to their benefit. However, the Muslim leaders have never learnt this art. They know only one crude method to arouse the emotional pitch of Muslims and then pay back the price by endangering their security.

That the political parties pander the voters in general and Muslims in particular is proved by the fact that they suddenly become concerned with the welfare of those groups and communities whose votes they seek. For example, Indira Gandhi had drawn up a 15-point programme for minorities which was also endorsed by Rajiv Gandhi government. However, for all these years no one among high and mighty even knew what this programme is. A survey conducted by Institute of Islamic Studies, Bombay, about the implementation of 15-point programme in Delhi (under the very nose of the central government) and in Uttar Pradesh drew completely blank. The officers in charge either gave evasive replies or avoided meeting our representatives. But now suddenly it has been discovered by the Congress government and a high-powered committee has been set up under the chairmanship of P. V. Narasimha Murthy to supervise the implementation of the 15-point programme. Similarly earlier in 1980 Indira Gandhi government had appointed Gopal Singh Committee to make recommendations for the welfare of minorities and SCs and STs. Gopal Singh, being a man of integrity and commitment, worked hard, did thorough research and made excellent recommendations after collecting data scrupulously. The recommendations were, however, ignored

and served the Muslim community. They have benefited a great deal if the Gopal Singh committee report had been sincerely implemented.

The Muslim leaders themselves never bothered about the report. They were busy with the Babri Masjid issue which was highly emotional and could make them 'great' leaders overnight. In fact, they never had the welfare of the Muslims at their heart.

political bargains.

Today, even BJP is trying to court Muslim votes. If the Muslim leaders had been concerned with the betterment of Muslims, they would have intelligently used the new political space for their benefit. But that is remotest from their heart. Old addicts as they are, they are playing the same game.

Forest Management and Survival Needs

Community Experience in West Bengal

Neela Mukherjee

Sustained community participation in joint forest management projects is possible only if the survival needs of the poor have been met beforehand

IN June 1995, we visited a tribal area of West Bengal to study the status of developmental interventions and their impact on the local people. This was part of panel data generation through Participatory Rural Appraisal (PRA) since 1991 on poverty and well-being of tribals. The sample village Krishna Rakshit Chak has large number of poor landless labourers. The tribals in the area are engaged amongst other activities in Joint Forest Management (JFM) for protection of local forests. Recently with large scale illicit felling of trees, such effort suffered a big setback. Large tracts of such felling were clearly visible from the approach road. Krishna Rakshit Chak is being visited every two years, starting from the year 1991. During the current visit, villagers appraised about the conditions prevailing in and around the village. The issue of JFM was brought up as an issue for immediate discussion by different groups of villagers during the course of interaction with them.

JFM is a novel experiment in protection of forests by local communities in collaboration with the forest department. Such management is crucial because forests which play a critical role in balancing the global ecosystem are under increasing threat from anthropogenic forces. Participatory management strategies in protecting forests for meeting local needs and also for preservation/conservation of bio-diversity are increasingly gaining attention in many countries of the world. The success of Arabari experiment in JFM in Midnapore district of West Bengal is well known. However, ironically, in the same district JFM of Arjuni mouza failed to deliver results.

The objectives of social forestry under JFM can be broadly summed up as follows:

- (a) to reduce pressure on natural forests
- (b) to involve indigenous people depending on forests for their subsistence needs in planning, development, exploitation and protection of forests and thereby
- (c) to preserve/conservate bio-diversity by means of people's participation.

The plantation under JFM in Arjuni was around 76 hectares as per the local forest department while it was around 200 hectares as per the villagers. The Arjuni forest protection committee formed in 1991 was entrusted to look after the plantation for five years as per the agreement, the official felling year being 1996. This is because the forest protection committee, according to the JFM agreement, becomes eligible to get its share of 25 per cent timber only when they protect the forest for a period of five years.

The villagers described the different species which were under plantation in the JFM area. They brought leaves of many such species from local trees in the village to describe them. Selected species under JFM at Arjuni were as in table.

Name	Use
gumar	fodder and timber
cashew	fruit tree
eucalyptus	fodder (when small), firewood and timber
akashmoni	fodder, firewood and timber
sahabul	fodder, firewood and timber
sirish	firewood and timber
palash	firewood and timber
manjar	firewood and timber

ILLEGAL FELLING

The members of the Arjuni forest protection committee went from door-to-

door to request people to protect forests. They guarded the forest with great zeal and enthusiasm. Whenever they heard any noise in the forest or saw some disturbance they ran to protect the forest and brought such incidents to the notice of the forest department. This continued from 1991 to the middle of 1994 when the forest protection committee was effective in protecting the forest.

According to the villagers, the local forest administration was generally relaxed since the foresters thought that people had accepted responsibility for protection of forests under the JFM agreement. However, since mid-August 1994, the forest recorded a large number of illicit felling. The felling became so rampant that it could not be stopped until all timber trees near inhabited areas surrounding the forest were felled. The protection committee at the beginning caught several thieves but after a few days the number was much bigger than what they could handle. Many were caught and fined but the spate of felling continued unabated and the Arjuni forest protection committee became virtually ineffective. Amongst the offenders, some surrendered, some ran away while some others threatened the local guards with dire consequences.

The price of timber fell as a result of mass illicit felling and the timber was sold at a cheaper rate due to a glut in the local market. Villagers were themselves involved in the felling. The breakdown of the JFM was a blow to its credibility.

Seeing the mass loot of the forest (a term used by the villagers) the panchayat of Arjuni decided to quickly fell its plantation under social forestry for Rs 11 00 000. Such a hasty decision was intended to be pre-emptive i.e. to stop illegal felling in JFM areas from spreading to the plantation by the panchayat. The panchayat had done parallel plantation on the banks of a local canal. With rapid disappearance of trees under the social forestry adjacent to JFM, the panchayat decided to fell other areas of plantation under the social forestry scheme and reap benefit at the earliest.

In the middle of 1995, the felling was finally arrested. Two basic reasons are offered by different groups of villagers. (1) One immediate factor was that the contractors who were now felling trees under the social forestry programme of the panchayat were alert and kept an all round vigil in the area concerned. (2) Some plantation of JFM (less than 25 per cent) still remained. It was far away from the villages and hence was not easily accessible.

DIFFERING VIEWPOINTS

Villagers, some of whom were active members of the Arjuni forest protection committee formed in 1991, and who foresaw dangers to the plantation under JFM with recurrent incidents of illicit felling

communicated with the forest department in October-November 1994. They suggested immediate arrangements to be made by the department for felling and sale of forest timber under the JFM. According to them, the felling of trees under JFM was unnecessarily delayed by the forest department given the timber content of the forest and its valuation. The villagers were not worried about the five-year period of the agreement for protection of the forest. They were more worried about the dangers of illicit felling which was imminent and threatened the very existence of the plantation. These villagers realised that the forest committee would be of limited use in preventing such illicit felling. However, the forest department was unable to come out with any immediate solution.

One major reason repeatedly pointed out by a group of villagers for the felling was the seasonal livelihood and food insecurity which plagued the area and led to conditions of semi-starvation amongst the poor people. For two three years the JFM worked well. Last year in the Bengali month of 'bhadra' (August-September) food shortage reached peak. This was due to fall in employment opportunities for poor people. Some of them took recourse to illicit felling of trees and sold them in the local markets for Rs 20-25 per tree.

The forest department representative though aware of what was happening was unable to deviate from the agreement with local communities. The department could not arrange for immediate felling of trees in the latter half of 1994 as requested by many villagers because the five-year period of the agreement was still to be completed. As per the agreement, the beneficiary community was not entitled to the long-term benefits of JFM before the five-year period.

According to the representative, the JFM was problematic in areas closer to towns (not all villages in Arjuni are close to towns), since illicit felling and selling of trees became much easier. He also alleged that the protection committee had members who tacitly encouraged such illicit felling. The local offenders when caught were protected by members of the forest protection committee out of local political patronage, kinship, etc.

The problem was aggravated due to two cases of theft in which differential fines were imposed on the culprits caught for felling trees. The incident aroused adverse local reactions and was interpreted as political favouritism. This triggered felling of trees on a large scale which were sold in the local markets. The protection committee also became relatively inactive with differences cropping up amongst its members.

The reason offered by the forest department, such as nearness to markets and political favouritism failed to account for the years prior to 1994 when the JFM agreement was strictly honoured by the

community. Even if it is assumed that there was some tacit support of the governing body for such illicit felling, the question still remains as to what was the underlying cause and who gained how much.

Going by the food calendar of the region from 'harsakh' (mid-April to mid-May) to 'srahon' (mid-July to mid-August), the poor people work hard and save little for the difficult months to follow. In 'srahon' there is greater availability of work due to buoyant farming activities. The worst part is from 'bhadra' to 'karti' (mid-August to mid-November) when no agricultural or other work is available except for catching fish and selling it in local markets. Such livelihood strategy is quite uncertain and risky since opportunities for catching fish were not available on a daily basis and such catch and its price differ from time to time. Villagers pointed out that by mid-August insecurity of food and livelihood was relatively acute as compared to other years, some people who were at the brink of starvation resorted to illicit felling of trees and sold them in the local markets for meagre amounts.

The food calendar indicated that whereas work was available for the poor in 'agrahyan' (mid-November to mid-December) in near by villages, when both men and women found employment the month to follow 'poush' (mid-December to mid-January) only provided work to men. The poor households did some savings in the months of 'agrahyan' and 'poush' and bought corn at cheaper prices to store it for the difficult months which followed. In 'magh' (mid-January to mid-February) the poor caught fish and sold them as a livelihood while in 'phalgun' (mid-February to mid-March) they sold firewood and were able to earn a meagre living. However, in 'chaitra' (mid-March to mid-April) life became more difficult when income earning opportunities were practically nil and hence purchasing power for food was in short supply.

The question still remains as to why the forest remained intact prior to mid-1994. The answer lay in the locally grown wild food which provided a safety net to the poor people in the difficult months. Earlier, wild food was freely available from farms and other common property resources (CPRs). Free access to such food dwindled since 1994 leading to increase in food insecurity. The wild food was sold in the local market by the farmers, to protect their real income against rising food prices. The following were market prices of some items:

Items	Local Price
susni sak	Rs 6/kg
kalmi sak	Rs 1/3 small bundles
gima sak	Rs 2/kg
thanikuni sak	Rs 10/kg (dried ones more expensive)
nate sak	Rs 3.50/kg

(snails were also sold)

Further with degradation of CPRs, availability of wild food shrunk to a large extent. Rural women who were the primary gatherers of food were forced to walk long distances for the same. With shrinking supply of wild food their capacity to hedge against food insecurity of their households was enormously strained. Hence poor people in that area were either forced to reduce their consumption of wild food or buying them (or their substitutes) from the market by generating additional income. However, livelihood opportunities also declined. Hence, survival needs became of utmost importance. As an alternative to starvation, many resorted to contingency sale of JFM plantation to feed themselves.

The failure of JFM resulted in depletion of local forests which forced women to go to other forests for fuelwood. The forest protection committees of those forests posed a major hindrance. Hence women faced great difficulty in procuring minor forest produce for their day-to-day existence. Also, the protection committee lost its share of 25 per cent timber entitlement under JFM. The village protection committee which looked after the forest for more than three years lost its entitlement to community benefits. Most importantly it lost credibility.

IMPLICATIONS FOR POLICY

JFM does not operate in a vacuum. It is influenced by local socio-economic, political, cultural and ecological variables in the areas concerned. If these forces are not reckoned with then a blueprint for participatory management of natural resources remains naive and becomes unsustainable in the long run. The cross-currents of such variables can make or mar community participation and it is important to recognise the major forces so as to take steps to integrate them into JFM or minimise their distortionary influence over time. Again, the communities concerned are the best judge of such factors and it is they who can be approached for evolving locally viable strategies for community participation.

The survival needs of poor communities need to be recognised on a priority-basis as pillars for strengthening community participation. In depressed areas with higher levels of poverty, day-to-day existence comes topmost on their agenda. The most urgent community need at Arjuni is that of alternative means of livelihood during lean seasons with agriculture being the mainstay in peak seasons. Unless survival needs of food and livelihood are met, participation for natural resource management would always remain threatened. Of what use is timber benefits to a community, many of whom are trapped in subsistence living.

The meetings of forest protection

committees and forest department have become a ritual. The villagers of Krishna Rakshit Chak exclaimed that there were too many meetings with too little outcome. It is important to look back on the results of the numerous meetings and think of ways to make them more effective since the number of meetings does not ensure the sustainability of JFM. Moreover, the roles of forest department and village communities require clarification and may need to be re-defined so that forest protection becomes more effective. There can be several groups within the same community and it is important to recognise their identities for they influence community decision-making and the quality of protection. At present, it often happens that everyone's responsibility becomes no one's responsibility.

Charges of nepotism, favouritism also need to be seriously addressed. Credibility of the people in the protection committee and of forest department is important. It is necessary to look into the checks and balances in the system to minimise nepotism and favouritism. Questions of legitimacy of protection committee have also been raised by the villagers. This calls for further empowerment of protection committee.

The seasonal protection of forests needs to be intensified in consultation with villagers, especially during lean seasons. Protection can become more effective with seasonal strategies to support livelihood, income and food. At present, women's participation is negligible. It needs to be increased since, as shown by the Arjuni experience, women become the worst sufferers when JFM failed.

One lesson which comes directly from the Arjuni experience is that greater scope for flexibility needs to be created in the memo-randum of understanding. For instance, decision for felling of trees under JFM in Arjuni could have been hastened when responsible members of the local community sensed danger to JFM. Just because the period of the agreement was not over, such official felling was ruled out. Inflexible rules came in the way of jointly managed natural resources whose timber harvest could have been immediately marketed with profit to the community and the department.

Speedy replication of JFM without proper nurturing of community participation and institution building is open to all kinds of problems. Many local people were not convinced about the benefits of JFM. They expressed that there was not really any ownership of natural resources involved nor payment for protection done from day-to-day. Effective communication, dialoguing and sensitising of both forest department and people are important. More thoughts are required on ways of community building since weak and fragile institutions can play havoc with the future

of JFM. Long term gains hardly matter people who are facing major problems livelihood – food insecurity. The present JFM model needs to be re-modelled in terms of livelihood benefits which are immediate and less commercial.

If JFM as a strategy becomes difficult to be replicated it is important that intensive soul-searching to rectify some of its flaws/limitations be done. Participation by communities for material incentives has major limitations because it takes place after important decision have been made. Rules and laws have already been framed by the collaborator/agency concerned. What is so great about receiving 25 per cent of timber harvest? Is that acceptable to the local community or just another case of imposition by the forest department? Does it compensate for them on a day-to-day basis? Should the sharing of returns be made more attractive? If so, what are those ways? Should there be more community participation in decision-making? What about gender issues? These and other questions need to be sorted out. For this interaction with the community is of utmost importance for it has many positive ideas and has major stake in protection of natural resources.

Community participation in large groups is seldom automatic. Most often it requires initiation and a process of nurturing. It is important to take stock of whether the facilitators in the forest department have enough skills for motivating local people and likewise for institution building at the local level. The deficiencies in such interventions need to be identified and appropriate measures to tackle them are to be devised. Facilitating community participation is not an easy job. It requires community-friendly attitudes, tact, training, broad vision and years of field learning with different communities.

It is common to suppress failure stories in community participation. Many development workers feel depressed. Some even give up visiting those communities/sites, accepting them as problematic communities/areas not able to or willing to respond to participatory interventions. Such reactions need to be avoided.

The Arjuni experience in JFM goes a long way to show that survival needs are of prime importance and can easily destabilise community rights and benefits to resource management. Any JFM which does not recognise the significance of creating strategies for sustaining livelihood – food security – at the local level has a doubtful future.

[Thanks are due to villagers of Krishna Rakshit Chak, the forest department of Katakunda district administration, Midnapore, and S T S Lepcha and Abhijit Ghosh for their views.]

'Invisible' Workers Reach International Heights

Renana Jhabvala

The growing phenomenon of home-based workers has forced the International Labour Organisation to call for a convention for Homeworkers, the first meeting of which was held recently

ALTHOUGH there is a great deal of lip-service paid to the plight of unorganised sector workers, very little is actually done for them. It is extremely difficult to organise these workers, and those organisations that have, against all odds, come up usually can operate only at the local or state level, rarely possessing enough clout to ensure the enforcement of National Laws to protect these workers. The Construction Workers Protection Bill, for example, has still not been enacted by parliament in spite of countrywide agitations by construction workers and repeated assurances by the concerned minister. The Agriculture Workers Act has met a similar fate in spite of the strong recommendations of the National Commission on Rural Labour. There has been no progress on the Home-based Workers Protection and Welfare Bill, which was introduced in parliament as a private member's bill in 1989 and withdrawn on the assurance of the minister that it would actually be brought in as a government bill.

Home-based workers, 80 percent of whom are women, are the most 'invisible' of all unorganised sector workers, as they work in the privacy of their own homes. Yet their invisibility has in some ways contributed to the internationalising of the issue. Since they can be exploited easily, home-based workers exist and remain unorganised in most countries of the world, including the richest ones. And in most ways the difficulties of these workers remain the same, whether they sew garments in England, make toys in New York, weave silk in Thailand or roll bidis in India.

Home-based work is found in many different forms in countries of the south and north, in both urban and rural areas. Traditional handicrafts work has often been carried out in the home, and piece-rate homework is also part of the most modern patterns of production associated with decentralisation of production and a growth in the sub-level. The worldwide increase in homework has to be understood in the context of a growing demand for a flexible labour force. Piece-rate home-work is on the increase in both north and south in a range of industries: textiles and clothing, a variety of

packing and assembly work, paper and printing, engineering, electrical and electronics, leatherwork, etc. Homeworkers, mainly women, often work for a small, local sub-contractor, part of a chain leading to major transnational companies, for example, garment retailers or brand names, car producers or electronics companies. In countries of the south, the growth in this form of homework is associated with the drive for increased exports. Much traditional crafts work done at home is also carried out under a putting-out system whereby the home-based worker is supplied with the materials and designs and is paid for her labour without taking in marketing or sharing in the profits of the business. Examples of this type of work are knitting or weaving in the north and basket-making and weaving in the south.

In most countries of the south, the piece-rate homeworker exists along with small producers or own-account workers. Often as a small producer loses control over her market or raw material, she becomes a piece-rate worker. The own-account worker is rarely much better off, as he usually has to buy the raw materials from a contractor and sell the finished product in a monopoly market. The own-account worker faces competition for bigger, more powerful business and has less access to credit, workplace and markets. Food-processing and weaving are two examples of own-account workers whose status as small independent producers is being undermined and who are gradually losing control over their markets. In the rural sector, home-based work is usually seasonal and is often associated with other types of agricultural and manual work. This kind of work includes processing of agricultural or forest produce, packing and cleaning of fruit and vegetables and the processing of fish products.

Home-based work includes a wide variety of work and work relations. It is difficult to separate the workers into employees or self-employed, as these distinctions are too rigid to cover the range of work relations that exist in the home-based system. Most home-based workers earn very low incomes. The piece-rates they receive are usually much

lower than the legal minimum wage (where it exists). If they have to buy the raw material and sell the finished product, the margins they receive barely cover the cost of their labour. Most surveys show that home-based workers earn incomes lower than other workers. Their work too is uncertain and irregular, depending on the vagaries of the market, on the weather, on the needs of a contractor or the availability of raw materials.

For the home-based worker, her home is her workplace. Her house is usually small, with no proper lighting or ventilation. Her work tools are rudimentary, causing strain leading to several health problems. Since the raw materials or components for her work are all in the house, her children are often exposed to noxious substances such as tobacco, glue and paints. She has generally no legal protection and few employment rights and has to take whatever income she gets. Her access to markets and credit are limited and so she has little prospect of improving her situation. She has no social security, for example, health services, insurance, childcare or housing, and usually has to pay high market rates for these services.

ORIGIN

Home-based work is a growing worldwide phenomenon and since last 15 years many different women's groups have been trying to organise them. The Self-Employed Women's Association (SEWA) has been organising home-based workers in India for 20 years. SEWA members include the small artisans like weavers and carpenters and piece-rate workers like garment and bidi workers. SEWA is a union of 1,43,000 members and sponsors co-operatives of its members to produce alternative employment. So far it has 63 co-operatives including 1 co-operative bank and co-operatives providing social protection like healthcare, childcare and housing to its members.

In 1988, the International Labour Organisation (ILO) began a programme on home-based work in three countries of south-east Asia, with the support of DANIDA. A number of grass roots projects have been developed, including PATAMABA, the homeworkers' network in the Philippines, and HomeNet, a network of 32 women's craft groups, based in Chiangmai in the north of Thailand. Other projects are developing in Indonesia and other parts of Thailand, including work with urban piece-rate home-workers. In Cote d'Ivoire, the National Union of Informal Sector Women (SYNAFSI) affiliated to the national centre Dignité, organises home-based workers, including food processors. With assistance from SEWA, a self-employed Women's

Union has been recently launched in South Africa. In Europe, projects on homework have been active since the 1970s in the UK and the Netherlands. More recently, a working group on Homeworking was organised by the European Commission and a European Co-ordinating Group is being formed. Other developments in industrialised countries include a three-year campaign to organise outworkers (homeworkers) in Australia and several initiatives in Japan. In Canada, the Ontario District of the International Ladies Garment Workers Union has set up an association for homeworkers and is working with a broad coalition of other organisations to lobby for improvement of pay and conditions. The international trade union movement too has been paying more attention to home-based workers. In 1988 the International Confederation of Free Trade Unions (ICFTU) passed a resolution calling on all concerned groups to help organise as did the International Food Workers (IUF) and the International Garment and Leather Workers Federation (ITGLWF). The ILO then held a tripartite Experts' Meeting in 1990 to discuss the issue of homework.

Grass roots organisations have realised that the growth of homeworking is an international phenomenon and if the homeworkers have to be organised and protected it would have to be at an international level. Some links have already been forged between projects in different countries, sometimes in regional or international meetings and sometimes through delegations, bilateral exchanges or meetings among homeworkers. Such meetings have also established the need for co-ordinated advocacy and research at the international level. For example, in 1989 an international workshop was held in Ahmedabad facilitated by ILO. In 1990 an international conference was held in the Netherlands, supported by the European Commission. Regional workshops held by the ILO DANIDA project in Manila, the Philippines, in 1991 and in Malang, Indonesia, in 1993, were attended by international observers. The Association for Women and Development (AWIS) conference in Washington, DC, held three sessions on homeworking attended by people from Asia, Africa, Europe, America and West Asia. At the grass roots level, in 1992, a conference for homeworkers was held in Bradford, attended by delegations from SEWA, India, Portugal and the Netherlands.

ORGANISING HOME-BASED WORKERS

Unions in industrialised countries, whose traditional strength and methods of organising have been based on large

workplaces, have generally found homeworkers difficult to organise. In the past unions have fought - unsuccessfully - for the formal prohibition of homework. However, the enormous growth of home-based work which has accompanied the erosion of organised labour's traditional industrial base has begun to spur unions towards a greater awareness of the extent of the problem and to begin to organise these previously 'invisible' workers. In Canada and Australia, the International Ladies Garment Workers' Union (ILGWU) and the Clothing and Allied Trades Union of Australia (CATU) have initiated local campaigns to organise home-based garment workers. In Madeira, Portugal, the Union of Workers in the Embroidery, Textile and Craft Industries has for many years been organising embroidery homeworkers winning important gains. In Italy, the Clothing and Textile Workers' Union (FILTEA-CGIL) organises homeworkers in the Pisa area. In the Netherlands, Greece and Spain, women trade unionists are developing programmes to unionise homeworkers.

Organising home-based workers requires flexible and creative ways of reaching out to workers in the domestic workplace and of winning public support. In many countries, homework (particularly in the clothing industry) relies heavily on immigrant groups. Organising materials must therefore be published in the languages of the immigrant communities. In Australia, CATU publishes its paper *Ragmag* in 12 languages. In Canada, the ILGWU has focused initially on work in Toronto's Chinese-Vietnamese community. Outreach work and research were done by Chinese-Vietnamese workers employed by the union. At another level, a publicity campaign has been waged to highlight the issue of homework and raise public awareness. This has focused specifically on the big retailers whose suppliers include small manufacturers employing homeworkers, enlisting support from consumers' organisations.

In Madeira, where there are currently over 38,000 registered embroidery homeworkers, many different methods have been used to reach the women. The union has made extensive use of the media to reach workers in their homes. In the early days of union organising, the church was used to spread information and gain access to meeting rooms. With almost every family on the island having at least one person working on embroidery, regular union meetings at factories could also be used to pass on information to other family members working at home. In Italy, the FILTEA-CGIL set up a 'flying squad' to reach homeworkers scattered over wide areas in small villages and towns near Pisa. The

union leafleted houses, street by street, organised public meetings in village squares and set up a phone line as a contact point. They distributed questionnaires to build up their information on homework at supermarkets and schools. Social events were organised to break down the workers' social isolation. This campaign resulted in the recruitment of 900 new home-based union members.

As the majority of homeworkers are women, organising often involves working from a base in the community and being prepared to develop a range of strategies or approaches to address the issues raised by homework and by homeworkers themselves. In many cases, this has involved an active alliance between the unions and women's organisations. The work itself is also bringing into the open the extent of homework and its importance to modern economies, re-emphasising the need to organise.

In the Netherlands, the Women's Union (Vrouwenbond FNV) has played a major role as a link between the homework support centres and the trade union federation FNV. The women's union is an official trade union which organises women whether they are in paid employment or not, but does not have negotiating rights.

In northern Thailand, homeworkers have been assembled into the Chiangmai HOMETENT through the efforts of the YMCA Chiangmai. Now it has a membership of 1,000 women homeworkers. The Chiangmai HOMETENT, with ILO DANIDA assistance, has provided revolving funds, assistance in marketing and training in small business management. Silk weavers in north-east Thailand have been trained in the technology of dyeing and ensuring colour fastness in their finished fabrics by textile division of the ministry of industry. Also through the latter, a common facility for selling the homeworkers' silk products has been established with funding from the government of Japan.

Homeworkers in north-east Thailand and women homeworker credit under the umbrella of the Credit Union League of Thailand (CULT - an apex organisation) as well as homeworkers from the urban slums of Bangkok in Rajbhurana are currently being encouraged to get together to form a coalition/ forum or network of homeworkers. A trade union, the Labour Congress of Thailand, has been organising shoemaking homeworkers in the urban slums of Rajbhurana in Bangkok. The CULT is being assisted by ILO to pay special attention to the credit union which consist largely of women homeworker members. Another NGO, the Appropriate Technology Association of Thailand, is initiating the establishment of an insurance for its home-based silk weavers. The Thai department of labour and employment, on

the first quarter of 1995, formed a joint consultative committee consisting of government representative to tackle homeworkers' issues. A review of existing labour laws as they apply to the homeworkers is being done by the labour ministry's legal officer.

In the Philippines, in the 1989 a national network of homeworkers known as PATAMABA was formed which now consists of more than 3,000 members in various parts of the archipelago. To date PATAMABA is operating in 27 provinces of the Philippines. PATAMABA undertakes a variety of activities: organising, networking, education and training, socio-economic assistance, paralegal actions, lobbying, advocacy for policy reform. Over its five-year existence PATAMABA has been able to obtain a three million peso grant from the department of labour and employment. With technical and financial support from the ILO-DANIDA sub-regional project as well as the DOEI through the PATAMABA the homeworkers are getting assistance in product development, skills training, marketing and credit to support their socio-economic assistance, paralegal actions, lobbying, advocacy for policy reform. The PATAMABA is seeking ways of setting up a co-operative bank and co-operative insurance. The process has begun its outcomes remain to be seen.

Home Net has been set up to co-ordinate work with home-based workers in different parts of the world. Since the 1970s, there have been organisations for home-based workers which aim to make home-based workers visible and to fight for recognition of their rights as workers. The first of these organisations was the Self Employed Women's Association (SEWA) of Ahmedabad, a trade union for women workers in the informal sector including home-based workers. Other groups have been set up in south-east Asia, south Africa, North America and Europe. In some cases, trade unions have begun to organise homeworkers; in others, non-government organisations have been set up in the form of networks or co-operatives. Over the last six years, there have been growing contacts between different groups in both north and south. In 1994, a meeting was held to set up an international network to extend these contacts and to co-ordinate international lobbying work in 1995.

The aims of the network are: (a) To build an international network for home-based workers and their organisations as well as NGO's, co-operatives, trade unions, researchers, women's groups etc., including all those directly or indirectly underlying work in this field. (b) To co-ordinate an international campaign for the improvement of home-based workers' conditions of work

at national, regional and international levels. (c) To collect and disseminate information on home-based work to members of the network and other interested organisations. (d) To assist in obtaining technical assistance for and act as a channel of the same to home-based workers.

HOME-BASED WORKERS AND ILO

At SEWA's urging the International Confederation of Free Trade Unions (ICFTU) adopted a resolution asking ILO to pass a convention for the protection of home workers. ICFTU has consistently followed up the issue with the ILO and in 1995 the annual conference of the ILO finally considered 'homework' as a topic for a convention.

The ILO is a tripartite body. All its decisions are made jointly with the national representatives of employers' federations, trade unions and governments, so that it is more down to earth and representative than any other UN agency. The conventions passed at the ILO are ratified by governments who then turn them into national labour legislation. This year was a first hearing of the Convention for Homeworkers. The Convention is completed in two consecutive years with a tripartite committee set-up to go into the details of the convention and the whole body voting on the convention in the final year.

The Convention on Homeworkers is unusual and innovative. Conventions for protection of unorganised sector workers have rarely been seen in the ILO. This is because the representatives of both the employers and the workers tend to come from organised industry and so most business of the ILO tends to concentrate on them. The drafting of the convention was carried out in the Tripartite Committee on Homework, a very formal affair. There were more than 200 participants in the committee. The workers' group was led by the Dutch Trade Union Representative Ikka Vandenburg. The employers' group was led by Alan Wild, an Englishman from Guinness Company. The committee was chaired by the government representative from Cyprus, Leona Samuels. Generally, the employers and the unions took opposing points of view on most issues, so most decisions tended to depend on the majority of governments' standpoints. Some governments came well prepared and were fully aware of the issue. For others, this was a new area, some even spent a few days in the committee giving statements before they realised that homeworkers were not domestic maids.

The acid test came right in the beginning, when the committee had to decide firstly, whether there should be any instrument at all, and if so what that instrument should

be. There are three types of instruments that can be adopted by the ILO, a convention, a recommendation or a convention followed by a recommendation. The convention ratified by countries is converted into national laws. The recommendation, as the name indicates, has no force behind it and is purely a guideline which does not need to be ratified. The convention followed by a recommendation has both the force of a law and the recommendations as additional guidelines.

Before each tripartite meeting the workers, the employers and the governments met as separate groups to discuss their stand. The workers were solidly behind the convention followed by a recommendation. This unqualified support represented both the extensive work of SEWA Home Net and the changing world economy which had encouraged the growth of homework. Only 15 years ago most trade unions, including in India, were against any form of recognition to homework as they felt it constituted a threat to factory workers. However, now most unions realised that they can no longer turn a blind eye to the conditions of homeworkers and that it was better to try to protect them and organise them. Another issue that some trade unions from the north felt keenly about was the growth of telework, that is homework in telecommunications. This included home-based bank clerks, telephone operators, etc.

The workers' representative argued that the worldwide changes in forms of employment left a growing number of workers without any protection. Whole industries, for instance textiles and clothing, were transferring into homework and a rapidly evolving information society was leading to new forms of homework such as telework. Homeworkers are vulnerable as their employers often refuse to recognise them and also they are generally women, who have no links to trade unions. The vulnerability and lack of protection leads to low pay, bad working conditions and no access to medical care, etc. This is why they need to be both protected and organised. The employers' representative disagreed. He said that there are too many varieties of homework and so cannot be included in one group. He identified four types of homework - traditional or pre-industrial homework in industrialised countries, telework and mobile professionals. Telework, he felt, was still evolving and so should not be regulated.

Given the above, the definition of homework has many difficulties. How to separate homework and office work? The nature of relations between worker and employer? A homeworker's consultant often shifts relations from workers to contractor. The second point he emphasised was the lack of data. How can homework be regulated without enough data? Even existing data is

inaccurate, and there is no data from the African continent. Existing data shows that homework is a form of micro enterprise which provides employment opportunities and hence should not be regulated and driven underground. He also mentioned that homeworkers were already covered by existing conventions, such as conventions on freedom of association forced labour, equality of opportunity, minimum wage fixation, maternity protection, old age insurance, etc. He said that the experience of existing legislation showed that implementation is difficult and counter-productive. Existing laws do not work effectively and regulation leads to informalisation and driving work 'underground' as it happened in Hungary. Homework, he felt had many positive aspects. It provides employment to women, aging, disabled, marginal workers. So we should improve lot of homeworkers by (a) better understanding of homeworkers (b) Action of local levels to promote existing regulations (c) raising awareness of homeworkers facing, community support (d) exchange of information or policies which work (e) study telework.

Governments took differing points of view. The European countries were strongly for the convention, except for Germany. The UK was strongly against it, the only country which said that in fact there were hardly any homeworkers and those that existed were well off and did not need protection. The government representatives of developing countries, India, China and Mexico generally agreed with the need for protection of homeworkers, but held that they may be unable to implement a law.

The debate centred around whether the ILO should adopt a convention followed by a recommendation, or the much milder recommendation.

The arguments given by countries which supported the convention were, (1) Vulnerability of homeworkers (Australia, Sweden); (2) Basic labour law is not sufficient (Japan); (3) There is a general undervaluing of homeworker (Sweden); (4) Homeworkers constitute a sizeable portion of workforce (India, China); (5) Home workers do not have social protection (low remuneration, no social security, health and safety) India, China, Mexico, EU (12 countries); (6) Legal protection is required in the context of increasing homework and of policies which encourage homework (China, 12 countries, Morocco, Mexico); and (7) Homeworkers belong to informal sector (EU).

The reasons given by countries to oppose the convention and support only the recommendation was: (1) Over regulation of homework would drive it underground (India); (2) There are too many difficulties to define employer-employee relationship.

(India); (3) Implementation of standards may reduce employment opportunities (India, China); (4) Conditions in different countries are too diverse (China); (5) There is too much diversity in types of work, so we cannot refer to homeworkers as one group (UK); (6) Homeworkers are already covered by existing conventions (UK); (7) The convention is premature (UK); (8) Some governments did not like sector conventions (Canada); (9) A recommendation has much more flexibility (Egypt, China, India, Mexico), and (10) Some countries felt that a convention may weaken their own laws, which are more comprehensive (Germany, Sweden). However, when the issue went for the vote, the convention was adopted by a very narrow margin. The vote was so close that the employers were not satisfied by a counting of hands, but insisted on a formal recording of the vote, leading to a revoting procedure. India and China both abstained. In this case too the vote for the convention was carried through.

Once the instrument was adopted by the committee, the details were argued out in detail. One of the most difficult issues dealt with was the definition of the homeworker. This is an issue which we feel will arise whenever there is an attempt to give protection to the informal sector worker. The definition of worker and employer has evolved over the years in a certain context – that of the factory and of a clear employer-employee relationship. However, most unorganised sector workers are outside that definition.

The ILO has already made a start in redefining worker in the context of the rural worker, whose definition includes small farmers and artisans. The definition for homeworker, is another step in the redefining of what is a worker. At an Asian regional workshop of trade unions, the following definition was proposed: (a) the term 'home-based work' should mean work carried out by a person, to be referred to as home-based worker, (i) in his or her home or in other premises (not being the premises under the control and management of the employer) he or she has chosen; (ii) for remuneration; (iii) which results in a product of service as specified by the employer, whether the equipment, materials or other inputs used are provided by this person, the employer or the intermediary, and includes a person who works on his or her own account with or without the help of the family and who does not employ other workers.

However, the workers group at the ILO, could not accept the inclusion of own-account worker. The governments too were keen to have a definition which separated the 'truly' own-account worker from the homeworker, and yet at the same time did not exclude the different varieties of homeworkers.

The final definition adopted was: The term 'homework' should mean work carried out by a person, to be referred to as a homeworker, (i) in his or her home or in other premises of his or her own choice, other than the workplace of the employer; (ii) for remuneration; (iii) which results in a product or service as specified by the employer, whether the equipment, materials or other inputs used are provided by this person, the employer, or the intermediary, as long as this person does not have the degree of autonomy and of economic independence necessary to be considered an independent worker under national laws, regulations or court decisions. Although there was protest from the employers, the term 'intermediaries' were also defined in this convention, as most homework is given out through intermediaries.

Apart from the definition the convention included the following measures: (1) Equality of treatment with wage earners, in particular in the right to organise, in remuneration, statutory social security protection, access to training, maternity benefits, safety and health provisions, minimum age and protection against discrimination in employment; (2) including homeworkers in basic labour statistics; (3) regulating intermediaries, and (4) systems of inspections.

The recommendations were much more detailed and spelled out the following factors: (1) Methods of implementation of the labour law concerning homeworkers; (2) collection of information; (3) supervision by the competent authority and required records; (4) remuneration; (5) occupational health and safety; (6) the right to organise; (7) hours of work, rest and leave; (8) social security and maternity benefit; (9) protection in case of termination of employment; (10) resolution of disputes; and (11) programmes to assist homeworkers.

STRUGGLE AHEAD

The battle however is not yet won. The employers have declared themselves to be totally against a convention, and have vowed to fight against it next year. As Anand, the Employers' representative from India said in the ILO Conference which finally adopted the report, "We, in India, propose to resist it (the convention) at subsequent discussions here and at subsequent conferences and committees, and at the National Conventions Committee in India". Moreover, a number of countries which were not much involved with the discussions, may next year come up with a new position. However, the workers' group has been solid throughout and a wave of support next year also may lead to one of the first and most detailed conventions for unorganised sector workers.

ANC Wins Municipal Elections, but Hurdles Remain

Pierre Beaudet
Hein Marais

The results of last month's municipal elections have confounded predictions that the slow and uneven pace of socio-economic transformation achieved by the ANC-led government of national unity would see protest votes siphoned off to more populist-minded candidates and parties. All the same, there are several reasons why the expectation that with duly elected town and rural councils in place the government's Reconstruction and Development Programme will at last effect tangible change in black townships and rural communities may not be fulfilled

A MONTH ago Patrick Xegwana was a dishwasher at a student's residence on the campus of the elite Stellenbosch University. Now he is a councillor on the municipal council in a university town which spawned six apartheid prime ministers and where for decades academics laboured less at promoting enlightenment than at designing and fine-tuning the apartheid system.

Xegwana's triumph was one of many surprises registered by the ANC in the country's first ever democratic local government elections in early November. The ANC swept the boards, winning 57.7 per cent of the popular vote. The nearest rival, the National Party of F.W. de Klerk, trailed with 21.2 per cent of the vote. The Inkatha Freedom Party (IFP) polled only 0.6 per cent of votes, confirming its failure to become a national party. (Violence-wracked KwaZulu Natal where IFP support is strong did not vote; its residents will only go the polls next year.)

In provinces like the Free State, the ANC will run virtually every town council, most of which will have only ANC councillors sitting on the benches. In the Western Cape (where the ANC was thrashed by the NP in last year's general election) the ANC now runs most of the major towns and many smaller rural communities. The reason? An unexpected breakthrough among coloured voters, many of who abandoned the NP and voted ANC, which has claimed a 35 per cent swing from the NP (Cape Town, however, did not vote; a dispute over ward boundaries forced postponement of local government elections there until next year.)

The ANC has greeted these results as a resounding mandate. Certainly, the tallies have confounded predictions that the slow and uneven pace of socio-economic transformation achieved by the ANC-led government of national unity would see protest votes siphoned off to more populist-minded candidates and parties. This didn't happen. The party of renegade former ANC politician Rocky Malehatse-Metsing, a

rousing populist, for instance, netted fewer votes in the mostly rural North West province than did the party of former Bophuthatswana homeland dictator Lucas Mangope! And the Pan-Africanist Congress, long regarded as a potential haven for disgruntled ANC supporters, collected only 1 per cent of the vote – less than the elitist urban-based Democratic Party.

THE ANC IN POWER

It has been a good year for the ANC in power. The miracle of April 27, 1994 has lost some of its sheen and vibrancy, but the ANC has succeeded in holding a fractious society together. It has checked the secessionist aspirations of the IFP in KwaZulu Natal (though the battle is far from won). It also weathered the challenge from the white Right which is now in terminal decline. Conservative Party leader Ferdi Hartzenberg reflected on the party's 1.65 per cent vote by admitting that 'it is a blow for the party and it is a blow for self-determination'. With 51 per cent of votes, the slightly more moderate Freedom Front looks stronger than it is; it suffered defeat in every town it claims as part of a Afrikaner homeland, including Pretoria, the putative capital of a volkstaat.

The news is less heartening, however, on the socio-economic front with one exception. Goaded along by the organised workers' movement, the labour ministry has nursed into being new labour legislation that ranks on a par with systems now under siege in many social democracies of the North.

But the macro-economic context in which the ANC hopes to improve the lives of the South African majority remains surprisingly conservative. Accepting what it regards as global economic realities, and cheered on by capital, the ANC has opted for economic policies that differ from those inherited from the apartheid government only in their heightened emphasis on 'liberalisation'. Exchange controls were loosened earlier in the year, prompting a modest rise in foreign

investment which remains, however, diffident and speculative. Curbs on spending (through high interest rates) have pushed inflation below the 10 per cent mark but they have not improved levels of savings nor encouraged significant productive investments by domestic capital which retains its penchant for short-term speculative investment expressed extravagantly in the new office complexes and upmarket shopping centres that clutter elite white suburbs. As a result, the economic growth rate labours beneath the 3 per cent mark, severely narrowing the scope of the socio-economic changes the ANC has been promising.

Dormant for now are any signs of a development path that would creatively link initiatives geared at achieving both economic growth and redistribution of resources and opportunity in favour of the majority. Eighteen months ago, the vaunted Reconstruction and Development Programme (RDP) still pointed in that direction. Nowadays it conflicts only marginally and hesitantly with the imperatives of South African business which remains obdurate in its belief that boosted economic growth has to precede large-scale socio-economic transformation. The ANC's retreat on this front is perhaps not yet final. Elements within the Congress of SA Trade Unions (Cosatu) and the SA Communist Party (SACP) are fighting a rearguard battle to check the slide, but the ANC has drifted markedly towards becoming the administrator of a 'trickle-down' development process.

Nevertheless, the ANC's election success has spurred new hope that the RDP might finally get out of the starting blocks and effect tangible change in more black townships and rural communities. To date, the RDP has lumbered forward with grand development projects often arrested in the planning phase. Among the many factors compounding the delays has been the absence of functioning local government in most of the country. Those projects that have made it to the implementation stage often dissipated in a twilight zone of debilitated municipal councils. Now argues the ANC, that changes. Duly elected town and rural councils are in place; development can proceed.

INCLUSION OR EXCLUSION?

But several factors caution against this kind of triumphalism. For even in towns where the ANC occupies every single seat on the new council, it will still not control that town.

There are several reasons for this paradox. First, the financial revenue at the disposal of these councils is derived mostly from white (and to a lesser extent Asian) business people, property owners and farmers. These sectors – which voted mostly for the NP and the right-wing Freedom Front – hold an effective financial veto over the ANC-run town councils. If the ANC town councils opt to steamroll new initiatives, they might trigger rates and other boycotts by the white residents. The central paradigm of the South

African transition – inclusion and consultation – therefore persists: these councils will have steered their transformative plans through arduous and sluggish negotiations where the balance of power is determined less by votes than by financial muscle, and by planning and management expertise.

Which brings us to the second inhibiting factor. Echoing the dynamics at the national level, the ANC has now attained political power at the local level, but the party lacks the capacity to extend that dominance into the crucial administrative and management zones. The ANC and its allies have a thin layer of technical experts at their disposal: most have been drawn into national and provincial government; many others have opted for lucrative careers in the private sector. Thus the technical apparatuses in these towns will still be run by the old order, creating a kind of dual power situation that is likely but is hopes of rapid development. (If this stymies or delays desperately needed development projects, one outcome might be revived civil protest by black residents, albeit less organised and strategic than in the past.)

Thirdly, this lacuna at the local level strengthens the hand of provincial governments. Seven of the nine provinces are run by the ANC, but this does not mean a free common purpose or shared priorities between provincial and municipal or rural politicians. South Africa's desolated periphery – its rural areas – where 40 per cent of the population survive precariously – has not become a priority for the ANC as yet, despite occasional rhetoric to the contrary. If current trends hold, ANC-led provincial governments are likely to focus resources on urban and peri-urban areas.

The upshot is a transformation process that will continue to unfold laboriously and slowly. A more ominous challenge is also brewing in the rural outland, one that reveals a profound hurdle to the transition. Pursuing, in essentially a modernist need of transformation, the ANC has long looked disparagingly on the country's traditional systems of authority – the intricate networks of chieftainship and traditional culture that still hold sway in many parts of South Africa. It is in these zones that Gushik Buthelezi's Inkatha Freedom Party has entrenched itself within the KwaZulu Natal province. There the ANC has laboured in vain to expel the IFP from that support base.

Now that traditional challenge is mounting in the Eastern Cape. Days before the November elections traditional leaders there threatened to boycott the vote. They contended that the newly elected town and rural councils would sideline the chiefs and their traditional structures. Instead they demanded a guarantee that their structures should administer communities in tandem with the new authorities. The ANC has balked at the proposal. These traditional structures are unelected, often corrupt and often staunchly patriarchal and authoritarian; socially regressive, it says, democracy and

progressive change must hold sway. Principled as the ANC's response might be, it lacks the pragmatic and conciliatory stances the party has adopted towards much more recalcitrant political players. As one Eastern Cape chief put it: "What we do not understand is why the ANC is happy to make deals and rule with the NP and the IFP, but it calls us reactionary and rejects us."

Until now the ANC has managed this contradiction between the modern and the traditional through a nominally allied organisation, the Congress of South African Traditional Leaders (Contralesa). The organisation was formed in 1987 with ANC blessings and support as part of a bid to undermine the Pretoria-sponsored homelands and later to thwart the IFP's stranglehold on traditional leaders in KwaZulu Natal. But already there are signs that Contralesa is nobody's stooge.

After Contralesa's president, Patikile Holomisa (also an ANC member), mooted a possible boycott of the elections, ANC secretary-general Cyril Ramaphosa urged the party to consider disciplinary action against him. Holomisa reacted by announcing his intention to resign from the party. Holomisa is not a high-profile party figure

– the import of his threat lies elsewhere. Few South African history books tell readers that Gushik Buthelezi, today the scourge of the ANC, once also belonged to that party, nor do they inform one that Buthelezi formed Inkatha with the sanction of the ANC in 1975, only to be forced out of the ANC five years later in what was arguably a grave tactical error. By keeping Buthelezi within the party's fold, the ANC might well have continued that threat he later came to pose: the same applies in Holomisa's case.

It is too early to tell how this challenge to traditional leaders might play itself out. One option quietly mulled over by some Eastern Cape chiefs is to create a new political vehicle to better defend their interests, thereby casting issues of traditional authority and culture in a new political form. Radical populists like Winnie Mandela, who has pointedly maintained close relations with Contralesa and its Eastern Cape leadership, might also decide to exploit such a development. The outcome, though, depends on president Nelson Mandela.

Until now Mandela – a prince of the Xhosa Thembu tribe in the Eastern Cape, the second largest tribe in the region after the Xhosa – has adroitly straddled the divide between the traditional and the modern, regularly consulting with traditional leaders in that province. The question now is which way he will tilt in this latest stand-off.

The nation-building project in South Africa remains personified by Mandela, who gingerly persists at his balancing act of national reconciliation. "I started reconciliation in South Africa after a lot of humiliation," says Mandela. "I am the architect of reconciliation." He shuttles between meetings with the remnants of the old order (like his controversial tea

appointment three months ago with the Belste Verwoerd, the widow of apartheid architect Hendrik Verwoerd) and his own expectant constituency, corralled into township slums. Except for the relatively slim layer of upwardly mobile blacks who are rapidly being conscripted as junior partners in the white-run economy, reconciliation remains a symbolic enterprise that is not yet reflected in social intercourse.

TRUTH AND RECONCILIATION COMMISSION

Perhaps the grandest attempt to cast reconciliation into an institutional form is the Truth and Reconciliation Commission. Modelled on the Chilean Truth Commission, this body is charged with investigating and documenting human rights abuses committed during the apartheid era. In return for indemnity from prosecution, perpetrators of such crimes will testify before the commission, which will start its work by early 1996. The theory is that the promise of indemnity will prompt comprehensive revelations of human rights crimes committed during the apartheid era, both by the security forces and to a much lesser extent by the liberation movement. And once the truth has been revealed, the nation can begin healing itself.

But the success of this commission now hangs in the balance. Days before the local government elections, the KwaZulu Natal attorney-general Tim McNally made the surprise announcement that he would prosecute 18 former top-ranking security officers, including former minister of defence Magnus Malan. The accused have appeared in court, charged with complicity in the 1987 KwaMakutha massacre of civilians.

Malan and his co-accused immediately cried foul, claiming that the move conflicts with the spirit of the Truth Commission. The accused had two options: apply for indemnity in exchange for their testimony before the commission, or take their chances in the court case. The stakes they are playing for are high: surprisingly, they have chosen the latter route. Their defence will likely rest on a slew of technical objections and challenges in the Constitutional Court. And their case is bolstered by the fact that solid documentary evidence of their crimes is in short supply, despite the work of outfits like the Investigation Task Unit which built the case against these generals in 1990: security officials incinerated tons of incriminating documentation. Should Malan and co win their case, they will set a benchmark legal precedent, enabling apartheid criminals to hold their silence and shun the Truth Commission, knowing that once threatened with prosecution they too can take their chances in court – and perhaps win. If that happens, the Truth Commission becomes a shadow play and the grand bid for national reconciliation might run aground. Will Nelson Mandela's ensemble of symbolic gestures and exhortations then be sufficient to soothe the pain and bitterness that cour through South African society?

Move to Balance US Budget

S N Guha Thakurta

The moves to balance the US budget by cutting down on welfare and environmental protection will affect the poor drastically

AFTER months of debate, the US House of Representatives approved by a 227-203 vote October 26, 1995 measures to balance the budget by lowering taxes, rolling back many of the welfare schemes in vogue since the 1950s and in effect curtailing the role of federal government in welfare financing. It signalled the victory of the Republicans who promised the Americans a balanced budget by the turn of the century, cutting taxes.

While the Republicans perceive this as a great victory 'a radical change' 'a revolution without bloodshed' on the same scale as the Great Society' the Democrats who opposed the proposal (barring 4 out of 199) consider the move as anti-poor and anti-middle class as the benefits would now flow from the needy to the greedy. No doubt the issue will be a major divide between the Conservative Republicans and somewhat centrist and liberal Democrats. Meanwhile president Bill Clinton has threatened to veto the Republican plan in its present form and content. Political commentators feel that a middle way will be found through negotiation for after all an issue like deficit reduction and curtailing federal spending cannot just be washed away. American people have not experienced a high or even a moderate degree of inflation for a long period.

The Republicans plan to balance the budget by 2002 and cut taxes by \$ 245 billion in a seven year time frame. Few areas of government would remain untouched. Spending on programmes aimed at the poor — cash welfare, Medicare, Medicaid, the Earned Income Tax Credit for low wage workers has been drastically cut back accounting for the bulk of the anticipated savings. Welfare and Medicaid schemes on which a saving of \$ 102 billion and \$ 169 billion respectively is expected over a seven year period, are to be handed over to the state governments who would receive block grants for administering the schemes. Under welfare provisions if the Republicans plan has the final say the state governments would run child care and child protection, school meals and nutrition for pregnant women and children etc. Most of the aid hitherto given to legal immigrants are proposed to be cut. The new measures also talk about debarring federal aid to unwed teenage mothers or children born to such mothers. Besides,

eligibility to low income elderly persons receiving supplemental security income as well as to blind and disabled persons will be restricted. Legal immigrants receiving aid would have to find work within a period of two years.

Medicare provisions propose to yield a saving of \$ 169 billion over a seven-year period by (a) terminating the long-standing entitlement to health care for the poor, (b) repealing federal nursing home standards, (c) creating and then ultimately putting a maximum limit to the federal block grant to the states.

The maximum amount of saving has been expected to be generated through scaling down Medicare provisions over the seven year time frame — \$ 270 billion — by (a) reducing payments to doctors and hospitals (\$ 152 billion) (b) raising premiums of senior citizens for doctors' visits (\$ 54 billion) (c) increasing fees from wealthier recipients of Medicare facilities and/or encouraging them in managed care plans or in other private insurance programmes (\$ 31 billion) and (d) by further curtailment in health care provisions. It is interesting that on the question of reducing agricultural subsidy (\$ 13.4 billion) no agreement has been reached. For example, most California Republicans voted to save the agriculture market promotion programme, safeguarding subsidies.

While middle class Americans will feel the pinch of the proposed changes in Medicare, Medicaid and other welfare provisions, a drastic reduction in agriculture subsidies will affect dairy and farm export income. The Republicans plan also rolls back a number of environmental protections. The Arctic National Wildlife Reserve is proposed to be opened to oil companies for exploration. By selling national assets in the strategic petroleum reserve, the defence stockpile and ski areas on the one hand and by trimming several other measures like for example student loans, some veterans benefit etc. on the other, shortfall in tax revenue is sought to be covered up.

The Republicans argue that the short-term effects of the Americans will be ultimately offset by the economic benefits of a balanced budget since a zero deficit would mean a reduced interest rate which would be beneficial to consumers and producers alike.

In the short run most will benefit by tax cuts in many forms, namely, a reduced capital gains tax for individuals and corporations, estate taxes, etc. Some of these cuts will augment individual retirement accounts (IRA).

Although president Clinton threatened a veto, he also explicitly stated that he too favours a tax cut, a reduced federal expenditure and above all an approach towards a balanced budget. Political analysts seem to be correct in stating therefore, that the Republicans and not the Democrats have already won their declared battle just on the eve of 1996 election. At any rate, the outcome of the budget proposal seems to be tilted in favour of the Republicans' conservative goals with some mix of the Democratic flavour in favour of education costs and IRAs. Some commentators concede that this budget does include two reforms that really could be historic. One by removing the federal entitlement to welfare and Medicaid, the proposed change will be hard for any future Congress to reverse without offering a huge bribe to 50 states. Throwing welfare to the states may or may not be a journey from the known to the unknown but states can hardly do worse off than the federal government. The other deal is Medicare. By taking away the middle class entitlements, Republicans have done what many liberals said they would never dare to. By pinning the seeds of market competition, they are privatising the insurance side of Medicare (uncle Sam will still be the financier). The efficiencies that will result will ease pressure to raise taxes and set a precedent for reforming the grandmother of all entitlements, social security. (Paul A Gigot in *The Wall Street Journal* October 27, 1995). Though there was some tinkering with the original House of Representative proposal by the American Senate the following day, the Republican proposal was passed by a 52-47 vote. Some more changes may follow at the negotiation stage. Bob Dole, a Republican leader and aspirant for the White House in next election, called the plan a defining moment and a turning point toward reducing the role and scope of the federal government while Democrats wanted to wash their hands off such a thing. But Democrat president Bill Clinton does not appear prepared to budge. Before or after veto," he said, "I am not prepared to discuss the destruction of Medicare or Medicaid, the gutting of our commitment to education, the ravaging of our environment or raising taxes on working people."

Postscript The Americans officially put their clocks back by one hour from midnight tonight — within 24 hours of passing the proposal by the Senate.

Democratisation of the United Nations

Lavanya Rajamani

As the UN completes its 50th year, its two principal organs – the general assembly and the security council – are the focus of reforms for reflecting changed equations in international relations

DAG HAMMARSKJÖLD envisioned the United Nations (UN) as a place for the mutual search for a balance of differing contradictory yet real interests of the contemporary community of states and nations. Far from reaching this goal, the UN today has perhaps moved even further away from contemporary realities and interests than before. In the 50 years since the framing of the charter, there have been dramatic changes in the international power structure. The membership has more than tripled. A large number of developing countries have emerged as important groups in international affairs and a number of sovereign independent territories have been brought into existence [Jain 1978: 284]. The end of the cold war too emphatically changed the power equations in the international sphere heralding the way for a non ideological phase in world diplomacy (CSR January 1992). The burgeoning importance of economic might in international relations is but the obvious successor to the ideology driven politics of yesteryears. And faced with near financial bankruptcy and 1.3 trillion dollars of external debt of developing nations playing havoc with national economies, the UN is in practically uncharted waters [Kumar 1994]. The juxtaposition of all these tendencies and changing equations offers a unique opportunity for a reassessment of premises and a restructuring of power relations in the UN. In the words of David Lange, a former prime minister of New Zealand:

The world now more than ever needs a strong international organisation. We need a UN which genuinely expresses the collective will, upholds common standards and is willing and able to take concerted and consistent action wherever there is a default in its resolutions and international law [quoted in Gupta 1991: 19].

Though the call for democratisation and restructuring of the UN is as old as the charter itself, it is only in recent years that it has gained momentum. A 22 page 'Accra Declaration' adopted by the 103 nation strong non-aligned movement (NAM) on September 8, 1991, argued in favour of a more democratic and transparent UN set up in the light of the end of the cold war and

a drastically changed balance of power equation (CSR January 1992). Though the relevance of NAM today is a debatable issue, the compelling moral authority of a decision backed by 103 nations is undeniable. On the home front too, the 1992-93 annual report of the ministry of external affairs of the government of India strongly advocates the democratisation of the UN to make it more effective [Kumar 1994].

Taking about the need for democratisation as axiomatic, the modalities are yet to be worked out. Suggestions made at the time of framing the charter have suddenly come to light now in an increasingly conducive atmosphere. Yet the how when wherefores have been subject to considerable controversy and academic debate. There are those who argue that the shortcomings of the charter are not due so much to its constitution as it is to the play of vested interests among the members and so they cannot be amended out of the charter. There are others who argue and believe that the UN charter should not be seen as immutable and sacrosanct, that an instrument adopted in 1945 could not realistically be expected to be adequate to meet all the challenges of a changing world. In the words of the Algerian delegate to the 31st session of the UN general assembly:

The respect which all states feel for the UN should not lead to fetishistic attitude, that conceal the defects of the UN resolutions, the failures of its actions and the powerlessness of some of its structures [Jain 1978: 288].

There is considerable merit in both the arguments and that is precisely why the question of reform must be dealt with carefully. The process of reform must be informed by the contemporary political realities which govern the international relations to be of any practical significance. While the goal of providing a greater role to all nations in the decision-making process based on the sovereign equality of all states, is certainly laudable, it must be kept in mind that any wholesale restructuring based on a completely different theoretical basis or radical reforms involving substantial amendment would never pass muster, for the permanent members are yet loathe to sacrifice any of their prerogatives. Only gradual

reforms, with minimal amendment and involving an equal balance of advantage for the superpowers would result in any concrete and long-term change. The echo of this philosophy can be evinced in Jawaharlal Nehru's address to the general assembly in 1960,

The structure of the UN when it started was weighted in favour of Europe and America. It did not seem to us to be fair to the countries of Asia and Africa, but we appreciated the difficulties of the situation and did not press for any changes. With the growth of the UN and with more countries coming into it, that structure today is still more unbalanced. Even so, we wish to proceed slowly with agreement and not to press for any change which would involve an immediate amendment of the charter and raising of heated controversies. Unfortunately we live in a split world which is constantly coming up against the basic assumptions of the UN. We have to bear with this and try to move ever more forward to that conception of full co-operation between nations [quoted in Katyal 1994].

Having outlined the goal and the approach of reforms, the target areas need to be identified. The structures, powers and functions of the two principal organs of the UN, i.e. the general assembly and the security council, are probably the focus of all reforms for any changes in the equations between these two organs and their respective compositions and powers would reflect in the other organs and in international relations in general. A re-examination of the charter and a revision of the charter are the two available approaches to democratisation of these two principal organs. The former would probably be the more interesting for its assumptions would shock conventional wisdom.

RE-EXAMINATION OF THE CHARTER

It is undeniable that the effectiveness of the UN arises out of its benevolent image and its aura of a global platform of universal peace, rather than a fear of its military might [Bhogal 1992: 23]. It is its moral authority which determines the course of events, not its coercive machinery or enforcement capability which is yet to be fully actualised. Therefore, it may be the general assembly which is universal in character, which may be the more important and decisive organ. The myth that most academicians propound as to the purely deliberative and recommendatory character of the general assembly may be just that, 'myth'. Being creation of vested interests, these myths serve their cause well. Merely because the resolutions of the general assembly are not backed by coercive sanctions does not imply

that the general assembly is powerless. Quite often sanctions imposed by the security council, itself are violated, as for instance the trade sanctions against Iraq; this does not make the security council bereft of power. Thus, the general assembly is much more than a deliberative organ. It is a vibrant and dynamic organ with universal reach and immense powers within the existing charter itself. A re-reading of even a sample few provisions would highlight this.

Article 1 of the UN charter outlines the organisation's purposes and principles. They are, briefly: (1) maintain international peace and security; (2) develop friendly relations among nations; (3) achieve international co-operation in solving international problems of an economic, social, cultural or humanitarian character; and (4) to be a centre for harmonising the actions of nations in the attainment of this common end.

While the last three are exclusively in the domain of the general assembly, the first is in an area of concurrent jurisdiction. The role of the general assembly in this traditionally believed area of the security council, was conceived and developed in the San Francisco charter itself. Articles 10 and 14 providing the general assembly to recommend measures for 'peaceful adjustment of disputes' to the security council were incorporated following scepticism regarding the likelihood of co-operation among the major members and insistence by lesser powers for a larger measure of participation [Goodrich 1990:190]. A significantly larger role seems thus to have been envisaged for the general assembly. Its capability to deal with this role is obvious from its history. Ever since the inception of the UN, the security council had been crippled by the indiscriminate use of the veto leaving the entire promise of the charter to be fulfilled by the general assembly. The general assembly set up an interim committee in 1947 to exercise control of the assembly over major political problems [Bowett 1992:49-51]. In 1950 the assembly also passed the Uniting for Peace resolution whereby it assumed to itself the power to determine a threat to the peace, breach of the peace or act of aggression and to recommend action by members including the use of armed force, if the security council, because of lack of unanimity, failed to exercise its primary responsibility for the maintenance of international peace and security. Pursuant to this resolution, the assembly set up a Peace Observation Commission and a UN force. The assembly also dealt with the Suez question in 1956 and the Congo question in 1960 under its authority [Bowett 1992]. Since the legal basis for all the peace-keeping operations of UN till today is unclear, it could be well argued that in the light of Article 17(2) and

the assembly's obvious capacity to deal with peace-keeping operations, the power to organise such operations should be construed to be with the assembly. This could gradually evolve into a custom like certain unhealthy practices (double-veto) have. In any case when the validity of such action was examined by the ICJ in the certain expenses of the UN case, the court clearly opined that the council had the primary responsibility and not exclusive responsibility for maintenance of international peace. The court implicitly held that the assumption of power by the assembly was lawful.

Article 18(2)² of the UN charter which deals with 'decisions' of the assembly on 'important matters', could again be argued to be binding rather than advisory. So also various other articles but the message is the same; the general assembly, the most representative and democratic of all international bodies has endless powers and with proper focus and clarity it could be the best guarantor of world peace.

REVISION OF THE CHARTER

The popular responses to the call for democratisation of the UN have always been limited to proposals restructuring the security council. For, perhaps the most obvious inadequacies lie here. The UN security council does not reflect contemporary power equations for Germany, the most powerful European nation and Japan, the economic superpower have no permanent seat in the UN. The UN also lacks moral authority by keeping almost the entire third world outside the decision-making apparatus [Singh 1991:11]. The large majority of the world, some having just put the colonial era behind it, question the entitlement of five nations to form a cabal to run the world [Goodrich 1990]. Proposals therefore for expansion of the security council and abolition of the 'veto' are as old as the charter itself.

Expansion of the Security Council: There are two issues which can be addressed under this, i.e. increase in the number of non-permanent members and increase in the number of permanent members. Increase in the number of non-permanent members of the council is an issue which has been raised time and again in the assembly and an informal 'gentleman's agreement' was reached among the major powers in London in 1946 on the allocation of non-permanent seats [Goodrich 1990]. Even at that time this was strongly condemned by Vijayalakshmi Pandit who believed that distribution of the council seats by secret diplomacy, to which some of the members of the general assembly were not a party, could not be supported under the international law [Green 1962:48]. Her voice, however, did not carry enough strength to sway the major powers. Though subsequently the strength of the non-

permanent members was increased, there was no corresponding outlining of criterion for eligibility. As clearly expounded by the Egyptian delegate at the San Francisco conference

...(1) if the designation of the non-permanent members of the Council is provided for, without some positive criterion being the basis of their election, and if it is left to the hazards of the ballot, to the temporary combinations or struggle for influence, then, in spite of the broadening of the council, the representation of the whole group of smaller states may still prove entirely inadequate [Green 1962:50].

The veracity of this proposition has been borne out today by the experience of 50 years of vested interest politics in the selection of the non-permanent members. But determination of criterion for selection of these members is another difficult task. The Indian delegate at San Francisco suggested that (1) population, (2) industrial potential, (3) willingness and ability of countries to contribute to international security arrangements, and (4) past performance must be considered to gauge the position of the country for the next 25 years for candidature to non-permanent seat [Green 1962:51]. Unfortunately, these pieces of far thinking wisdom were rejected by the superpowers with the result that under the charter most nations can nominate themselves for candidacy, an anomalous situation at best. Now, that the might of the then small powers has increased tremendously, the political climate may be ripe for these suggestions to be brought to light.

The demand for expansion of the permanent seats in the council is an issue which has vexed the UN for quite some time now. The five members selected at its inception reflected the war-time alliance and balance of power. This alliance was also the assumption upon which the idea of the security council as a 'guarantor of world peace' was constructed. The subsequent breakdown of the alliance and rivalry between the powers, leading to a virtual deadlock in the council, revealed the inherent deficiency of a system which was inflexible and provided no room for change in tune with contemporary political realities. Only a broad-based security council could be made to acquire the requisite moral, democratic sanction and political effectiveness.

The secretary-general of the UN has been, in part, responsible for this growing demand. While in 1982 the secretary-general expressed the need to use the council as a public podium, in 1992 in his report 'Agenda for Peace', he expressly suggested that the security council take in five more permanent members, i.e. India, Brazil, Germany, Japan and Nigeria. Germany and Japan in view of their economic might and the other three

because of their size, location and potential for rapid technological advancement (CSR, October 1992). This suggestion was based upon the realisation that a strong, representative security council is essential for a collective fight against poverty, hunger, economic inequality and technological backwardness. Though these thoughts had been expressed before, admittedly by the Accra declaration of NAM in 1992 and subsequently in the general assembly on November 23, 1992 (CSR January 1992) coming from the secretary-general carries much greater weight.

India too has been consistent in its stance vis-a-vis the restructuring of the security council. In its 1992-93 annual report, the ministry of external affairs clarified that India was pressing for expansion of the council not revision of the veto. It identified the three issues of its concern: (1) The actions of the security council should not impinge upon national sovereignty in the name of human rights; (2) The decisions of the security council should reflect the consensus of the general assembly; (3) The security council should be answerable to the general assembly [Kumar 1994].

All in all, the revision of the charter to accommodate for these trends seems to be a foregone conclusion. Expansion of the security council both in terms of permanent and non permanent members to make it representative enough to discharge its onerous responsibility in the expected transparent and democratic manner is the desideratum of the hour.

Retain of Veto Power: The provision of veto power to all the permanent members of the security council is an issue which has been plagued by controversy right from the initial deliberations leading to the UN charter. The participants in the San Francisco conference were bitterly opposed to the veto provision but as they were aware of the then political realities they acquiesced albeit reluctantly [Green 1962]. But their strong arguments had at least the limited effect of ensuring that the veto would only apply to deliberations of the council which might initiate a chain of events which would require enforcement action [Harris 1951: 55]. The theory underlying this provision is however not without its logic. If one of the major powers were to prove recalcitrant or were to refuse to abide by the rules of the international behaviour that were inscribed in the charter, a situation would be created in which the recalcitrant nation might have to be coerced and obviously no major nation could be coerced except by the combined forces of the other major nations. This would lead to a world war, the prevention of which was the very purpose of the UN [Pavlovsky 1951: 80-81]. Though the veto power is rooted in sound logic, in practice its use led

to the paralysis of the council in several key situations requiring immediate attention. The role of the council as the guarantor of world peace was severely diluted especially when it remained helpless in several conflict situations, such as the one in Czechoslovakia in 1948 and in Korea in 1950. The frustration resulting from the frequent irresponsible use of the veto led to various suggestions:

(a) Abolish the veto completely and accord equality in voting to all members of the security council.

(b) Substitute a qualified unanimity rule for the present absolute unanimity.

(c) Restrict the use of veto to clearly defined areas and exclude it from the pacific settlement of disputes and the admission of new members.

(d) Alter the fundamental nature of the security council by substituting powers of recommendation for the present enforcement powers.

(e) Strengthen further the role of the assembly by giving it enforcement powers.

(f) Provide veto power even to non permanent members.

Ideologically though any of the suggestions may seem appealing, the only suggestion which may be accepted is the one that provides for strengthening of the general assembly. For ultimately it is only the security council which has to concur on amendments (UN Charter Articles 108-109) to the charter. In dealing with the veto power, one fundamental truth must be kept in mind. The veto when used reflects the

schism in the relations among the permanent members of the council. In the words of Goodrich "it is a symptom rather than the cause of a disunited world". And it is this rift in international relations which must be treated at a multilateral level. Short-term solutions aimed at abolishing the veto or extending or limiting its privilege would not serve the cause of democratisation.

Weighted Voting in the General Assembly - J F Dulles Proposal: An area untouched by controversy is the general assembly where each nation irrespective of its size has one vote. While this is undoubtedly democratic, it is often prey to problems of tyranny of numbers. J F Dulles proposed a system of two tier voting i.e., every state would have an Assembly vote which reflects the sovereign equality of all states and gives every state an equal vote, in addition there would be a system of 'weighted voting' so that the result would indicate roughly, a verdict in terms also of ability to play a part in world affairs [Louis 1956: 203-205]. While prima facie it may seem undemocratic to introduce weighted voting, it must be remembered that if the assembly is to assume greater responsibilities then there should exist some mechanism whereby nations which are themselves unable to assume serious military or financial responsibilities cannot put those responsibilities on other nations [Louis 1956]. This proposal has considerable merit for it would fit into the existing organisation without any major alterations and it would enable the assembly

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to take on additional responsibilities which it now shares with the security council, i.e., admission of members, appointment of the secretary general, etc [Louis 1956]. Criteria to be used to compute voting strength of states, however, would be difficult to determine and would require considerable thought.

Role of the Secretary General The secretary general, as the single most powerful functionary of the UN, wields considerable influence in the international sphere. It is obvious then that the appointment of such a person must be with reference to the charter provisions. Yet, the charter does not prescribe any qualifications for the post nor are any guidelines provided. This is an omission which must be rectified so as to ensure that the most committed and principled person adorns the post. Suggestions have also been made to select the secretary general for a longer period of 6 to 8 years so as to make the situation conducive for the secretary general to act without fear or favour. The 1992 report of the secretary general, 'Agenda for Peace', also contains suggestions for increasing the powers/authority of the secretary general. This would be quite wholesome for the world community as the UN could stand up against the dictates of the superpowers [Kajin 1993: 6-8].

Problem of Admission to the UN Article 4 of the UN charter provides for admission to membership to be effected by a decision of the general assembly upon the recommendation of the security council.

In the first ten years of the organisation's history the sharp dissent and ill will among the permanent members in the council resulted in a situation where the council refused to admit any states. Each time a state was proposed for admission by the Soviet Union or the United States, it would be perceived by the other as tilting the balance of advantage against its favour and therefore it would veto the proposal. The result was a virtual deadlock and even the move by the assembly to bypass the council and unilaterally admit to membership was curbed by the International Court of Justice [Bowett 1982: 49-51]. It was only in 1955 that the impasse was broken and members were admitted. The opportune end of the cold war further accelerated the process and in 1991, 7 new members were admitted. Though as of date there are 184 members, this behaviour of the council reveals an unhealthy tendency. It indicates unquestionably that if the power equations necessitate it, the permanent members would not hesitate to revert to their earlier undemocratic practices. The entire matter therefore should be left to the general assembly which as a universal body commands greater respect and legitimacy. Since the charter clearly outlines the conditions for membership, it would be an objective determination and so best left to

the assembly rather than the council which would make a 'political judgment'.

Gender Justice in the UN Article 8 emphasises that the UN shall place no restrictions on the eligibility of men and women to participate in any capacity and under conditions of equality in its principal and subsidiary organs.

This provision despite being called 'self evident' and 'superfluous', was introduced at the insistence of women's organisations in the San Francisco conference (1945). Unfortunately today even after nearly 50 years of the charter's existence even the limited promise of Article 8 has not been fulfilled. Though there have been general assembly resolutions targeting participation of women in the UN set-up up to 20 per cent later 25 per cent and 35 per cent by 1995 little has been achieved. The high professional posts continue to be the exclusive domain of the men. Even in agencies like UNICEF few women officials exist. Till 1990 only 4 per cent of the senior management staff of the UN were women. This is a pathetic record for an organisation that pays lip service to equality. The UN has been described today as practising gender racism. The ramifications are mind boggling. If women are not empowered even at this level gender equal policies will never be made and the equality of sexes will be a mere illusion.

To give true effect to the intention of article 8 the charter must be revised to make explicit the qualifications required for principal posts so that there is little scope for play of gender politics. It is to be noticed that for even the post of the secretary general no qualifications are prescribed. It is not sufficient that such matters be left to the rules of procedure as that would substantially undermine its significance.

CONCLUSION

About 20 years of thought has gone into suggestions for the reform of the UN (since the Special Committee in 1975). Most of the suggestions put forth in this paper towards a stronger and democratic UN have probably been made before. The political will did not exist then and it probably will not exist now to make the requisite changes. The permanent members of the council will be reluctant to sacrifice their privileges for the 'greater good of mankind' and the play of vested interests will invariably cripple the organisation. It is within these confines that any international organisation must work. In the words of Krishna Menon, the leader of the Indian delegation, speaking at the tenth session of the UNGA, "Without unanimity we cannot revise the charter and if there is unanimity, the reasons for revising it will be very small".

It may be perhaps in the present political set-up, impossible to revise the charter so

as to be more reflective of world aspirations. But that does not cast a shadow on the very existence of the UN. The UN has made great strides in its 50 years of existence in the development of a world community and it has even in other respects certainly justified its existence. An analogy used by Brian L. Riquart, under secretary general for special political affairs, seems appropriate here: "The crime rate in this city is high but that does not lead to a demand for the abolition of the police force. On the contrary it leads to a demand for the improvement of it".

The UN is here to stay and if it did not exist we would have to invent it. The time may not yet be ripe for total restructuring but the changing power equations in international relations will soon pave the way for gradual phased out reforms starting with a re-examination of the charter and leading to a truly universal and democratic United Nations.

Notes

1. The expenses of the organisation shall be borne by the members as apportioned by the general assembly.
2. Decisions of the assembly on important matters shall be made by a two thirds majority of the members present and voting.

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Features of Kerala's Economy

E T Mathew

Kerala's Economy: Performance, Problems, Prospects edited by B A Prakash, Sage Publications New Delhi, 1994, pp 418, Rs 375

THE volume under review purports as indicated in the preface to make an assessment of the performance of Kerala's economy and to examine the problems and prospects of the economy during the period from 1956 (when the state was formed) to 1991. While this is admittedly a genuine objective, the justification given for the publication, namely that while a good volume of literature is available on the performance, problems and prospects of the Indian economy, the position regarding studies on regional economies as for example Kerala is extremely deficient (Preface p 11) does not agree with facts. As is well known there is already a fairly extensive literature on Kerala's economy. In fact, the *EPW* had devoted three special issues (Nos 35-37) in 1990 to highlight the unique features of the Kerala economy. In addition, a good number of scholarly articles on the same theme have appeared from time to time in *EPW* and other journals of repute. Be that as it may, the present work is still welcome as it attempts to offer new insights.

Besides the introduction by the editor which seeks to provide an overview of Kerala's economy, the book is divided into five parts, namely: (i) demographic trends, employment and migration; (ii) agriculture and allied activities; (iii) industry and power; (iv) labour, education and skills; and (v) state finances. The volume consists of altogether 20 contributions which by and large encompass all major aspects of Kerala's economy, barring probably employment and unemployment. Of course, there is a brief and rather superficial discussion of this theme in the overview. Probably in an overview this is all that is possible, but even in such a brief account, the total exclusion of any reference to the results of the quinquennial surveys (NSS) on employment and unemployment is a major omission. This inadequacy could have been overcome by adding a separate paper on employment/unemployment to the volume. After all, unemployment, especially that among the educated, is a major problem confronting the state's economy.

The section on demographic trends, employment and migration consists of four contributions. One of the interesting findings by Mridul Fipka in her paper on 'Changing Structure of the Workforce in Kerala' relates

to the fairly rapid growth of non-agricultural employment, especially in the services sector and in non-household manufacturing, in the rural sector. Eapen, however, is not sure about the underlying causes of this change. Is the increase in non-agricultural employment the result of a deliberate attempt at diversification of employment, or is it due to reluctance on the part of the relatively more educated to engage in agricultural work? The paper by P R Gopinathan Nair on migration of Keralites to the Arab world provides many useful insights into the processes, patterns and prospects of migration. It is astonishing that in spite of a let up in the flow of migrants to the Gulf and also a general reduction in the level of emoluments enjoyed by the migrant workers from Kerala returned by their former employers, there has been practically no fall in the remittances received from the Indian expatriates. Nair attributes this to a rise in the savings propensity on the part of the expatriate workers and to a progressive shift in the composition of the workers from less skilled and less educated to more skilled and more highly educated and from manual workers to technical, ministerial, supervisory and professional employees (p 102). These are indeed much needed changes. However, they go only half way in transforming Kerala's economy. As Nair rightly points out, the emigrants' households spend away bulk of their savings in an unproductive manner. He has, however, refuted the oft-repeated allegation that the emigrants' households invariably go in for construction of palatial buildings and lavish money on marriages, festivals and on purchase of land. It is relieving to hear from Nair that extravagant spending has been attracting only progressively lower proportions of the savings of migrants, particularly since 1983. This trend obviously augurs well for the future of Kerala's economy, especially because there is a strong conviction among observers that the Gulf region holds enormous promises for employment of Keralites in ever increasing numbers for a long time to come. Although all the papers included in this section make interesting reading, one is constrained to point out some factual inaccuracies and misleading propositions. The observation of B A Prakash in his paper on demographic trends in Kerala

that "not much attempt has been made to study demographic changes in Kerala" (p 54) is not borne out by facts. There has been in fact substantial work in this area by well known researchers like K C Zachariah, Mani Bhat, Irudaya Rajan and several others. Again, referring to the 'negative developments' on the demographic front, he has listed "high density of population, continuous decline in work participation rates, and rapid increase in unemployed educated and non-educated labour force" (p 59). Evidently, there has been a confusion between demographic (social) and economic factors. Actually, in terms of demographic variables (social development), Kerala is getting very close to the developed countries in the world.

Part III of the book, discussing performance and problems of agriculture and allied activities, consists of five contributions, all of which are quite interesting. All of them, however, are not of uniform quality. The opening paper by M A Oommen on 'Land Reforms and Economic Change' is a well-researched as well as well-documented piece. Discussing the distribution of operational holdings based on gini coefficients worked out from the data provided by the Agricultural Census, he has come up with the apparently startling conclusion that Punjab and Kerala have shown a pronounced trend towards concentration in recent years. While in 1980, 81 large holdings (above 10 hectares) constituted 0.1 per cent of the operational holdings accounting for 7.2 per cent of the total area, in 1986-87 they formed 0.08 per cent of the holdings accounting for 9.7 per cent of the total area. However, Oommen's attempt to attribute this trend to increasing investment in real estate by Gulf migrants may not be endorsed by all as he has not provided any empirical basis for the inference. Referring to Kerala's performance in terms of agricultural production and productivity, Oommen is candid in admitting that changes in relations of production have not ushered in an era of increased production and productivity. And viewed against the backdrop of adequate flow of credit to the agricultural sector, the continued stagnation of this sector stands out as an enigma. However, one of the hypotheses advanced by Oommen to explain this 'enigma', namely, the shift from food crops to cash crops does not seem to be sufficient to explain agricultural stagnation as such, since agriculture as a category includes both food and non-food crops (perennial crops). At best, this hypothesis can explain only the fall in the production of food crops but not their productivity.

While there is some truth in Oommen's assertion that due to the Gulf impact, land

from being a means of production, has become a prominent commodity in exchange, it cannot be accepted that farmers in general view land as a commodity in exchange only. His proposition applies only to a tiny section who purchase land as an investment and wait for an opportune moment to reap large profits through sale. This phenomenon, in fact, is confined to a few urban centres and not at all to rural areas as a whole where land is, by and large, still held as a means of farm production. The concluding observation by Oommen that "at best land reforms is only a necessary condition and has to be related to the development needs and emerging socio-economic reality" (p 133) cannot meet with any disagreement.

P K Sivanandan has tried to cover a vast area in his paper on performance of agriculture in Kerala. Instead of highlighting the significant growth trends, he has devoted a small section each to all crops, food and non-food and individual crops such as rice, coconut, tapioca and rubber, with the result that the treatment has become too descriptive and the focus of the paper has been lost. Probably a still more serious limitation of the paper is that though the publication was released in 1994, the time frame of the discussion does not extend beyond 1982-83. The last section of the paper, however, has touched upon several relevant issues. For instance, referring to the deceleration in the case of rice and coconut, Sivanandan makes a very pertinent observation that effective and full utilisation of the irrigation potential and improving upon scientific management with increased inputs (as in the case of rubber) may help these crops to recover from the decelerating trend (p 156). If only the author had concentrated on such aspects, the presentation would have been far more fruitful. Unlike in the case of Sivanandan, V Radhakrishnan et al have done well to focus attention on a single crop, namely rice, which is the staple food crop of Kerala. By marshalling all the relevant data on area, production and price, the authors have produced a very scholarly piece. Their conclusion that, though there are many reasons for the falling area and production of rice in Kerala, falling profitability of rice cultivation appears to be the most important among them, is unexceptionable. The article by John Kurien on Kerala's Marine Fisheries Development Experience, included as the last item in Part III of the book, presents an analytically brilliant exposition of a theme relatively little known to professional economists. For the purpose of a detailed analysis of marine fisheries development experience of Kerala, Kurien has divided the period from 1956 to 1989 into three phases. The period 1956-66 formed the 'slow modernisation phase', the thrust was to raise the levels of productivity of fish harvesting

and to improve the methods of fish processing and marketing, thus raising the availability of good quality fish and enhancing the standard of living of the fisherfolk. 'The rapid modernisation phase' from 1967 to 1980 was characterised by a new thrust to fisheries development, namely, an export orientation by introduction of modern technology. This period saw the entry into the marine fishing sector of a new 'owner class' traditionally not involved in it. This owner class cornered a significant share of the value of output. For the vast majority of the traditional fishermen who continued to own and work on the non-mechanised craft, real incomes had registered a sharp fall. At the end of the rapid modernisation phase, thus, Kerala's marine fisheries and the majority of its fishermen were faced with an impasse. During the period 1981 to 1989 described by Kurien as the 'dilemma phase', there took place motorisation of traditional fishing craft throughout the state. Interestingly, in many districts, motorisation gave a big boost to the use of fine-meshed encircling nets called ring-seiners, which were nothing but a smaller version of the large and destructive purse seine nets vehemently opposed by the traditional fishermen earlier. Kurien has vividly described how extensive motorisation has necessitated large investments by traditional fishermen and has led to the emergence of new ownership patterns and patterns of sharing the income. The conflict between fishermen using traditional fishing crafts and those using trawlers as well as the fast emerging conflicts among traditional fishermen themselves have yet to find a lasting solution. To Kurien, any resolution of the conflict should aim at adequately protecting the interests of the vast majority of the fish worker population and the fish consumers who depend on the fisheries sector as a source of livelihood and food.

The next section may be considered to form the core of the present volume, not only in terms of the number of papers included but also in view of the importance of the theme discussed, namely, industrialisation of the state. The contributors in this section include researchers such as K K Subrahmanian, P Mohanan Pillai and M M Thampy who have done considerable research on Kerala's industrialisation.

Subrahmanian in his paper on 'Some facets of the manufacturing industry in Kerala' has shown that the growth performance of the manufacturing sector in Kerala has been far below the all India average. The continuing deceleration of this sector in fact poses a paradox against the backdrop of high saving ratio of the state economy and rich human resource endowment. The manufacturing sector in Kerala is dominated by certain traditional industries like food products and

beverages, cotton textiles, and wood products which together account for more than 50 per cent of the total employment in the ASI factory sector. In terms of employment in the ASI factory sector, cashewnut processing (24.2 per cent) followed by manufacture of bids (7.2 per cent) are the leaders. However, in terms of value added (ASI factory sector), generation and transmission of electrical energy (23.3 per cent) followed by fertiliser (8.2 per cent) lead the rest. Combining the factory and manufacturing sectors, it is observed that the top three performers in terms of employment are cotton (45 per cent), handloom (20 per cent) and cashew (10 per cent). According to Subrahmanian, the 'fragile' base of the manufacturing industry in Kerala is due to the absence of any 'loose-leave' (sunrise) industries like engineering industries. He has also highlighted the fact that the role of small scale is compared to large scale units is relatively more in Kerala than at the all India level. The share of the large scale sector being relatively small, it is not been possible to provide a diversified manufacturing base which could stimulate technical progress and inter-industry linkages. However, Subrahmanian has not attempted any enquiry into the factors that have inhibited the emergence of a diversified manufacturing base. This is probably a major limitation of his study. The author has mentioned high cost of production as one of the unfavourable factors in the development of manufacturing industry in Kerala. For example, in 71 out of 49 product groups in the modern manufacture, the cost of production in Kerala is higher than at the all India level. Returning to the relative roles of the central and the state governments in promoting rapid industrialisation of the state, Subrahmanian has stressed the fact while central public sector investment is far below the state's share in the country's population, the state public sector consists of too many small units. In either case, appropriate investment is inadequate. There can be no disagreement with the author's concluding observation that Kerala is not industrialising along the convention of time, and that the priority shall be on developing sunrise industries producing skill-intensive, technology-based and high value added items.

The paper by Mohanan Pillai on the performance of state sector manufacturing enterprises in Kerala has supplemented the contribution of Subrahmanian by attempting to identify and analyse the weaknesses of state enterprises. He would consider that the major weakness of state enterprises is organisational. Hence he has made a number of appropriate suggestions to tune up the organisational structure. In his paper on 'Development of Organised Small Industries: Some Issues', M M Thampy has undertaken an in-depth study of the small scale industries

sector of Kerala. In the first part of the paper he has examined the wage-cost component and has come to the conclusion that Kerala's small-scale sector is characterised by lower labour productivity and higher wages as compared to all-India. In the second part he has examined the 'psychic costs' – a relatively novel concept – involved in locational decisions regarding small-industry units.

He points out that these decisions are not made on the basis of a strict calculus of costs and returns. Entrepreneurs may often look for peaceful industrial atmosphere instead of high profits. Thampy feels that such considerations are more relevant in the case of small-scale industries. The existing labour unrest in the state's industrial sector has created a mistrust in the minds of the investing class. He has, however, admitted that there are factors other than high wage costs and psychic costs that have stood in the way of industrial investments in the state.

Among the essays included in Section V, those on 'Trade Unionism in Kerala' by K Ramachandran Nair and 'The Trend and Pattern of Trade of Kerala' by T M Thomas Isaac deserve special mention. Nair's assessment of trade unionism in Kerala is candid and realistic. His observation that there are two kinds of leaders in Kerala's trade union movement, namely, leaders with primary interest in the movement and leaders with primary interest in politics is pertinent. It is because of the intervention of the latter that political issues are drawn into industrial relations. This tendency is to some extent nullified by the fact that Kerala has succeeded in establishing a healthy and constructive institutional framework for prevention and settlement of industrial disputes. The discussion on the whole is balanced and dispassionate; the earlier historical section, however, could have been made brief. Isaac's paper on external trade of Kerala is an original contribution which throws much light on little known aspects of Kerala's trade. He has presented an exhaustively informative and analytical treatment of Kerala's exports consisting of cashew and marine products, coir, spices, tea and coffee, interstate exports consisting of rubber and coconut, and imports from foreign countries as well as interstate. Isaac's paper has helped demolish several popular perceptions regarding Kerala's foreign trade. Throughout the post-independence period, interstate trade of Kerala has been gaining more importance than foreign trade and presently foreign trade of Kerala forms less than 25 per cent of the total external trade. Further he has shown that nearly 90 per cent of Kerala's foreign exports consists of final products and not primary raw materials as commonly perceived. In a way it is paradoxical that the products of two major commercial crops,

namely, coconut and rubber are entirely traded within India while only a very negligible proportion of the cashew and marine products from Kerala are marketed within India.

The essay on 'Trends in Kerala State Finances' by K K George though listed as the last entry in the volume (forming a separate section on state finances) is by all means one of the foremost contributions. The crux of the financial crisis the state has been passing through in recent years consists in the compulsion to carve out a surplus in its capital account in order to finance, at least partly, its recurrent revenue deficit. George has traced the fiscal crisis to the inadequate provisions made by the Eighth Finance Commission (1984-89). Generally, the Finance Commissions' forecasts of non-plan expenditures of the state government particularly those relating to increases in expenditure on account of upgradation of emoluments have been far below the actuals. According to him, the achievements of the state in meeting selected national objectives in the fields of education and health care have been used by the Finance Commissions to deny not only upgradation and special

problems grants, but also its legitimate tax shares under devolution formulae. While the tax efforts of the state as evidenced by the elasticity of tax revenue have been commendable (the state had the highest elasticity among 15 major states during 1970-71 to 1985-86), the share of the state's non-tax revenue, especially interest receipts and receipts for economic services, in total 'own' revenue has been lower than that of all the states in most years. At the heart of the problem of the recurring financial crisis in the state is the fact that its per capita revenue expenditure is higher than that of all the other states while its per capita capital expenditure has always been lower. To make matters still worse, the revenue content of developmental expenditure also has been higher in the state compared to the rest of the country.

Notwithstanding the fact that there is a certain amount of duplication and overlap, this volume of essays is a welcome addition to the existing literature on Kerala's economy. The readability of the book, however, could have been greatly improved by more careful and thorough proofreading and by proper editing.

Towards Genuine Local Government

Jose George

Decentralisation: Panchayats in the Nineties edited by Amitava Mukherjee; Vikas Publishing House, New Delhi, 1994; pp xviii + 298. Rs 450.

A LOT of literature has come out on the historic 73rd and 74th constitutional amendments to give constitutional backing to the third stratum of administration. The book under review edited by Amitava Mukherjee is the outcome of a national seminar on panchayats held at the National Academy of Administration, Mussoorie, from July 22-25, 1993 "where several experts, who either live their lives with the joys and sorrows of panchayats or who have soiled their hands in a bid to instil life, in their own way, into these institutions, assembled, debated and deliberated upon what the agenda for the panchayats in the 1990s would be" (p x).

The 15 articles in the volume are organised into five sections, namely, Political Issues, Resources, Functions of Panchayats, Institutional and Personnel Issues and Lessons from Experience. Under the section on Political Issues, the first article by M Shriviah deals with systems and measures to enhance accountability in panchayat raj administration. Though Shriviah mentions several measures like planning, committee system, guidelines by government management

system, etc., it seems he has not taken into consideration the role of constant vigilance by the people to protect any democratic institution.

The article by T L Satish Chandran deals with inter-tier allocation of functions and V Ramachandran's article mentions the salient features of the 73rd constitutional amendment with the help of a SWOT (Strength, Weakness, Opportunity and Threats) analysis of panchayat raj institutions in the country.

The section of resources covers financial, human and land resources along with arrangements for scientific and technical management and other expertise support systems. N C Saxena mentions the potential of joint forest management all over India with the help of community-based forest protection committees, as successfully implemented in West Bengal. J M Girglani mentions that the essence of local self-government lies in the freedom the local self-government institutions enjoy in selecting their own course of development and the availability of their own sources of finance to pursue the same (p 67).

The training module for trainers and the core-planning team of districts mentioned in the article by V K Agnihotri Sudhir Krishna and Amitava Mukherjee is useful for the concerned people. The write-up under the title land as the vital resource with panchayats gives valuable data on the current situation of land reforms in the country and the progress made by different state governments in distributing government wasteland for cultivation and homestead purposes to weaker sections.

L C Jain and Amitava Mukherjee have contributed an article each to the third section on Functions of Panchayats. Jain has emphasised the necessity to reorient and restructure the planning process and state level departments and agencies consequent on the 73rd constitutional amendment. According to Jain it is necessary to create conditions for the formulation of area plans by panchayats starting from village level and for the integration of these village area plans at panchayat samiti and zilla levels (p 132). Amitava Mukherjee in his article emphasises the need for creation and maintenance of alternative data bases for panchayati raj institutions. Detailed classification and listing of the data requirement at village level for micro level planning mentioned by Mukherjee is a useful guideline for the panchayati raj functionaries at the grass roots level.

Two articles are included in the fourth section on Institutional and Personnel Issues. Sudhir Krishna in his article gives details of the government departments to be brought under the panchayati raj institutions. He is of the opinion that mere rules and procedures would not facilitate empowerment of the people. A healthy respect for the process of democratic decentralisation among the political executive and bureaucracy alike would be of the essence (p 199). S S Meenakshisundaram warns that the creation of panchayati raj institutions at village, intermediate and zilla level is definitely going to create some problems with regard to the posting, transfer and allegiance of civil servants at the district level. One solution suggested by him is the constitution of a panchayati raj services board to recruit and manage all the local government employees.

In the last section on 'Lessons from Experience' V R S Cowlagi and S S Mehta has given a report on the Gujarat experience and Nirmal Mukherjee and D Bandyopadhyay on West Bengal. Gujarat introduced an innovative scheme of decentralised planning in November 1980 operated through district planning boards. Probably the most useful and well written paper in the volume is the one titled 'New horizons for West Bengal Panchayats' by Nirmal Mukherjee and D Bandyopadhyay. It is an adaptation of the authors' 'Report

on Functioning of Panchayats in West Bengal' prepared for the government of West Bengal. According to the authors panchayats in West Bengal are the first in the earlier generation of panchayats in which since 1978 political parties have openly participated in elections held regularly every five years and so they have now endured long enough to be treated as essential components of a new system of governance. The Left Front government embarked upon a programme of rural resurgence through panchayats and land reforms. According to the authors, more than their achievement in the spheres of land reforms and rural development panchayats have brought about a churning of the submerged humanity in the rural areas and created a high degree of social and political awareness among all sections (p 216). However, even in West Bengal where panchayati raj institutions are reported to be functioning relatively well the authors complain that the state government has not felt any compulsion to reduce either its functions or its staff and so the claim that the panchayats have a degree of autonomy is not sustainable. The authors suggest that in the context of West Bengal land reform measures still have their validity and the next stage could be a statewide move for the consolidation of the plots of actual tillers of the soil — small farmers, patia holders and recorded hargadars.

In the last article of the volume Amitava Mukherjee has dealt with the steps to implement the 73rd constitutional amendment act both in letter and in spirit and the resolution of three conflicts, namely those between state level and national level legislators on the one hand and the local level politicians on the other, between the politicians and the bureaucracy and between

vested interests and the local level institutions.

This comprehensive work on decentralisation through panchayati raj is definitely an important addition to the existing literature on the subject. Those who are concerned with the policies and programmes of devolution of power and of local self-government would find it very useful. However, one can identify some inadequacies. It will not be an exaggeration if one sees it as a volume of bureaucrats, for bureaucrats and by bureaucrats. Most of the contributions, with the exception of a few, are by serving or retired civil servants or those who are from institutions directly controlled or sponsored by state or union governments. Probably on account of their training and self imposed restraint on expressing opinions contrary to the liking of the establishment the authors might have found it more convenient to deal with procedures and planning and the legal implications of the constitutional provisions. Absence of contributions by scholar activists and conscientious academicians and social scientists who can afford to be critical can be mentioned as a deficiency. Discussion of the emerging philosophy and politics of panchayati raj and pragmatic suggestions by grass roots activists and widening of the available data based on their personal experience would have gone a long way in enriching the volume. A detailed and systematic introduction of the topics by the editor at the beginning and a detailed bibliography and index at the end would also have enhanced the usefulness of the volume as a reference manual. The price of the book is also high and keeps it beyond the reach of individuals. Perhaps these points could be taken into account while bringing out the next edition of the volume, preferably a paperback one.

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The author was a student of Jnana Prabodhini, a renowned educational institution in Pune and later worked as a volunteer for the same institution for 10 years, he simultaneously garnered a B.Com an M.A. and later an M.Phil in History. He also worked as a freelance journalist in Pune.

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Structural Adjustment in India

A Critical Assessment

Ashwini Deshpande
Prabirjit Sarkar

This paper examines trends in broad macro aggregates like exports, imports, industrial production, inflation and external debt in order to assess the impact of the structural adjustment programme in India, at work since July 1991. Using monthly data since 1980, our results indicate that exports, imports and the balance of trade are following a long-term trend which has been unaffected by the two doses of devaluation in 1991. This leads us to question the utility of devaluation as a corrective mechanism for achieving a desired trade balance. At the same time, indications are that devaluation would worsen the debt burden, ceteris paribus. Thus the BOP deficits are unsustainable, as they are accompanied neither by improved net export earnings, nor by easier external finance. There is also some indication of stagnation in industrial production and acceleration in inflation since 1991.

I Introduction

It is commonly believed that the New Economic Policy (NEP) in India started in July 1991 as a response to the external debt and foreign exchange crisis. It has been argued that the NEP, in the sense of a departure from the post-independence model of planned development, actually can be traced back to the mid-late 1980s. However, it is equally true that it was only as a response to the 1991 crisis that the IMF World Bank advocated Structural Adjustment Programme (SAP) began in full earnest and the process that had begun in the mid 1980s unfolded itself in its myriad facets. Thus it would not be unreasonable to regard July 1991 as the starting point of the structural adjustment and stabilisation programme,¹ constituting reforms which are broadly summed up in the phrase, the New Economic Policy.

Liberalisation and reform in India has been the subject of much interest and speculation [see, for instance, Sen and Das 1992, Basu 1993, Joshi and Little 1994, Sen 1994, Sengupta 1995] and so far most of the work rests on assertions. The working of the SAP in other developing countries has been studied extensively [Payer 1974, Pool and Stamos 1985, Sachs 1986, Cooper 1989, George 1989, Chossudovsky 1992 to mention just a few works] mainly reflecting the much longer time period for which the SAP has been in operation there. In India any comment on the SAP is dismissed as invalid on the ground that the time period for its operation has been too short, amongst other things. However, given that the country is in the fifth year of its operation, we feel that it is time to take stock of at least certain major trends in the economy. Also, the relatively short time span has not stopped

the enthusiasts of the SAP from making till-claims of success on broad macro aggregates. The aim of this paper is precisely an examination of these claims.

One of the important aims of the SAP in India has been the control of inflation, as in other target countries. This and other accompanying measures such as trade liberalisation, devaluation, privatisation and a cut back in government expenditure are supposed to boost growth of industrial production and exports and thus pull the economy out of stagnation and recession. A subsidiary, albeit important, benefit expected from this process is a reduction in the debt burden, as it is believed that the spurt in exports due to devaluation would generate the necessary repayment capacity immediately to relieve the debt overhang and reduce the need for borrowing in the long term.

All of these claims are controversial since the IMF dictated SAP has common ingredients in all the target countries; these have been challenged the world over. The issues involved in the debate are several, ranging from the feasibility of ensuring price reform to specifically the role of each of the measures that the IMF proposes, to larger questions of state versus the market and the possibility of benefits of free market development reaching the majority of the population. It is not our intention to repeat this debate in its entirety, with India as merely the starting point. Even the staunchest defenders of the SAP admit there are costs associated with the kind of austerity inherent in the programme and the poorest are more often than not the worst hit. There is no reason to believe that India would be an exception in this regard, especially as the much-touted safety net has not gotten off its ground. Thus taking the adverse impact

on the poor as given, our focus in this paper is to examine certain broad macro-economic indicators which give a glimpse of the state of the economy.

II Indian Economy under NEP: Trade and Production Scenario

The crucial question that is sought to be answered in this section is: has there been any change in the balance of trade scenario under the NEP? In a recent study, Sarkar (1995) argued on the basis of monthly data that the trend growth of India's exports and imports (dollar values) during the NEP years, 1991-94, is actually a continuation of the trend of the pre-NEP years, 1988-91.

This analysis can be carried further by taking into account a longer period 1980-94. Data sources are the same as in the Sarkar (1995) study: IMF, International Financial Statistics (various issues). Monthly data on dollar values of exports and imports have been assembled over January 1980 to July 1994. For seasonal corrections, seasonal dummies are used. In order to cure autocorrelated errors, the maximum likelihood procedure has been used.² A log-linear trend has been fitted to the series of India's exports and imports; intercept and slope dummies (D, SD) are added to the trend equation to examine the impact of the NEP regime since July 1991 on the trend-growth in the dollar values of India's exports and imports.

Our estimate shows that the dollar values of India's exports (XDL) rose at the rate of 0.8 per cent per month while the dollar values of India's imports (MDL) rose at the rate of 0.5 per cent per month during January 1980 and June 1991. These trends continued during the NEP years without any structural

shift - no acceleration in the growth of exports and no deceleration in the growth of imports since July 1991. The balance of trade (in US dollars) - BOT - did not show any trend-growth in the pre-NEP years; the situation did not change during the NEP period:

$$\begin{aligned}\log(XDL) &= 6.13 + 0.008t - 0.02D + 0.002SD \\ &\quad (119.71) (13.9) (-0.04) (0.04) \\ \text{Adj R SQ} &= 0.94, DW = 2.05 (1) \\ \log(MDL) &= 6.81 + 0.005t - 0.04D + 0.002SD \\ &\quad (181.34) (11.06) (-0.72) (0.56) \\ \text{Adj R SQ} &= 0.76, DW = 1.97 (2) \\ BOT &= -527.02 + 0.8t - 57.82D - 01.80SD \\ &\quad (-11.43) (1.42) (-0.09) (0.46) \\ \text{Adj R SQ} &= 0.43, DW = 2.00 (3)\end{aligned}$$

where t = time, D , intercept dummy = 1 for the period, July 1991 and July 1994 and = 0 otherwise; SD , slope dummy = $D.t$. (t -ratios are in parentheses; estimates of seasonal dummies are skipped)

In view of arbitrary choice of break points in the dummy variable analysis, Sarkar (1995) used CUSUM Squares test and found no evidence of break anywhere in the series of India's exports and imports during 1991-94. This test is repeated here for a longer period, 1980-94 and it confirms the earlier study.⁴

Thus, in spite of two doses of devaluation in July 1991 and another 20 per cent devaluation in March 1993 through abolition of dual exchange rates, India's exports did not accelerate and the balance of trade situation did not show any sign of improvement. Thus, so far there is no evidence of devaluation bringing about an improvement on the balance of trade front, that was expected as one of the first successes of the NEP. This result also provides circumstantial evidence in support of the view of Sarkar (1992, 1994a,b and 1995) that the exchange rate behaviour has no influence on India's balance of trade.⁵

Next, let us consider the scenario of industrial production. Using the monthly data on the index of industrial production (IIP)⁶ over the period January 1980 - April 1994, the monthly rate of growth has been estimated to be 0.58 per cent. There is no evidence of acceleration in the trend-growth path under NEP; in fact, there is weak evidence of deceleration in industrial production:

$$\begin{aligned}\log(IIP) &= 4.56 + 0.0058t + 0.52D - 0.004SD \\ &\quad (120.84) (12.6) (1.19) (-1.27) \\ \text{Adj R SQ} &= 0.96, DW = 2.05 (4) \\ \text{where } t &= \text{time, } D, \text{ intercept dummy} = 1 \text{ for the period, July 1991 - July 1994 and} = 0 \text{ otherwise; } SD, \text{ slope dummy} = D.t. \\ &(\text{t-ratios are in parentheses; estimates of seasonal dummies are skipped}).\end{aligned}$$

The dummy variable analysis has been supplemented by the CUSUM Squares test. There was no evidence of structural break anywhere in the series over the period 1991-94.⁷

To place these results in the context of the empirical work being done for other countries, note that a statistical study of 93 countries of the growth-oriented adjustment programme [Faini et al 1990] suggests that after controlling for external factors and for initial conditions, growth is not higher in countries recipient of IMF-World Bank funding, but that investment is significantly lower than non-recipient countries.

III

Is Inflation under Control?

The SAP proceeds with the assumption that inflation is caused by demand pull factors and a tight monetary and credit policy is all that is needed to reduce the inflationary potential of the reform measures. This approach has been responsible for a curtailment in the size of the monetised deficit in the post-reform period, yet inflation has persisted and in fact, has accelerated. This evidence leads us to suggest that the understanding of the SAP about inflation may be flawed. Pandit (1993) has argued that inflation in India is more the cost push variety, contrary to the Fund/Bank view.

We examined monthly data on the index of wholesale prices (WPI), over the period January 1980 to April 1994. This series exhibited a trend-growth of 0.6 per cent per month during the pre-NEP period (January 1980 to June 1991), with a strong evidence of acceleration during the NEP years (starting July 1991).

$$\begin{aligned}\log(WPI) &= 4.55 + 0.006t - 0.32D + 0.002SD \\ &\quad (252.08) (28.1) (-1.99) (2.23) \\ \text{Adj R SQ} &= 0.99, DW = 2.13 (5) \\ \text{where } t &= \text{time, } D, \text{ the intercept dummy} = 1 \text{ for the period July 1991 July 1994 and} = 0 \text{ otherwise; } SD, \text{ slope dummy} = D.t. \\ &(\text{t-ratios are in parentheses; estimates of seasonal dummies are skipped}).\end{aligned}$$

The implication of this is that measures of the government, ostensibly for inflation control, would not only be ineffective, but also may have certain other undesirable effects. For instance, in countries like India, where credit finances more investment than consumption, a rise in interest rates as a means of inflation control may lead to a dampening of investment, with serious repercussions on future growth prospects.

ERF (1995) spells out the inflationary trends in the various sectors of the economy,

thus exploding the myth of inflation control. It has been demonstrated that the annual price increase in the last four years has been around 10.5 per cent to 11 per cent. These price increases have been widespread and substantial. Among the major subgroups of primary articles, the increases during the period end-March 1991 to December 17, 1994 ranged from 42 per cent to 93 per cent. This is despite the unprecedented seven good consecutive monsoons that India has enjoyed. The ERF (1995) has identified several factors that are a direct fallout of the SAP, that have contributed to inflation. Regarding many primary commodities, an aggressive export promotion has pushed up their prices in the domestic market. For fertiliser, electricity and coal, a reduction in subsidies has contributed to a rise in their prices. Decontrol of prices as a part of the SAP have also led to a rise, for example, in the case of cement.

Corroborating somewhat the view that inflation is more due to cost push factors, the ERF study pinpoints the rise in procurement and support prices as a major determinant of inflation in agricultural commodities. Thus, the increase in issue prices have been even more substantial, in keeping with the line of reducing subsidies. Also, with the government committed to controlling the fiscal deficit, and unwilling to raise taxes, increase in administered prices has been an annual feature, which given the nature of commodities, has a multiplier effect on inflation.

IV

External Debt Scenario⁸

Since a crisis of external debt repayment is supposed to have sparked off the SAP, an examination of the debt situation is in order. Through the 1980s, the government has been steadily increasing its reliance on external borrowing. India's external debt expanded at a rate of more than 15 per cent per annum during the 1980s. The outstanding debt doubled from \$ 20.6 bn in 1980 to \$ 41 bn in 1985, and then doubled again in the next five years to \$ 82 bn by 1990. The total external debt as a percentage of the country's GNP increased from 11.9 per cent in 1980 to 28.1 per cent in 1990. At \$ 91.78 bn, India carried the third largest debt in the developing world in 1993 [CMIE 1995].

As the composition of India's debt changed with short-term and high cost debt getting

TABLE 1: AVERAGE TERMS OF NEW COMMITMENTS (FOR ALL CREDITORS)

	1970	1980	1985	1986	1987	1988	1989	1990	1991
Interest (per cent)	2.5	5.5	5.8	5.7	5.2	6.2	5.5	5.3	5.6
Maturity (years)	34.0	33.5	25.6	20.2	23.7	20.3	19.7	25.7	20.0
Grace period (years)	8.2	7.1	6.3	6.1	6.8	6.4	5.7	11.7	6.3
Grant element (per cent)	60.8	44.8	32.5	28.9	34.9	27.4	30.4	37.3	32.3

Source: World Debt Tables, 1993-94.

a larger share in the total outstanding debt, debt servicing costs escalated substantially. Total debt service grew by 30 per cent in 1982 and 1983 and then by 52 per cent in 1986. In a short span of 6 years, the total debt servicing multiplied 3.7 times. In the same period, exports of goods and services barely increased by 9 per cent. As a result the debt service ratio increased sharply from 9.3 in 1980 to a record 32 in 1986. It thereafter declined slightly but is still quite high compared to other indebted countries. In 1993 it was 29 per cent.⁹

The enhanced debt burden is largely attributable to the relatively harder terms at which debt is forthcoming. Thus concessional debt as a percentage of the total external debt has fallen from 75.1 per cent in 1980 to 42 per cent in 1992 [WDT 1993:94]. A look at Table 1 shows that while the interest rate for all creditors remains more or less the same through the 1980s, the maturity period has shortened considerably from 33.5 years in 1980 to 20 years in 1991. Over the period the grant element has declined from 44.8 per cent to 32.3 per cent.

This has resulted in a decline in the net transfers on debt¹ (Table 2) which rose through the 1980s up to 1988 but have been falling subsequently and in 1992 are only half the amount in 1985. The table also shows that this trend is mainly due to the negative transfers on debt due to private creditors.¹¹

Some discussion of devaluation is in order here. The empirical results in the previous section indicate that devaluation has not had any significant impact on either exports or imports. Indeed radical changes in the nature of both exports and imports would be needed to achieve that, changes that would not be brought about merely by price reform. Now, in the context of debt repayment it appears that a devaluation would actually worsen the repayment burden *ceteris paribus* as the currency composition of long-term debt indicates that about half of India's debt (48.7 per cent in 1992 according to WDT 1993:94) is in US dollars. The implicit assumption behind this suggestion is, of course that no additional repayment capacity would be created by devaluation which we have strong reasons to believe.¹²

To understand the real factors behind accumulation of debt the most important

indicator is the BOP account. Overall a deficit would indicate that a country needs finance. However if net exports or invisible are likely to rise the need for borrowing is that much reduced. Even if that is unlikely we shall call these deficits sustainable if external assistance is easily forthcoming and at terms that keeps debt service within prudent limits. We have seen above that both these conditions are violated in that the availability of external finance is reduced and the terms have become harder.¹³ This is true not only for India, but for most of the indebted developing countries. At the international level this trend is unlikely to be reversed in the medium term as the bank's experience of high exposure to LDC debt is still too fresh for them to repeat their follies. Also the long term trends in exports and imports reported in the previous section and no suggestion of a substantial change in trade deficits together point towards a reduction in the element of sustainability if anything.

However despite the rapid deterioration of the debt situation which resulted in India's climb from a country with no serious debt problems (according to the World Bank classification) in 1988 to the third largest debtor among the developing countries by 1991 it is not clear that the government has devised a strategy to deal with debt crisis. The current approach of the government is largely to tackle the pressing immediate problems on the external debt front more as ad hoc solutions which may not necessarily bind into a strategy.¹⁴ The SAP notwithstanding. The government is proceeding with the premise that standard textbook formulae would work. Setting aside the uncomfortable question of the possibility of being able to achieve a market clearing rate, we have seen that a devaluation has so far not actually worked in the expected fashion. In addition it would only exacerbate the repayment burden. So far there seems to be no indication of a change in any of these trends.

V

Concluding Remarks

This paper was an attempt at examining the trends in certain broad macro aggregates of the Indian Economy since July 1991,

which can be regarded as the beginning of a structural adjustment programme (SAP). For this monthly data on exports, imports, index of industrial production, consumer price index, wholesaler price index and yearly data on external debt was used for the period 1980-1994. Our results indicate a stagnation in industrial production and an acceleration in inflation since the start of the SAP. In addition despite substantial devaluation, the trend in exports, imports and hence the trade balance remains much mixed since 1980. This leads us to question the utility of devaluation as an instrument of export promotion *ceteris paribus* and also indicates that perhaps the causes of export stagnation have more to do with factors in the real economy rather than with failure to reach a illusory market clearing exchange rate.

While devaluation has not contributed to an improvement of the trade balance it would certainly worsen the debt repayment problem contributing to the exacerbation of the debt overhang. Since the 1980s India has had consistent BOP deficits which can be termed unsustainable as they are accompanied with neither an improvement in net export earnings and/or remittances nor with easier external finance. Since the outbreak of the debt crisis in 1982 international commercial banks have consciously tried to reduce their exposure to LDC debt as a result of which availability of credit has gone down and the terms have become harder. India is amongst the many victims of this development and now commercial credits is available at harder terms and official credit would only come with greater conditionality.

Since this paper is concerned with examining the effect of precisely such conditionality on the Indian economy we can see the operation of a vicious circle. The external debt problem which reflects a problem in the real sector of the economy, should ideally be settled with greater export earnings. Since that is not forthcoming the country gets into the trap of greater borrowing in order to repay its past debt. Greater amounts of official credit comes with conditionality, one recommendation of which is devaluation, which is likely to worsen the debt problem, as the paper has argued. In addition if the economy is going to be saddled with a stagflation we can conclude that an

TABLE 2 NET TRANSFERS ON DEBT

(US \$ Million)

	1970	1980	1985	1986	1987	1988	1989	1990	1991	1992
Net transfers on debt	401	855	1 159	1 127	1 769	1 718	851	655	541	547
Public and publicly	407	691	1 173	1 440	1 859	1 949	1 073	894	631	723
Official creditors	441	551	813	689	1 697	1 730	1 393	1 173	1 255	1 347
Private creditors	-34	140	360	750	161	218	-319	-281	1 056	624
Private non-guaranteed	-6	164	-14	-313	-89	-231	-222	-239	90	176
Memo total commercial banks	-3	432	382	370	918	577	129	441	555	-924

Source: World Debt Tables 1993-94

alternative approach¹³ to get the economy out of its present predicament may be needed.

Notes

[Funding and infrastructural support for the preparation of this paper was provided by the Centre for Development Economics, Delhi School of Economics. We would like to thank K L Krishna for comments and Tirtha Pratim Dhar for research assistance.]

- 1 It needs to be noted that stabilisation and structural adjustment are two distinct programmes, and if the macro-economic imbalances are believed to be transitory, stabilisation policies could be introduced without necessarily going in for structural adjustment. However, in many economies, including the Indian one at the present juncture, stabilisation and structural adjustment are attempted simultaneously, which is reflected in the implementation of a policy package designed to serve both purposes.
- 2 To what extent does the safety net actually mitigate the adverse impact on the poor is a moot question; a separate paper is required to do justice to that debate.
- 3 An appropriate error process has been chosen on the basis of log-likelihood ratio tests. For details see Sarkar (1995).
- 4 Here we find some evidence of break in the trend-growth path between July 1987 and June 1991. This is not confirmed by our dummy variable analysis (t-ratios of both intercept and slope dummies are very low).
- 5 Studies of similar nature for other developing countries indicate that at best, devaluation has a weak favourable impact on trade flows, and in countries where this weak response is found, it is also seen that "the apparent response of trade flows to price incentives would not have taken place in the absence of prior or concurrent public interventions such as investment programmes" [Taylor 1988]. For countries such as Kenya, Philippines, Mexico, Egypt, Chile and so on, devaluation has had a weak or perverse effect on trade balance [Taylor 1988].
- 6 It should be noted that the coverage of the IIP is limited, so it is not the most comprehensive measure of industrial production available. But this is the most updated monthly series, other series with wider coverage are available with a lag of two years. Thus, for analysing current trends, the IIP is the only measure that can be used. We owe this point to K L Krishna.
- 7 There was some evidence of structural instability during July 1983-December 1986. Use of intercept and slope dummies confirms this instability - industrial growth rate declined during this period.
- 8 Traditionally, the composition and size of India's external debt has been a matter of controversy, as the estimates of the government of India, the Reserve Bank of India, and the various international agencies have been widely divergent. In December 1991, the Reserve Bank of India constituted a Task Force and a Policy Group on the external debt statistics of India, which tried to rectify this situation by identifying the sources of discrepancy. The result is that the differences have been considerably narrowed.



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down, complete elimination is not possible on account of the fact that the estimates of the international agencies themselves are divergent something that the Indian authorities can do very little about. Thus after the re-estimation by the Task Force in December 1991 India's external debt as reported by the government of India was US \$ 67 034 million. According to the IMF it was \$ 68 784 million and the World Bank Debt Tables reported it at \$ 70 115 million [CMIE 1995].

- 9 The Gulf crisis in 1990 ignited the debt bomb as far as India is concerned. Supplies of essential imports were disrupted and the cost of POL imports increased by 72 per cent increasing the trade deficit by Rs 4 4 billion. In view of this some international agencies lowered India's credit rating restricting her access to the global credit market. This drying up of international commercial credit occurred at a time when concessional credit was not available and the Gulf crisis had already affected the country's foreign exchange reserves.

The foreign exchange crunch was so severe that even after using the reserve tranche position in the IMF amounting to SDR 487 26 million from July to September 1990 the external payments situation did not stabilise. Reserves declined to \$ 1 2 bn on December 31 1990 equal to about two weeks of imports. On January 18 1991 the government was forced to borrow again from the IMF this time SDR 1 23 bn [CMIE 1995 and Swamy 1995].

- 10 The net transfers on external debt are defined as follows: Net flows minus interest payments (on disbursements minus debt service payments) where net flows in turn are defined as disbursements on long term debt and IMF purchases minus principal repayments on long term debt and IMF repurchases. This definition is valid till 1984. Beginning from 1985 this line includes the change in stocks of short term debt (including interest arrears for long term debt). Thus if the change in stock is positive a disbursement is assumed to have taken place if negative a repayment is assumed to have taken place [WIDT 1993-94].

- 11 The indebted countries as a group have been facing this perverse phenomenon of negative transfers since 1982 which not only adds to the real burden of the debt overhang but also defies all types of economic logic [Deshpande 1995a]. This is also reminiscent of the famous Keynes-Ohlin controversy [for details see Sarkar 1991].

- 12 The experience of other severely indebted countries indicates that devaluation manages to achieve substantial swings in the current account balance but these swings are more on account of import cuts rather than export expansion contrary to textbook prescriptions. As imported intermediates are crucial for maintaining rates of investment this has been one of the factors responsible for a decline in rates of investment in countries with a debt overhang [for an elaboration see Deshpande 1995b].

- 13 Successive issues of *Economic Survey* of the government of India indicate a concern about the external debt situation arising out of the following: the declining level of the availability of external assistance because of

Irish commitments lagging behind the declining level of utilisation of credit.

- 14 As an aside it is interesting to note that this was not always the case. The early years of the 1970s saw the repeated reiteration of the goal of self reliance. In 1971-72 it was projected that a complete independence from net external financing by the end of the decade would be achieved. This was not mere nationalist rhetoric. Behind this assertion was some understanding of the political economy of international debt as aid was seen as yet another instrument of diplomacy which is liable to be deployed against us in the time of critical need. It is another matter that this recognition was not backed by a development strategy geared towards achieving this result as far from achieving complete independence India actually took recourse to an IMF loan in 1980. This loan came with a set of conditionalities that can be called mild in comparison with the SAP in operation now. However climate for changed perceptions of development and growth was established and self reliance had no place in this new philosophy. With the 1991 IMI loan and the accompanying SAP the new direction of growth has come to stay.

- 15 As has been stated in the introduction this paper is not attempting to repeat the theoretical critique of the IMF-World Bank SAP that has been made in the context of other developing countries. However it is still intriguing that a theory that appears to be logically consistent gives results that are contrary to the textbook prescriptions. In order to understand this paradox one needs to note that the logic behind the SAP is based on too many ifs and on the premise that a correction in prices would induce the necessary resource substitution hinging about the desired improvement in macro indicators. Taylor 1988 and 1993 provide a useful technique which can be summarised as follows:

The theory assumes that austerity would lower aggregate demand. If the output is determined from the supply side then lower demand would cause the price level to fall. Here again the assumption is that it is the price of non-traded goods that will fall as the price of traded goods will be determined on the world market if the law of one price applies. This implies that relative prices of tradables would rise. This would shift resources towards production of tradables a process that devaluation would help and facilitate.

It is easy to see that the link can be and indeed is broken at several steps and also that the assumptions of output being determined from the supply side as well as the law of one price are highly questionable in the context of the developing countries. Also primary product exports usually need more stimuli than put relative price shifts.

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Maps of Experience

Narratives of Migration in an Indian Village

Radhika Chopra

So far studies on migrancy have either viewed the phenomenon as a response to economic pressures or as a negotiation between two cultures - of the migrant and the host. This ethnographic study questions the framing of the migrant in the earlier studies as an unitary category and instead provides plural experiences of migration wherein the position of the migrant remains ambiguously defined.

IN this article I explore the experiences of rural migration and contextualise and locate these experiences within the particularities of village life. The analysis draws on ethnographic fieldwork to provide an interpretive understanding of what it means to migrate. I also show that migration is an essentially plural experience and I attempt to capture this multiplicity through the narrative voices of the migrants themselves and then to open the category 'migrant' to pose the problem of mixing experience within a unitary category.

I suggest that a hermeneutic frame is very constructive for exploring the plural nature of the experience through which the term 'migrant' is constituted and enables an understanding of the questions: what does it mean to migrate and who is a migrant? Drawing upon the hermeneutic paradigm with its accent on contextual meaning I will analyse in some detail the work and lives of migrant labourers in a Punjabi village¹ and ask who bears the marker 'migrant' given the diverse configurations of movement and pattern.

Most theories of migration try and spell out the mechanisms by which social, economic and political forces directly or indirectly affect the demand for labour and influence migration. These theories have generally concerned themselves with the problems posed in neo-classical economics which look at variables such as the nature, character and extent of migration and the utility/significance of costs and returns to the decision maker (constituted as a rational actor) in terms of long term or lifetime income. Another significant aspect is the view that migration is not so much a question of free rational choice but of survival given the essentially unfree nature of the labour market. However, in these theories, it is the 'stream' of migration that becomes the focus of analysis [Goldscheider 1984, Sinha and Attallah 1987, Sidhu and Grewal 1984, Gupta 1988, Rao 1980, among others].

Another paradigm emphasises history and social structure and within that, the negotiations between distinct cultures. Here culture as a way of life is a crucial construction and the argument is that by its very nature, migration challenges the idea

of a unitary or single way of life [Bottomley 1992, Piore 1979]. The cultural group becomes the locus for analysing the play of power relations in the social field.

Within these broad frameworks two sets of issues are separated: one which concentrates on wages, work and the material conditions of migration; the other which looks at the social and political consequences of assimilation between different cultural forms. I suggest that we can bring these two concerns together and juxtapose the different materials or data which have otherwise been segregated. This enables a view of work as a process through which affinities are established. I argue that work as cultural practice itself enables the process of integration and different work patterns will implicate degrees of incorporation. It is imperative to analyse work rhythms if we want to understand processes of migration.

THE CONTEXT

Analyses of rural to rural migration in the north Indian state of Punjab [Gupta 1988] have argued that prosperity in any region acts as a magnet attracting workers from poorer hinterlands and regions. In the wake of the green revolution in Punjab, labourers have migrated primarily from the eastern states of Bihar and the eastern districts of Uttar Pradesh and subsequently as the stream of migration swelled from the western and south western states of Rajasthan and Madhya Pradesh and even across the border from Nepal. Though migration into Punjab was always present to a modest degree, the real influx of migrant labourers began from the early seventies coinciding with the period of increasing agricultural productivity in the post green revolution period. In the eighties, despite the increasing mechanisation of agricultural operations, the introduction of new crops coupled with the intensity of the cropping pattern contributed jointly to a burgeoning demand for agricultural labour [Gupta 1988, Sidhu and Grewal 1984].

Punjabi agricultural labourers were unable to satisfy the growing demand and it was to machines and migrants that Punjabi landholders turned to complete agricultural operations within the tighter time frame imposed by the increasingly intensive crop

year. In agricultural operations such as wheat sowing or threshing or in separating maize from the cob, agricultural machinery bridged the gap between the demand and supply of labour. However, for the agricultural work surrounding rice cultivation (a crop which in one decade became one of the major cash earners in the village economy) efficient machinery was not readily available.

In the course of field work I was told that in the early stages, local Punjabi labourers were unaccustomed to rice cultivation, especially rice transplanting. By contrast, migrant labourers from the eastern regions had cultivated rice for most of their lives. It was to them that the work of rice cultivation was entrusted in the initial period. Over the decade, Punjabi labourers became more accustomed to rice cultivation, but simultaneously the acreage under rice increased dramatically and migrant labourers continued to remain a crucial part of the village labour force arriving in great numbers at the peak harvesting seasons of wheat (April to June) and rice (September to November).

But merely outlining the fact that migration exists does not capture the variety of migration patterns into village economies precisely because there is no single pattern; neither does it begin to address the experience of migration from the point of view of migrants, or from the point of view of Punjabi villagers who interact with these 'strangers'.

While the material for this analysis was collected from the 'destination point' of the migrants, I did not feel the necessity of imposing my own geographical limits upon their narratives or to their sense of 'locatedness'. Many of the narratives that I collected, therefore, begin beyond the boundary of my anthropological location, in descriptions of different journeys, though the destination village was equally important for the description and analysis of the conditions of work and labour of the migrants, once they had arrived.

BACKGROUNDING AN EXPERIENCE

Govind Prasad Biswas of Village Dabra, Bihar, was married in May 1981. A lavish wedding was arranged with a large gathering invited for the feast which lasted three days.

Govind's father mortgaged their only plot of land for Rs 1,500 and was loaned another Rs 450 by his caste fellows.

A landholder loaned five quintals of rice for the feast; another gave Rs 500 which was to be returned after ten months with an added interest of Rs 250.

As agnates, Govind Prasad's father, elder brother and his son, Laxmi Prasad Biswas, were obliged to bear part of the wedding expenses. Five hundred rupees were borrowed in their name and they were responsible for returning the money. As head of the family, Laxmi Prasad's father gifted his nephew and his new bride Rs 600 borrowed from a moneylender with the agreement that Rs 900 would be returned after ten months. The entire transaction meant that their only plot of land was mortgaged so that the wedding and the gift giving could be conducted in the appropriate style. Despite the joyfulness of the occasion, the wedding created a circumstance in which the combined debt of the brothers was too large to repay from wage labour earnings or from their own meagre holdings, although the two sons shared the responsibility of repaying the debt.

In July 1981, Subhas Chander Biswas, a villager and caste fellow, returned to Dabra from Punjab. Subhas Chander's family had always been mildly derided by the villagers because his father came to live in his wife's household, flouting the norm of patrilocality.

Subhas, who bore the stigma of living off his mother's brother, started to rebuild their hamboo and thatch hut, converting it at considerable expense into a wood and brick structure. The least to celebrate the new home was lavish. Naturally, people were curious at the new turn of events and Subhas explained that their new home was a result of his earnings from a village called Khanna in a district called Ludhiana of Punjab from where he had returned after harvesting wheat.

Subhas Chander's new found prosperity inspired extensive discussions within the village and twelve men made up their minds to replicate his journey. Among them were the cousins Govind and Laxmi Prasad.

With their own private dreams of prosperity, the men from Dabra set off for Punjab in early April 1982. Though their travel expenses were small, they had to be raised through loans or by selling some asset. Govind Prasad sold a goat, Laxmi Prasad and another man borrowed from a shopkeeper in the nearest town. Another was helped by his father's brothers who pooled their resources to send 'their' man to prosperous Punjab.

It has been argued that labour is rendered mobile not to counter the shortage in the area of destination but to generate a surplus and create a fragmented labour market so that greater control can be exercised over local labour [Breman 1985, CCS 1990]. While this argument is important, it emphasises

on the factors inherent in the destination context rather than those arising from within the context of origin. Since the latter context was intrinsic to migrant narratives I have focused on the reasons for migration offered by the migrants themselves.

In the story told by the cousins it was apparent that for many migrants the immediate incentive to leave their homes was provided from within their own communities. The visible differences in the living standards of returning migrants became an important reason for many of their co-villagers or kin to follow their example.

In addition was the factor of debt. Almost every migrant labourer interviewed in the Punjabi village (my geographical locale) had taken at least one loan and often more in his village of origin. The largest debts were for marriage or for building and reconstructing homes. A majority of the loans were not of long duration and had been incurred for less than two years in their village of origin. Hardly any of the loans were taken in the destination village of Mundli.

It is important to recognise that people make decisions and respond to changing relations of production not merely as a class of labourers or migrants but also as members of households and families and the transformation of a person into migrant for the sake of the family resonates through the narratives of migration.

TRACKING A JOURNEY

Laxmi and Govind Prasad left their families in Dabra as did the other ten men. Though Subhash had been encouraging in his assessment of Punjab, there was a sense of prevailing uncertainty: no-one knew how, where or when lucrative employment would come their way. Travelling with families was considered unwise for it would only compound the worry and the uncertainty.

There was also the firm conviction that they were not going to Punjab to set up homes. The whole venture was seen as a short-term visit for the season to earn and improve their own lives. As single men they were quite confident of their capacity to rough it out, secure in the knowledge that their wives and children were being looked after in their homes.

The uncertainty was heightened by their mode of travel and the manner they found employment. The whole group travelled in a train crowded to capacity with people like them. There was so little space inside that the roof was packed with people heading out to Punjab.

Reaching one of the main junctions, the whole group made their way into the city of Jalandhar. With little or no idea of where to go, they arrived at the bus station where they spent their first night, making up their minds to stay together as far as possible for they knew no one else in this new place.

It was the next morning, when they were sitting a little uncertainly by the wayside, that a Sikh farmer, Joginder Singh, came upon them and asked them if they were looking for work. Receiving an affirmative response, he offered all of them jobs as agricultural labourers in his own village. With no other options, the twelve men from Dabra got onto the tractor and were brought to village Mundli.

In the village all twelve were housed by Joginder Singh in the farm outbuildings that clustered around the irrigation well where some farm machinery and livestock were also housed. Joginder Singh did not have work for all twelve and persuaded five of them to go to the next village to work with one of his kinsmen and another to work with a neighbour, though he was permitted to stay with his co-villagers.

Since they had arrived a short while before the wheat harvest, there was little work for them to do. But the demand for labour peaked very quickly and Joginder Singh found it worthwhile to keep his labourers for a few extra days to begin harvesting promptly. He did not prevent them from looking for work in the interval wherever they found it but they did so with the implicit understanding that they would first harvest Joginder's fields because they stayed on his land and were provided a few cooking utensils by him.

They all found some interim employment in the closing stages of the potato harvest, helping to load sacks of gridded potatoes onto waiting trucks. However, this avenue of employment was limited because most of the trader-middlemen brought their own loaders. The six migrants worked on daily wages for five days as loaders and repaired irrigation channels for two, working for seven of the fifteen days before the wheat harvest.

At this stage their work was quite specific and well defined. At the potato harvest Punjabi women labourers sorted and graded potatoes while migrants weighed and loaded the sacks. When weeding and repairing irrigation channels, the amount of work to be completed was specifically stated and the hours of work well defined, a circumstance influenced by the presence of local labourer who worked alongside the migrants, acting as a natural check against overt imbalances.

To Laxmi and Govind Prasad the daily wage of Rs 8 sounded more than adequate compared with the more familiar rate of Rs 3 in their own villages. A good part of the migrants' newly earned income was spent on provisions. Rice, their basic staple, was difficult to come by for the Punjabi diet was wheat-based. The village shopkeeper stocked some rice for the migrants but sold it to them for Rs 6 per kilogram. The local milkman sold 250 grams of milk for Rs 2, so most of their earnings at this point of time were spent on basics, leaving little to save.

Migrants who received a daily wage were those who arrived well before the onset of the wheat or rice harvests. Daily wage agreements were made as a way of ensuring a steady supply of labour through the harvest and the itinerant work found by migrants in the interval was more to sustain themselves than to earn and save.

However, this was a period that local labourers worked alongside migrants at similar agricultural operations, ensuring some degree of parity in wages, hours and work by their very presence local labourers restricted the landowners' capacity to manipulate employer-employee relations.

The daily wage agreements changed at the harvests (for all labourers of the village). At the cereal harvests migrants received a piece-rate payment in cash calculated according to the number of acres harvested.

For the landowners' cash payments were considered worthwhile because the price of the crop was always higher than the amount of cash paid to the migrants. In 1982, for example, the average per acre yield of wheat was roughly sixteen quintals; the base price fixed by the state was Rs 142 per quintal. Migrants working in groups of five or six were paid Rs 120 per acre harvested. By contrast, local labourers earned a full quintal of wheat plus two portions of wheat stalk fodder. Such disparity was possible because now the local and migrant labourers worked separately and work agreements were autonomously negotiated.

The migrants also preferred money which they could send home. With kind payments they would need to find outlets to sell the grain in unknown markets amongst unknown people.

In April-May 1982, Laxmi Prasad and his co-villagers were paid Rs 120 rupees per acre of wheat harvested plus buttermilk and unleavened bread twice a day. They harvested eleven acres for Joginder Singh and another three for his cousin. They managed to harvest roughly two acres in three days which meant an earning of Rs 80 per day between six men or approximately Rs 13.50 per man, per day.

Unfortunately, the number of acres harvested were curtailed because Joginder Singh, like all other landholders of the village, had exchange relations with the local labourers and was obligated to let these families harvest part of the wheat crop and earn their food for the year. Inclement weather also interrupted the harvest at various points so the group from Dabra managed to work for 21 days. At the agreed rate they earned a total amount of Rs 1,680 from 14 acres, and each individual earned approximately Rs 280 in the month of May.

In June three agricultural operations were in full swing: the completion of the wheat harvest, wheat threshing and the beginning

of rice sowing. At the end of June, Laxmi Prasad sent home a money order of Rs 400, his cousin Govind sent Rs 350. They all decided to stay till rice transplanting was completed in mid-July. Transplanting payments were also calculated by the acre and paid to the migrants in cash. In June and July of 1982, Joginder Singh paid his migrant labourers Rs 115 per acre transplanted. They worked 18 days for him, transplanting 12 acres of paddy and transplanted another 11 acres for a landholder who paid them Rs 120 per acre. Each migrant earned Rs 450 for the single task of transplanting paddy.

From mid-April, when Laxmi Prasad left Dabra to the tenth of July when he and his group left to return, he saved Rs 750. He spent approximately Rs 350 on food, another Rs 100 on incidentals, Rs 160 on travelling to and from Dabra, a total expenditure of approximately Rs 610. His earnings for three months were Rs 1,360 or just over 450 per month. Govind who bought a second hand watch for Rs 60 and a sweater from a nearby town saved about Rs 650. Their earnings encouraged them enormously and they promised to return by October to harvest and thresh rice.

Between mid-July when rice is transplanted and late September when the rice harvest begins, there is little employment in villages for migrants. At this time they are willing to work for as low a rate as Rs 4 and two meals a day, not much higher than Bihar [GOI 1978]. Most of the migrants return to their own villages or seek employment outside the village economy: a significant percentage of the mobile, low-skilled urban work force in Punjabi towns is composed of migrants who shift between agricultural and urban employment. There are no figures available on the precise percentage of such migrants but in Jalandhar city (the nearest large town to the village) almost every cycle-rickshaw was pulled by a migrant and increasingly most of the domestic help in urban Punjabi middle class homes is done by migrants.

The next influx of migrants was at the rice harvest: the overflowing trains coming into Punjab through October bore visual testimony to the laws of supply and demand for labour. Rice harvest agreements echoed the mode of payment at the earlier wheat harvest; in this village in 1982, the per acre rate varied between Rs 190 per acre with tea and bread three times a day to Rs 210 without any food.

TO EARN AND SAVE

Laxmi and Govind Prasad reached Mundh on October 12, 1982 after their visit to Dabra. This time they came in a group of ten, all of whom stayed at Joginder Singh's *khuh*; they had to urge Joginder Singh, who thought his crop was not fully ripe, to begin harvesting which he did almost a week

after they arrived. The ten men harvested and threshed through the night working 36 hours at a stretch. After five days and two nights they managed to complete seven acres. Until the morning of the 24th, when the rice was sent to the market, no payment rate had been negotiated with Joginder Singh; in fact it was fixed only the next day, six days after the migrants had begun work, at Rs 210 per acre. For seven acres this meant Rs 1,470 or Rs 147 per person for approximately a week's work. In about a month, Laxmi Prasad earned Rs 600 and within the first week of November had sent home Rs 400. In six and a half months (from mid-April to the end of October) Laxmi Prasad managed to save Rs 1,150 and had managed to clear almost the entire debt of 1,500 (inclusive of the mortgage) that his father had incurred at Govind's wedding.

Govind's father who had borrowed Rs 2,450 did not expect his son to bear all the expenses for his own wedding. According to Laxmi Prasad, his cousin's responsibility was less than his own, so that Govind's earlier contribution of Rs 650 and then another Rs 300 after the rice harvest was more than gratefully received.

Some aspects of the migrants' earnings in Punjab need to be highlighted. Though earnings were higher in comparison to their home states, there were only three major agricultural operations for which their labour was in demand—wheat harvesting, rice transplanting and rice harvesting-cum-threshing. Migrants engaged almost solely for these operations found their earnings dropped sharply in the interval between these three operations, making employment opportunities and earning capacities restricted and time-bound.

The other point was the way in which the payments were fixed. Migrants could work for an employer without knowing specifically what they would receive beyond the broad parameters of prevailing rates within the village, as happened with the group from Dabra and Joginder Singh. Local labourers, by contrast, would refuse to begin work until their payments are fixed, and there was no way that an employer could go back on his word. On the other hand, employers needed to do no more than vaguely promise to pay migrants a particular amount, a promise which they were under no obligation to fulfil.

However, the room for negotiation, though limited, was not necessarily one-sided. Laxmi Prasad and his group could have moved to another person's fields if Joginder Singh had tarried beyond a point. In fact, it was that veiled possibility that induced him to be 'persuaded' by the migrants. However, as a consequence, even though he had hinted that he would pay the same rate received by local labourers, eventually he did not do so.

So far I have focused on migrants who stay and work only for short intervals in Punjab. But almost 45 per cent of the male migrants in the village had longer term contracts, the majority with monthly agreements and a small percentage by the year. The question of the multiplicity of the migrant experience depends a great deal on the terms of their contracts and most crucially, on the length of their stay in Punjabi villages. It is one dimension that allows the possibility of engaging with the question of who remains a migrant, and on what terms can different experiences be orchestrated under the overall category 'migrant'. It is also one area that allows a degree of exploration of the relations between migrants and local village folk. I will explore these questions through mapping two sets of experiences of those who chose or needed to stay.

Jita, an Oraon tribal of Basua village of Ranchi district in Bihar, eloped with Biri, a girl from his own tribe in 1980. Before his elopement, Jita had many quarrels with his family over his relations with Biri. Jita's family were landowners and wanted Jita to marry a girl from a family of equal status. Biri's own family were poor and landless, for her father had died in her infancy leaving his widow and the three children.

An Oraon from a neighbouring village who had returned from Punjab told his people about his visit and his earnings. The news filtered down to Jita who decided to elope with Biri to Punjab. Initially they worked in Phagwara tehsil of Jullundur district, before moving to the home of their employer's brother-in-law in Mundh. Jita was employed on a monthly wage of Rs 140 a month with three meals and tea twice a day. Biri was employed in the landholders' home for a monthly wage of Rs 30, food, clothing and bedding.

One of Jita's major tasks was to ensure the irrigation of the fields. Though the land was irrigated by tubewells powered by electricity, the supply was erratic, especially in the late summer months when rice was transplanted. Electricity would sometimes be resumed late at night or in the hottest part of the afternoon, and Jita's job was to turn on the pumps and patrol the channels to prevent breaches and then as each field was watered to divert water to the next. In the colder months of October and November when potatoes were sown, or in winter when wheat was sown, he had to irrigate the fields through the night in preparation for the next days, sowing often standing in freezing cold water to divert water or repair breaches.

His other major task was to feed and water his employer's cattle. He had to renare their fodder twice a day, bathe and graze them and, after milking them, deliver the milk wherever necessary.

These were the two most specific tasks he performed. But he was called upon to do a number of other jobs as well. Some of his employer's land was hummocky and could not be ploughed by tractors. So Jita ploughed these fields with a bullock-driven plough after every harvest and before every sowing, levelling the land after the seed was sown. Under his employer's supervision, he fertilised the crop or sprayed pesticides whenever required.

During the major cereal harvests, he and Biri were expected to help with the harvest for no extra payment.

In contrast to migrants who are employed by the day or engaged for certain specified tasks, the work of migrants employed for longer durations is far more general and undefined. They may be on call at different times of the day or night depending on the agricultural operations being performed so that their hours of work are unregulated. Such an open ended work context is made possible because these migrants work on their own, not alongside local labourers whose presence may act as a check upon the employer.

WOMAN'S WORK

While there were only five women migrants in the village, the work they performed was stereotypical women's work and quite distinct from the work rhythms outlined above. Women migrants were among the lowest paid workers in the village economy and the only thing they had in common with some of their male counterparts was their longer durations of stay within the Punjabi village. All of them were part of a familial unit and did not work independently of their male kin. In all cases, the contracts and work agreements of their male family members were negotiated before their own.

Biri did an enormous amount of household work for her husband's employer, Paramjit Singh: washing the family's clothes and household linen, doing dishes, sweeping and cleaning the house and carrying food out to the men working in the fields.

In early 1981, Biri and Jita had a baby girl, named Munni, by Paramjit's wife, Joginder Kaur, who also looked after Biri during her pregnancy.

Unlike other migrant women who wore saris, Biri took to wearing the Punjabi dress of 'salwar-kameez', and could converse quite readily in Punjabi unlike her husband. More than Jita, Biri became an important member of the household and the community because of her close relationship with Paramjit's wife and daughter. They would often baby sit Munni or gossip with Biri, who confided her story to them.

Once, Joginder Kaur rebuked Biri for venturing outside the house without her veil (worn over the head by all Punjabi women),

for such an act was thought immodest and reflected upon the honour of the men, through their women. What was of significance was that Biri's behaviour was represented as a reflection upon the other members, because she was considered part of the household and no longer remained an 'outsider' or stranger whose behaviour would be of no consequence for the others. Even though Biri and Jita had a room out in the fields, Biri was counted as a member of Paramjit's household.

By the end of the first year Jita and Biri between them had earned Rs 2040 and managed to save Rs 1000. By the next year they deposited Rs 2200 for a plot of land in Ranchi. In January 1983 they returned home the proud possessors of some land and their independence.

When Jita and Biri left to get formally married in Bihar, Biri was given the traditional Punjabi wedding gifts of bedding and clothing (gifts usually given by close kin) by Paramjit's family. After she left, Joginder Kaur and her daughter would often reminisce about Biri, not merely because a good worker had left but also because she was part of the family, who was not forgotten.

Migrants employed for longer periods can save substantial amounts though their savings take longer to accumulate. Though costs of living in Punjab are high in comparison to many of their home states (Kristina 1981), they set about saving with single minded determination aided by the fact that their ultimate destination is not Punjab but their own villages from which they came and to which they will return. For all her ties of familiarity with the Punjabi locale, Biri was always clear that she would eventually head back home; her decision may have been framed by Jita's resolve and his continued position as an 'outsider' which was far more marked than hers. Punjab for them was a temporary home, a refuge they sought and welcomed in the course of their personal histories.

TO HOME AND BACK

In the early stages of migration it was often Punjabi landowners who went to Bihar or whose relatives were settled in Uttar Pradesh, who persuaded people to come to Punjab as agricultural labourers. In the late 1960s, two landowners of Mundh visited Uttar Pradesh and prevailed upon three labourers to return with them; subsequently these labourers went back only to return with more of their co-villagers. This scenario is in keeping with the view that migration is encouraged to fragment labour markets so that greater control can be exercised over local labourers (Bremner 1985, CSS 1990, Iyer and Singh 1980). I draw attention to this question here only to point to the shift in my focus, a shift away from the intentions of the landholder-employers to the migrants.

and their 'view' or 'choice' as well as toward their engagement with processes within which they become located.

Many of the migrants who came in the earlier period either with Punjabi employers or on their own had, by the eighties, become integral to the migration process. They had become labour recruiters for their Punjabi employers acting as links between their villages of origin and villages in Punjab.

Ram Julem left his village Sahajapur of Chhapra district in Bihar in the mid-1960s with a co-villager to seek work in Punjab. They first arrived in the town of Phagwara where Ram Julem's friend had earlier worked as a bricklayer. His ex-employer did not need labour at that moment but he had a brother, Shanker Singh, a landowner of Mundh who had just begun planting rice and needed a great deal of labour.

Ram Julem and his friend were the first migrant labourers in the village of Mundh. They were housed by Shanker Singh in the fields for no one was very sure how far to trust them. Their employer set them to transplant rice, agreeing to pay them Rs 70 per acre. Since they finished Shanker Singh's fields in half the allotted time Shanker loaned them to a cousin and from there to another kin member. Describing those early days Ram Julem spoke in accented yet fluent Punjabi of how they transplanted virtually all the paddy in the village that year for the local labourers were all thumbs.

Other landholders made numerous overtures to the two Biharis hoping to lure them away. Never one to let grass grow under his feet, Ram Julem struck a deal promising to bring more Biharis with him for the next season if the landowners agreed to pay his fare to and from Sahajapur and ensure employment for all those whom he brought. The bargain approved, Ram Julem returned to his village in January 1966 and was back in Mundh by the middle of April accompanied by four of his village mates. By his own admission he recounted how he had charged a commission from each for ensuring employment for the forthcoming wheat harvest.

From then on Ram Julem became an important member of the village community. He would go back every year to bring labour for the clamouring landowners of Mundh; in his own village he became known as a *dalal* or labour middleman who for a price would provide employment for those in need of it. By 1975 he had earned enough to buy himself a piece of agricultural property in Sahajapur and the following year he bought another plot, both of which were managed by his nephew. His wedding in 1975 was partly financed by Shanker Singh, in recognition of his importance and 'worth' within Mundh.

By 1982 Ram Julem was as Punjabi as he was Bihari. He spoke the language fluently

and wandered wherever he wished. He knew everyone in the village, laid wagers with local labourers pitting his prowess against theirs or carried gossip about to the consternation and embarrassment of some and the glee of others. He was so well incorporated in the village community that the locals sometimes borrowed from him for he always had a ready supply of money.

His plump pocket was no secret to anyone. Every villager knew that Ram Julem's group of migrants always gave him a commission of Rs 100 for being 'escorted' to Punjab. Often some employers would pay over the migrants' wages to Ram Julem to distribute and he would keep a fraction for himself or he would arrange loans or advances for the migrants if they needed it and keep a commission for himself. He supervised the migrants' work, choosing the least onerous tasks for himself.

By 1982 he was no longer employed by the month but by the year. He was paid Rs 1,600 with meals and given a set of clothes and toiletries and he no longer lived out in the fields but was accorded the privilege of staying within the village *ahadi* or nucleus living in a small room in Shanker Singh's home.

In spite of being so well-entrenched within the village Ram Julem did not bring his wife or baby son to live there; they lived in Sahajapur, looked after by his brother's family. Even though he lived for virtually the entire year in Mundh *ghar* - home - for him was Sahajapur and the appropriate place for his wife and property.

For migrants the recruiter was an important source of support for employment and credit, and a channel of communication with their employers. Though migrant labourers often put themselves in the hands of these recruiters in an effort to offset their own vulnerability, the recruiters themselves were in ambivalent and paradoxical positions. In relation with other migrants, the recruiter was clearly an 'insider', conveying the sense of inclusion through a series of signs that spanned language, residence and work. Some recruiters clearly exploited the migrants' structurally locating themselves with employers. In fact, in the everyday face-to-face contexts of daily life, they were the employers' face, allocating and supervising work, handing out the wages or loans and extracting commissions as 'interest'.

In relation to Punjabi village folk, recruiters were equally ambiguous. They were on the one hand clearly part of the village and its networks — Ram Julem lived within the village settlement, spoke the language and extended credit to local labourers, besides being treated as part of the family by Shanker Singh. But in terms of his kinship and property networks he faced outward, beyond the boundary of Mundh, within which he lived.

Not all recruiters were identical; some, like Subhas Chander who 'brought' the group from Dabra the first time around were almost as vulnerable as their group for their only 'surety' was a somewhat tenuous acquaintance with the employer and their only 'guarantee' an ever increasing demand for cheap migrant labour. Such recruiters were easily substitutable, after the first visit, it was Laxmi Prasad who brought a new set of men with him from Dabra.

VILLAGE AND MIGRANTS

Within Punjabi culture, relations of work are expressive of social exchanges and are constitutive of bonds of community. These bonds are reinforced through exchange in a variety of contexts so that, for example, a local labourer may be a ritual specialist as well as a debtor in his relations with a landholder-patron-creditor. Past and future are intrinsic to relations between village folk; indeed, people do not enter agreements with unknown others with whom they have no previous connections. These relations are amplified with the feeling of being part of a single village body (*pind* - village/corporeal body) of which everyone is a member.

Within the predominantly Sikh ideology that prevails within Punjabi culture — especially of rural Punjab — work of the hand, or service rendered personally by one's own labour, has an intensely moral value. Sikh shrines of worship which are represented as the physical symbols of the gathered community of believers are built and maintained through *kar seva* or service of the hand. In this ideology labour work of the hand/body is therefore represented as the mixing of one's self or being with the performance of work.

Within the phenomenological world of everyday life, migrants are an ambiguous category of persons. On the one hand they are strangers who look, dress and speak differently from Punjabi village folk. The attribute of 'stranger' gives meaning to their position and sense of 'location' within the village. They live beyond and outside the 'inner' space of the village community, the nucleated village settlement, out in the fields which are represented as the very symbol of 'outsideness'. For as strangers it is difficult to position them as part of the integral village 'body'.

On the other hand they are bound to village life through their labour which defines them as men of work, who, through the labour of their bodies mix their own humanness, their sense of self, with the work they perform. It is the labour of their body that binds them to the village community, the *pind* with which they become connected.

The negotiation between being 'stranger' and 'insider' is not entirely resolved. Unlike the complete stranger who is delinked from

any group and cannot cite any reference, the migrants are often introduced into the village through recruiters who are known, or even (as with Ram Julem) treated as kin, transforming them from being complete strangers to becoming 'invited strangers'.

The Punjabi term of reference for all migrants is *bhaiyan* (plural *bhaiyeh*) literally translated as brother. It is a slightly modified version of the term for religious functionaries of Sikh shrines, itinerate salesmen and vendors – in short, all those who provide particular services to the village while not wholly part of it.

But unlike the religious functionaries and vendors who share a common culture with the Punjabi villagers the migrant *bhaiyeh* are culturally different folk. They speak a different language and Punjab is not their home; their orientation is toward the villages from which they originate and to which they will return.

From the migrants' point of view the negotiation is equally problematic. A majority of the migrants have no stake in the places into which they migrate; they need to keep up no appearances, follow no norms which incorporate them within the village. They do not need to observe the rules and limits which culture imposes. For example, they can disregard the proper pace or right way of working or eating.

Local labourers often joke about the amount of food the *bhaiyeh* consume. Tales circulate about the enormous size and quantity of bread eaten by each *bhaiyan*, the buckets of buttermilk they drink and in comparison (as represented in these tales) the frugal meals of the local labourers. Their working rhythm is equally unrestrained and stories are whispered about their working through the night (as did the group from Dabra), a time associated in Punjabi folklore with witchcraft and ambiguity when all proper men (*thereli huyeh handeh* – the steady folk) are abed and asleep.

The tales certainly create exaggerated stereotypes, but they do not entirely shadow the migrant's view of the Punjabi village. In their relationship to their workplace, the migrants have no future. It is not the migrant who must store food to plan the year's consumption in the way local labourers or landholders might. The descriptions of the migrants eating without the least constraint (*'behad'* beyond limits, *'herok'* unchecked) convey an understanding of the migrants' relationship to the village, because for them Punjab is a place from which they can, and must, extract as much as possible, whether of money or food, rather than save or store for they have no future stake here but are oriented to a world elsewhere.

Their 'stranger-ness' is also their vulnerability for it is precisely as strangers that their employers owe them no obligation and can exploit or manipulate them. The

lower wages they receive [Sidhu and Grewal 1984, Iyer and Singh 1980] finds root in this vulnerability underlining their status as outsiders. Some studies and press reports which have noted the violence toward migrants [Singh 1983] find similar roots. It is only when and if some of them are able to transform their stranger status that relations of attachment (which can also be viewed as a requisite condition for security) become possible. Such a transformation is expressed spatially on the part of the Punjabis by allowing a movement from field/outside to the village settlement/core and linguistically by the migrants in everyday speech as experienced by Ram Julem.

An equally important idiom for conveying the tenor of relations with migrants was the mode of payment. Local labourers received harvest payments in grain or food-crop (ann) symbolically expressing a sense of commensal attachment with a group through payments in food. Migrants received cash payments confirming their transitory relations as outsiders. Cash is the symbol par excellence of anonymous, impersonal transactions when the value of the good (the labour) is stated clearly in the price (the wage). Such calculation signals the end of a relationship where all accounts are cleared and there is no room for future expectations on either side.

There were few avenues through which migrants could reduce the negative implications of being strangers in an alien place. One of the more encouraging signs of a movement in this direction was the increase in the number of migrants who came without the aid of recruiters [like Ram Julem or as noted in other studies, CSS 1990:64] to whom they needed to pay a commission or who were often spokesmen of employers. Sixteen migrants in Mundh were accompanied by a recruiter but he was either a village or kin member who acted more as a guide than a labour middleman. Two of the migrants brought small groups with them but they themselves were recent migrants to Punjab. One of them had been in Mundh for less than nine months while a second had been in another village altogether and had no contact with Mundh or its landholders. The reason this is encouraging is that migrants themselves perceive travel without aid or introduction as a possibility, a perception that has transformed at least for them the alienness of their destination into a place with some known outlines, made familiar through stories told by returning migrants.

Two factors have made it possible for migrants to travel without recruiters and without a specific destination. Over the years the continuous stream of migration has smoothened the obstacles which stood in the way of the early migrants. Now the trains

on which a majority of migrants usually arrive are known to potential employers who arrive at these nodal points to get migrant labour. While the violence to which migrants are subject upon arrival has been noted in some studies [Singh 1983, CSS 1990] another possibility has also emerged, none of the migrants in Mundh had been accosted in any violent fashion and in their own narrations quite categorically stated that they had never been forced to work anywhere or accompany any employer against their will.⁴

Increasingly migrants who arrive for the season travel in groups and try to get employment in the same or proximate villages so as to keep in touch and communicate vital information among themselves so that each individual feels a sense of support from familiar others. The cohesiveness of the group means easier social arrangements, but more importantly it means that they can negotiate their wages by acting as a small but effective bargaining group. The success of such strategy is evident – in the four villages visited by me during the period of fieldwork the wage rates for migrants did not vary significantly and such consistency is a fact to be noted with some degree of optimism.

CONCLUSION

The diversity of the migration patterns and the plurality of the experiences of migration outline questions the telescoping of all difference under a single frame, as though by simply posing the category 'migrant' we are able to constitute all its expressions. I would suggest that comparing the cyclical patterns of seasonal migration with other more continuous or long term forms will give us a different understanding of questions which focus on the migrants' view of their destination and the entire process of migration. Quite crucially it also enables us to address the issue of their vulnerability as subjects of violence.

In the narratives the destination village was constituted quite differently. For Laxmi Prasad and his group from Dabra, Mundh was a work place of great importance in their lives but their relations with it were almost entirely extractive. On the other hand, for Ram Julem it was a place of work but one within which he had become enmeshed and therefore was to an extent a second home. He spoke the language, lived within the village settlement and had close interactions with numerous people. However and quite significantly he did not bring his wife and family to live there so that he made a clear separation between two kinds of home, one in which he lived and worked for most of the year and the other defined and constituted by the intimacy of family ties.

Unlike other migrants, Biri was only one among five women migrants within the village. Though she was involved with some

agricultural operations her major locus of work was the home of her husband's employer. It was Jita whose employment and work cycles followed the more conventional pattern of other migrants. But for Jita as well the presence of his wife transformed the village from a mere place of work and became for both a place of refuge. Undoubtedly their stay in the village was limited and their energies focused upon earning enough to return to their own state. But it was their earnings through their stay in Mundh that opened this possibility in their lives and they looked upon their refuge with hope, not misgiving.

Limiting the analysis to a small field – one village, three narratives – has enabled me to pose the question: who is a migrant because all criteria of classification – duration of stay, repetition of visits, position within the village structure, presence of family members, relations with places of origin, etc. – can be cut up quite differently in each instance. This does not mean that we can only look at migrants as they differ from one another, but it does mean that we can look at how processes of migration combine the same elements in different ways making it possible to experience migration in a distinctive style.

What is important to understand is that structure and style exist simultaneously and an analysis of the process of migration must move between the two. It is the processes of work that create the stylistic distinctions and enable us to view migration as structure and practice simultaneously.

The narratives reveal another dimension equally central to the analysis of migration – that the migrants are not the sole locus in constituting themselves. So the question of who is a migrant is not something that can be asked only of the migrants; it is also a category that comes into being by what others say of it or in the way others make it distinctive. So the view of the Punjabi village folk in constituting bharyan is crucial to the questions posed at the beginning of this article.

I suggest that while the repertoire of signals (to mark a person as migrant as opposed to other kinds of strangers) available to a Punjabi employer may be of one kind and make available to him/her certain avenues of conveying the message – through modes of payment or spatial locations, for example – the ways available to migrants are quite different – ways of working, or dividing home from work place form part of their repertoire. In posing the question we must therefore also be able to say from whose point of view and in whose symbolic language we frame the response.

If we agree that there is no one locus through which we address the category 'migrant' but a series of loci which shift depending on which set we look at – short

term, long term migrants, male, female migrants, male groups, family groups, and so on, or even a combination of some sets in the series, then it is important to recognise that there is no one way in which to convey the idea or meaning of migrant and that the person becomes marked as a migrant in a series of different ways.

Ultimately all the individuals discussed in this article could be cast as migrants but under different guises, but it is important to unravel the different strands if as sociologists we wish to understand and flesh out the experience of migration.

Notes

- 1 I draw upon fieldwork conducted in village Mundh of Jullundur district in the north Indian state of Punjab in 1982-83.
- 2 The combination of irrigation well, outhouses and sheds is generically termed *khuh*, a term of Persian origin referring literally to the Persian irrigation wheel. The general phrase for going out to the fields is *khuh nah jana* for the *khuh* is constituted as the metaphor of the outside and opposed to the *abadi*, the village settlement that constitutes the inner core of spatial and metaphorical topography. The inside/outside opposition within Punjabi culture is extremely emotive so that being housed at the *khuh* would immediately signal the status of outsider or stranger, opposed to those who reside in the village *abadi*.
- 3 The cost of living in Punjab is considerably higher than the states from which a majority of the migrants come [Krishna 1981], implicating the migrants' ability to save, which is their main concern.
- 4 For most rural employers food was not counted as an expense whereas the lengths to which they went to curtail their cash expenditure was most striking. The difference arose from the attitudes toward food and cash. Cash, the symbol of potential future accumulation was jealously hoarded. The cost of any new purchase was the first thing to be determined by admirers. People who constantly bought new things were both envied and derided as spendthrifts. Even the richest folk (especially the women) kept their money in the innermost pockets of their undergarments and expressed great irritation if money was asked for. Bargaining for bus tickets was quite common on state transport buses. On the other hand it was with the greatest sense of ease that loans of food for daily cooking were made; it was more than acceptable to take a cup of flour or cooked vegetable from neighbours and people passing by the door were always invited to eat. Food symbolised inclusions within commensal units and was part of the creation of corporate communities [Chopra 1994].
- 5 In Bottomley's analysis of international migration she points out that migration creates international people who identify with kin, friends and other migrants virtually across the globe. Sociological studies of minorities often miss the significance of continuing interaction between homelands and destinations (1992:4). On a smaller canvas, recruits have similar Janus-faced quality so

that they move between being migrants and non-migrants.

- 6 'Going out to the fields' is a metaphorical way of conveying the idea of an outside place which is both threatening and potentially powerful.
- 7 Food is an evocative symbol in Punjabi culture. Sharing food has the capacity of transforming atomistic individuals into commensal groups, and grain or cereal crops, which are the base of bread, have a particular resonance in creating the sense of shared community. Conversely, exclusions are signalled through breaking off commensal relations or denying them [Chopra 1994].
- 8 The problem of holding back or veiling information always confronts fieldworkers, and the possibility that I would not be told about violent incidents always existed. However, all the migrants knew I was not of Mundh and unlike the other village folk, who spoke to them only in Punjabi, I would converse with them in Hindi, establishing a bond through language. My stay in the village was also impermanent like theirs, a distinction which made us peculiarly alike, an aspect pointed out to me by Laxmi Prasad Biswas.
- 9 Bourdieu's perceptive discussion of the habitus is very useful to frame an understanding of such a movement between structure and practice (1977).

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Global Population Growth, Economic Development and Environmental Impact

Case-Study of India, 1991-2100

Mahinder Chaudhry

The nature of environmental problems depends upon the level of economic development, the nature of industrialisation, the degree of urbanisation and the effectiveness of public policies. This article examines the impact of population growth and economic development separately but with reference to the conjectured global warming between 1991 and 2100, with special reference to India.

I Introduction

BOTH developed and developing economies face the challenge of sustained economic development without environmental damage. Although sustained economic growth is a necessary condition for eradication of poverty and wide-spread increase in human welfare, it is by no means a sufficient condition. Economic progress has, in general, potential adverse environmental effects. The evidence of it is not lacking in the industrialised as well as in the less developed countries. The environmental damage that is global in nature and irreversible over a very long time underscores the truly international nature of the problem. Since the external diseconomies associated with environmental damage are not a part of the private (firms and households) costs, the role for the national public policy becomes imperative. Also the environmental impacts which are global in nature necessitate policies at the international level. The formulation of economic development strategies with full consideration for environmental concerns must be based on accurate and clearer understanding of the problems involved.

The nature of environmental problems depends upon the level of economic development (gross national product per capita), the nature of industrialisation, the degree of urbanisation, and the effectiveness of public policies. In general, the developing countries experience immediate environmental problems related to scarcity and safety of drinking water, inadequate sanitation facilities, air pollution in urban areas, soil depletion and degradation, indoor smoke from burning biomass (wood, coal and dung), and outdoor smoke from burning coal for industrial production. In addition to the direct negative effects on human and animal health, the economic productivity is significantly reduced. In contrast, the industrialised societies encounter a different set of problems such as carbon dioxide emissions (CO₂), petrochemical smog, depletion of stratospheric ozone, acid rain, and hazardous wastes. Ever

expanding industrial production, agriculture and transportation systems are endangering the sustainability of the healthy globe.

This paper examines the impact of population growth and economic development separately but with reference to the conjectured global warming between 1991 and 2100. The exercise is primarily based on the CO₂ emissions which account for

nearly two thirds of global warming. The contribution of deforestation to total carbon emission is projected to decline from 12 per cent in 1985 to less than 3 per cent in 2100. Following the World Bank classification scheme of low, middle and high income countries, the total world increases in CO₂ emissions over the next century are assessed within these groups of countries. India is

TABLE 1 POPULATION SIZE ESTIMATES AND PROJECTIONS, AND GROSS NATIONAL PRODUCT PER CAPITA BY THE WORLD BANK CLASSIFICATION OF GROUPS OF COUNTRIES, 1991-2100

	Total World	Low Income Countries (a)	Middle Income Countries (b)	High Income Countries (c)	India (d)
Population Size (millions)					
1991	5 350	3 127	1 401	822	866
2000	6 111	3 686	1 561	864	1 017
2025	8 247	5 184	2 140	922	1 365
2100	12 036	7 784	3 285	966	1 635
Economic development					
GNP per capita (1991) US \$	4 010	350	2 480	21 050	330

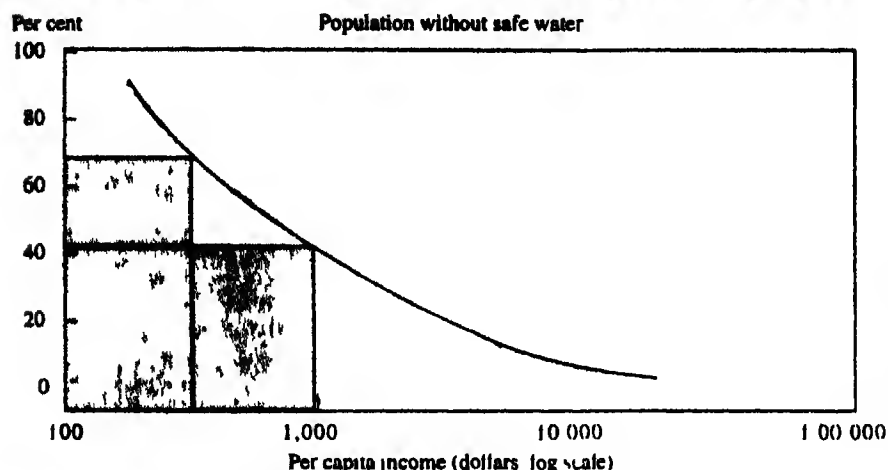
Notes: (a) Low income countries are those with a GNP per capita of US \$ 635 or less in 1991.
(b) Middle income countries are those with a GNP per capita of more than \$ 635 but less than \$ 7 911 in 1991.
(c) High income countries are those with a GNP per capita of \$ 7 911 or more in 1991.
(d) India is included in the low income countries.
Sources: World Development Report 1994 (June 1993); World Bank Working Paper Series Number 601 (February 1991).

TABLE 2 TOTAL AND PER CAPITA CARBON DIOXIDE (CO₂) EMISSION BY GROUPS OF COUNTRIES AND TOTAL WORLD, 1991 TO 2100

	Total World	Low Income Countries	Middle Income Countries ¹	High Income Countries	India ²
Total CO ₂ [Pgr (Petagrams) i.e. 10 ¹⁵ grams of CO ₂ per year]					
1991 ³	6.79	2.03	2.10	2.66	0.53
2000 ⁴	8.13	2.73	2.45	2.95	0.75
2025	12.45	5.24	3.63	3.58	1.38
2100	30.09	12.30	9.94	7.85	2.58
CO ₂ Increase (Petagrams)					
1991	1.27	0.65	1.50	3.24	0.65
2000	1.33	0.74	1.57	3.42	0.74
2025	1.51	1.01	1.70	3.88	1.01
2100	2.50	1.58	3.03	8.13	1.58

Notes: (a) Including emissions from deforestation and cement production.
(b) For middle-income countries values obtained by residual method.
(c) India included in low income countries; data for low income countries summed for India.
(d) For years 1991 and 2000 linear interpolation between 1985 and 2025 values.
Sources: US Environmental Protection Agency, Policy Options for Stabilising Global Climate Report to Congress, Washington, DC 1990; data adapted by Bongaarts (1992).

CHART 1 POPULATION WITHOUT SAFE WATER AND COUNTRY INCOME LEVELS, GLOBAL AND INDIA



1 India GNP US \$ 350 ($\text{Log}_{10} = 2.544$ in 1990)

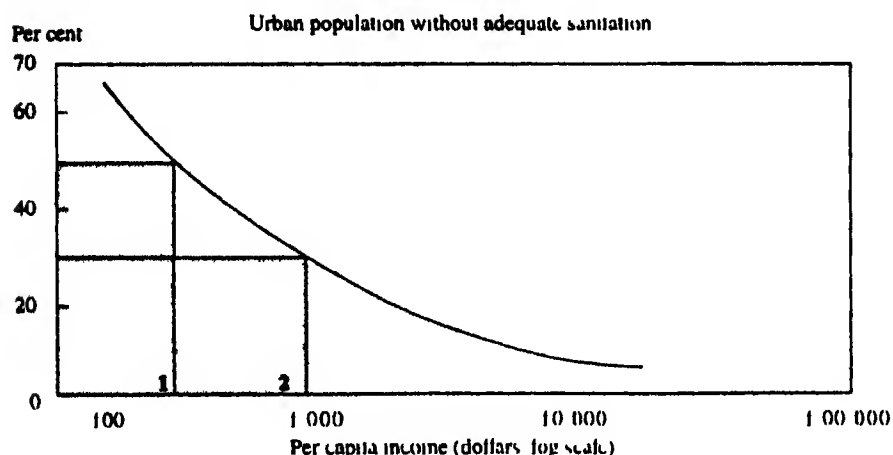
2 India GNP US \$ 985 ($\text{Log}_{10} = 2.993$ in 2025)

Notes (a) Global based on cross-country regression analysis (1980s data)

(b) India gross national product US \$ 350 in 1990

Source Adapted from World Bank data (1992)

CHART 2 URBAN POPULATION WITHOUT ADEQUATE SANITATION AND COUNTRY INCOME LEVELS, GLOBAL AND INDIA



1 India GNP US \$ 350 ($\text{Log}_{10} = 2.544$ in 1990)

2 India GNP US \$ 985 ($\text{Log}_{10} = 2.993$ in 2025)

Notes (a) Global based on cross country regression analysis (1980s data)

(b) India gross national product US \$ 350 in 1990

Source Adapted from World Bank data (1992)

treated as a separate group by itself. The basic data estimated by the US Environmental Protection Agency (EPA) (1990) and by the Intergovernmental Panel on Climate Change (IPCC) (1991) are employed for analytical purposes.

Section II outlines the scientific framework of the climate change and projected global warming. As an illustration of the economic costs involved from the projected global warming, the findings about the US economy as estimated by Cline (1992) are highlighted. Section III discusses the decomposition process and presents the findings. The period under study is divided into two sub-periods: between 1991 and 2025 and between 2025 and 2100. Section IV examines

environmental scenarios for India for a medium term period of 35 years (1991-2025) with respect to safe water supply, sanitation facilities, urban concentration of particulate matter, and urban concentration of urban sulphur dioxide. The concluding remarks follow in the next section.

II

Economics of Global Warming

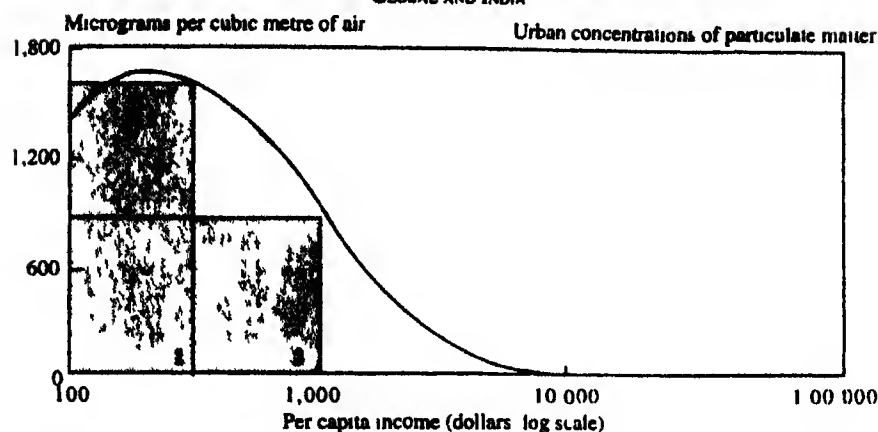
The global warming or the greenhouse effect is the process of heat trapping due to rising atmospheric concentrations of CO_2 and other gases emitted from deforestation, the burning of fossil fuels, and other human activity. These CO_2 gases are transparent to

incoming shortwave solar radiation but opaque to outgoing long-wave (infra-red) radiation from earth. The scientists estimate that the natural levels of these gases raise the earth's average temperature by some 33°C , from -18°C to $+15^\circ\text{C}$. The General Circulation Models (GCMs) prepared by the international expert climatologists estimate that "a doubling of carbon dioxide-equivalent above preindustrial concentrations would increase global mean temperatures by a best-guess estimate of 2.5°C , with typical bounds of 1.5°C and 4.5°C " [Cline 1992]. It is further projected that this doubling of carbon dioxide-equivalent is expected to arrive as soon as year 2025 under the assumption business as usual. Further allowance is made for ocean thermal lag; the doubling year perhaps would be around 2050.

The IPCC estimates that the greenhouse effect will cause significant global warming by the middle of next century in the absence of any policy intervention. It may be noted that while most European countries, Japan and Canada have set targets for reducing emissions of carbon dioxide, the policy-makers in the US have yet to do so. According to the IPCC calculations, under the business as usual scenario, the average global warming would reach 5.7°C by the year 2100. Since this process of global warming does not stop at the conventional benchmark of a doubling of CO_2 concentration, Cline (1992) estimates that global emissions could increase from 6 billion tons of carbon or 6 GtC (GtC = gigatons of carbon) today to 20 GtC by the year 2100 and over 50 GtC by late in the 23rd century. Then the atmospheric concentrations of carbon could multiply eight-fold and global temperatures would ultimately rise by a central estimate of 10°C and by 18°C for the upper bound. In brief, this is the scientific framework for the projected climate change.

As an illustration of possible economic damage from the carbon dioxide-equivalent doubling in the atmosphere (benchmark 2.5°C) some of the costs to the US economy as estimated by Cline (1992) are as follows. These estimates are calibrated in absolute dollars and are expressed as percentages of the 1990 gross domestic product (GDP) of six trillion dollars (6×10^{12}). (a) The overall economic damage suffered by the US would be of the order of \$60 billion, or 1 per cent of GDP. (b) The agricultural losses from heat stress and drought are placed at \$18 billion. (c) The sea level rise due to thermal expansion of sea water and melting of glacial ice will cost \$7 billion. (d) The increased costs of air-conditioning (increased use of electricity) would amount to \$11 billion, in contrast the oil-set for reduced heating costs would be only about \$1 billion. (e) The costs of reduced water supply amount to \$7 billion due to lesser run-off in the water basins. (1) The increased urban

CHART 3 URBAN CONCENTRATION OF PARTICULATE MATTER AND COUNTRY INCOME LEVELS, GLOBAL AND INDIA



1 India GNP US \$ 350 ($\log_{10} = 2.544$ in 1990)

2 India GNP US \$ 985 ($\log_{10} = 2.993$ in 2025)

Notes: (a) Global based on cross-country regression analysis (1980s data)

(b) India gross national product US \$ 350 in 1990

Source: Adapted from World Bank data (1992)

pollution (tropospheric ozone) associated with warmer weather would impose an annual cost of \$4 billion. (g) An increased incidence of mortality with heat stress would amount to \$6 billion when annual life losses are conservatively valued at life-time earnings. (h) The lumber value of forest loss would be over \$3 billion annually. (i) The ski-industry losses due to shortened ski-seasons and relatively smaller quantities of snow would amount to \$1.5 billion annually. (j) In addition there would be other tangible costs on account of increased hurricane and forest fire damage. (k) If other intangible losses, particularly species loss and human disamenity, are included in the total damage, the costs as proportion of national GDP could be as high as 2 percent. (l) With upper bound warming of 4.5°C from doubling of carbon dioxide equivalent, the corresponding range of damage could be 2 to 4 percent of GDP.

The above quantitative case study demonstrates substantial damage costs in the medium long-term and very long-term future. The costs of delays in policy formulation and implementation are indeed high in economic terms. The intellectual demands for a proper policy formulation are equally challenging.

III Decomposition of Carbon Dioxide Emissions

If the carbon dioxide emissions (CO_2) concentrations (or an equivalent combination of several greenhouse gases) are doubled from the pre-industrial level, the equilibrium temperature of the globe is predicted to increase from 1.9°C to 5.2°C. The climate sensitivity is conservatively assumed to be 2.5°C and the globe will be warmer by 4°C

by 2100. The US Environmental Protection Agency estimated a mean rise of 0.6°C above the pre-industrial level and predicted a temperature rise of 1.5°C by 2025 and of 4.4°C by 2100. The IPCC estimated a mean rise of 0.9°C in 1985 and predicted a temperature increase of 1.9°C by 2025 and

of 4.2°C by 2100. However, the actual warming by 2100 could be as high as 9°C in case the climate sensitivity turns out to be 5.2°C instead of the generally assumed 2.5°C, or as low as 3.2°C at the lower end of the range.

The determinants of annual CO_2 emissions could be divided into two groups: population growth and economic growth. The latter group may be further subdivided into energy intensity of gross national product, carbon intensity of energy consumption, and tropical deforestation. The data estimated by the US EPA and IPCC form the basis of the decomposition into two broad determinants. It is assumed that the population growth is not an endogenous variable in the model and further it is assumed that there is no interaction term between these two determinants that is, the two determinants are independent (Bongaarts 1992). For analytical purposes, the period under study between 1991 and 2100 is divided into two sub-periods of 1991-2025 and 2025-2100. Following the World Bank classification scheme, countries are grouped as low-income (GNP/capita in 1991 of US \$ 635 or less), middle income countries (GNP/capita in 1991 of more than US \$ 635 but less than US \$ 7,911) and high income

TABLE 3 AVERAGE ANNUAL EXPONENTIAL GROWTH RATE OF POPULATION AND TOTAL (CO_2) EMISSION INCREASE 1991-2100

	Total World	Low Income Countries	Middle Income Countries	High Income Countries	India
Population (growth rate/year)					
1991-2025	1.236	1.45	1.21	0.378	1.300
2025-2100	0.504	0.54	0.57	0.067	0.241
1991-2100	0.737	0.83	0.78	0.116	0.577
CO_2 increase (growth rate/year)					
1991-2025	1.73	2.71	1.56	0.85	2.58
2025-2100	1.18	1.14	1.31	1.05	0.83
1991-2100	1.35	1.64	1.41	0.98	1.39

Sources: as in Notes, Tables 1 and 2

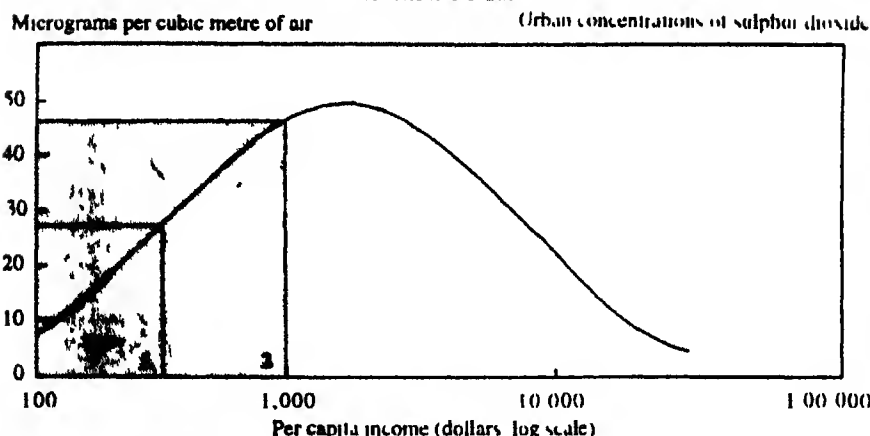
TABLE 4 ESTIMATES OF CONTRIBUTION OF POPULATION AND ECONOMIC DEVELOPMENT TO THE INCREASE IN CO_2 EMISSION 1991-2100

	Total World	Low Income Countries	Middle Income Countries	High Income Countries	India
Total CO_2 (Pitograms per year)					
1991-2025	5.66	3.21	1.53	0.92	0.82
2025-2100	17.64	7.06	6.31	4.27	1.20
1991-2100	23.30	10.27	7.81	5.19	2.02
Contribution of population to emission growth (per cent)					
1991-2025	57.8	53.51	77.56	32.90	50.39
2025-2100	42.7	47.37	42.54	5.90	29.03
1991-2100	54.6	50.61	55.32	14.90	41.51
Contribution of ECO development to emission growth (per cent)					
1991-2025	42.2	46.49	22.44	67.10	49.61
2025-2100	57.3	52.63	57.16	94.10	70.97
1991-2100	45.4	49.49	44.68	85.10	58.49

Notes: Decomposition is calculated as the proportional reduction in the average annual CO_2 emission growth rate that would be if population size is kept constant. Further independence between population growth and GNP growth is assumed for simplification.

Sources: Tables 1, 2 and 3

CHART 4 URBAN CONCENTRATION OF SULPHUR DIOXIDE AND COUNTRY INCOME LEVELS, GLOBAL AND INDIA

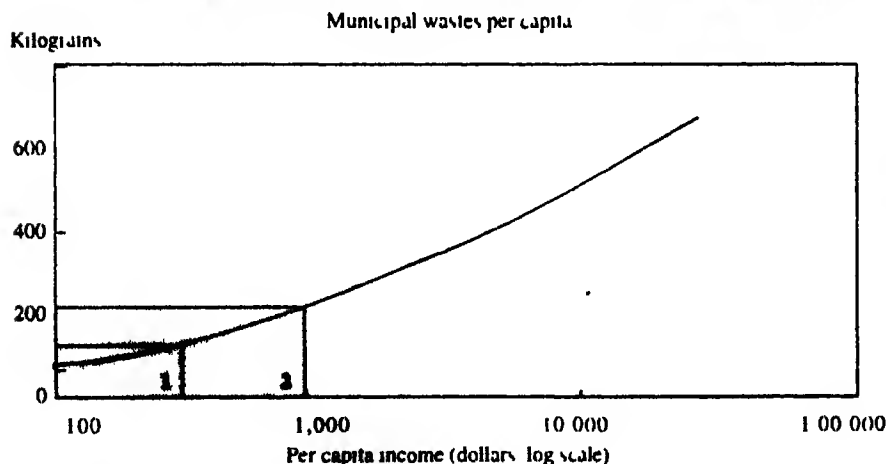


- 1 India GNP US \$ 350 ($\log_{10} = 2.544$ in 1990)
2 India GNP US \$ 985 ($\log_{10} = 2.993$ in 2025)

Notes (a) Global based on cross-country regression analysis (1980s data)
(b) India gross national product US \$ 350 in 1990

Source Adapted from World Bank data (1992)

CHART 5 MUNICIPAL WASTE PER CAPITA AND COUNTRY INCOME LEVELS GLOBAL AND INDIA



- 1 India GNP US \$ 350 ($\log_{10} = 2.544$ in 1990),
2 India GNP US \$ 985 ($\log_{10} = 2.993$ in 2025)

Notes (a) Global based on cross-country regression analysis (1980s data)
(b) India gross national product US \$ 350 in 1990

Source Adapted from World Bank data (1992)

countries (GNP/capita in 1991 of US \$ 7 911 or more). Although India is included in the low income group, it is treated as a separate group by itself (GNP/capita in 1991 of US \$ 330).

The low income economies (40 countries with a weighted average per capita income of US \$ 350 in 1991) account for 58 per cent of global population. By the year 2100 the global population share is projected to be 65 per cent (Table 1). Over the 35 years period 1991-2025, the population growth alone will contribute 54 per cent of the CO₂ emissions and during the following 75 years, 2025-2100, their contribution will decline by 13 per cent (Table 4). The total emissions are shared almost equally by the two determinants.

In contrast the high income group includes 22 countries with a weighted average per capita GNP of US \$ 21,050, accounting for only 15 per cent of the total population in 1991. During the first sub-period, the population growth will contribute one-third and economic development the remaining two-thirds. However, during the second sub-period (2025-2100) the economic growth will contribute almost the entire increase in the emission, only a 6 per cent share is attributed to population growth (Table 4).

India's projected population growth is very sizeable indeed, almost doubling from the present level of 866 million in 1991 to 1,635 million by 2100 (Table 1). According to the very long-term projections, India's population will stabilise at 1,862 million

sometime in the middle of the 22nd century (Chart 7). During the first sub-period, India's population growth will contribute 50-39 per cent share of the total emissions, but during the second sub-period the share attributed to population growth declines by about 40 per cent. In other words, the proportion attributed to economic growth increases by 43 per cent during the second sub-period (Table 4).

The estimates of CO₂ emissions by the US EPA are based on the assumption of annual growth in per capita income at the rate of 3 per cent for the developing countries and 2 per cent for the developed countries between 1985 and 2100. The global average GDP per capita is projected to rise from US \$ 3,000 (or \$ 36,000) between 1985 and 2100 in terms of 1985 dollars. These assumed rates are derived from the actual growth over the past two decades. No doubt this assumption remains very crucial in this exercise. India's average annual rate of growth rate of GDP during 1970-80 was 3.4 per cent and during 1980-91 was 5.4 per cent (World Bank 1993). If the economic growth trends of the 1980s continue and further improve in the future, our assumed rate of 3 per cent growth in real income over a long period may turn out to be on the low side.

The energy intensity is projected to decline rapidly. For the developed economies (in megajoules per dollar GDP) it declines from 20 in 1990 to 4, and for the developing countries from 25 in 1990 to 4. However, the pace of decline for the developing countries is very slow. The carbon intensity is measured as grams of carbon per megajoule. At present, the average carbon intensity in developing countries is higher than that of the developed economies. This is so because the developing countries derive a sizeable part of their energy from coal and use less energy from non-fossil fuels.

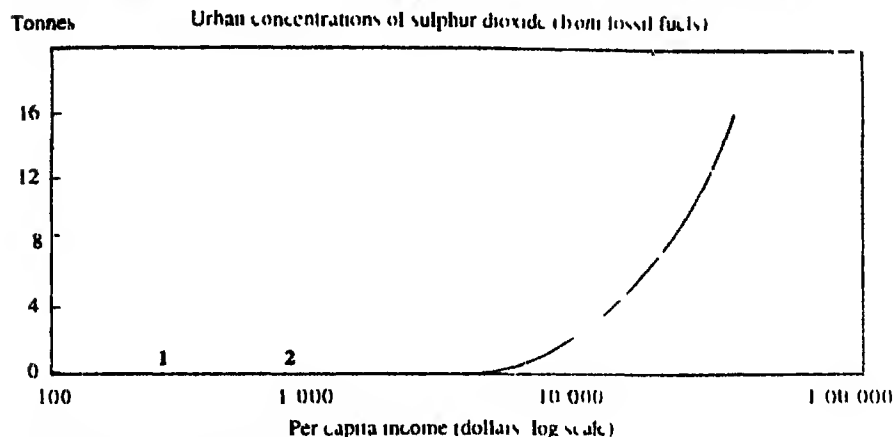
Deforestation produces about 0.7 petagrams of carbon per year. This annual rate of emissions is to rise slowly to 1.1 petagrams in 2075 and subsequently decline to 0.8 petagrams in 2100. As noted earlier, the proportion of total global emissions attributed to deforestation in 2100 is only 3 per cent by the US EPA estimates. The estimated values of different factors used in these calculations are the product of a very detailed assessment and complex computer models.

IV

Environmental Scenarios in India

A recent World Bank study (1992) has traced an 'average' relationship between the level of economic development (GNP per capita) and the corresponding environmental damage/stress. India's current position is identified on each of these average patterns of economic development-environmental relationships for the current year (1991), and

CHART 6 CARBON DIOXIDE EMISSIONS FROM FOSSIL FUELS PER CAPITA AND COUNTRY INCOME LEVELS
GLOBAL AND INDIA



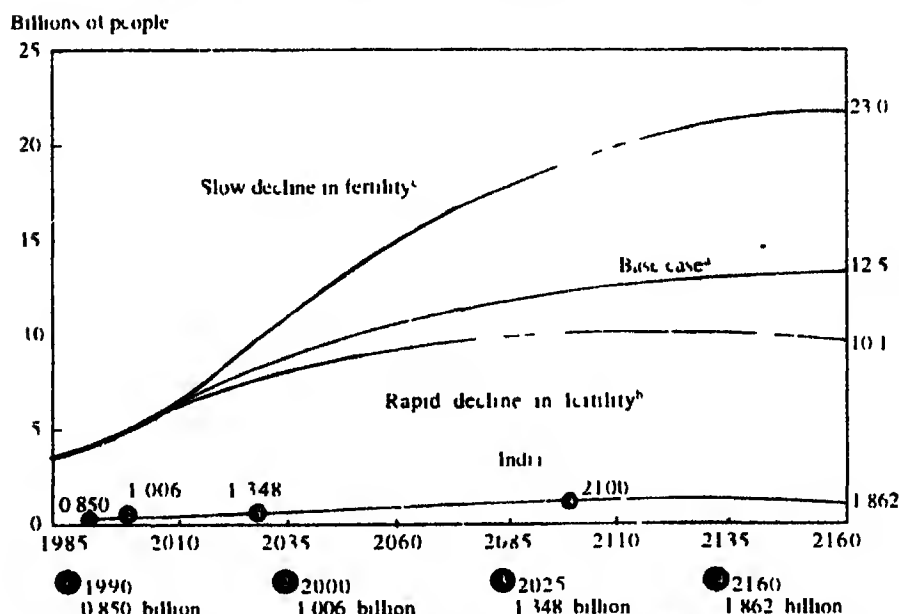
- 1 India GNP US \$ 350 (Log = 2.544 in 1990),
2 India GNP US \$ 985 (Log = 2.993 in 2025).

Notes: (a) Global based on cross country regression analysis (1980s data)

(b) India gross national product US \$ 350 in 1990

Source: Adapted from World Bank data (1992)

CHART 7 LONG TERM GLOBAL AND POPULATION PROJECTIONS UNDER DIFFERENT
FERTILITY TRENDS 1985-2160



- Notes: (a) Base Case: Countries with high and non declining fertility levels begin the transition toward lower fertility by the year 2005 and undergo a substantial decline by more than half in many cases over the next 40 years. All countries reach replacement fertility levels by 2060.
(b) Rapid Decline: Countries not yet in transition towards lower fertility begin the transition immediately for countries already in transition total fertility declines at twice the rate for the base case.
(c) Slow Decline: Transition towards lower fertility (triggered when life expectancy reaches 53 years) begins after 2020 in most low income countries. For countries in transition declines are half the rate for the base case.
(d) India: Assumed year of reaching net reproductive rate of one (total fertility rate of approximately 2.2) by year 2015. The projected stationary population is 1.862 million around 2150-2160.

Source: Adapted from World Bank data (1992)

the likely change over the next 35 years (1991-2025) is measured. India's per capita GNP is projected to increase to US \$ 985 in terms of 1990 US dollars at the average

annual rate of 3 per cent. For calculating the change over time the log values of GNP per capita are used. The following general observations can be made: (a) The proportion

of population without safe water supply will decline from 75 per cent to 42 per cent between 1990 and 2025. Four out of every 10 households will be without safe water supply (Chart 1). (b) Similarly one out of every four households will be without adequate sanitation by 2025 (Chart 2). (c) The level of urban concentrations of particulate matter will drop by about 50 per cent from 1,600 to 800 micrograms per cubic metre of air (Chart 3). (d) The urban concentrations of sulphur dioxide will increase by about 70 per cent over the same 35 year period in terms of micrograms per cubic metre of air (Chart 4). (e) Municipal waste per capita is projected to double amounting to 200 kg in the year 2025 from the present level of about 100 kg (Chart 5).

V

Concluding Remarks

The future is uncertain especially in economic and social developments. These long term projections over the next century must be interpreted as no more than broad trends. As a member of the profession of economic demographers I must inject much needed modesty in claiming the degree of accuracy reflected in mathematical manipulations and assumed relationships. Nevertheless it is clear that any rapid decline in the population projection for India over the next two decades will result in a considerable environmental improvement in the long run. The best environmental policy will remain a rapid decline in population growth in the country in general and Uttar Pradesh in particular.

[The paper was presented at the XVII Conference of the Indian Association for the Study of Population to be held at the University of Annamalai, Annamalai Nagar, Tamil Nadu, December 16-19, 1993 in Session C: Population Growth and Sustainable Development, organised by M. K. Puri for the Volume of Contributions for the United Nations World Population Conference, September 1994.]

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Burden and Burden-bearers of Marx

Sharad Patil

ARUN PATNAIK has pinpointed and theorised the three controversial points in K Balagopal's article (*LPW* January 7) in his rejoinder in *LPW* May 20. The basic position on which he builds his polemic is as follows.

The people's movements are not simply too numerous but terribly sectarian, divided and unrelated to each other. An agrarian struggle hovers at the birth of dalit movement and treats my critique of caste as a divisive force in the course of class struggle. A dalit movement dismisses feminism as an urban middle class women's problem as if the latter do not have material interests in women's questions. It does not even hesitate to show now and then obvious contempt for an activist group's intentionality, aspirations. A women's movement raises the critique of patriarchy as if it does not have anything to do with the struggles of ryots and coolies.

A scientific scrutiny of one's own ideologies is substituted by a superstitious commitment to it. A recognition of one's own limitations which is linked to the appreciation of the others' strength and thereby to unity is substituted by a flight to armed discourse.

ONE'S LIMITATIONS VS OTHER'S STRENGTH

Scientific scrutiny is expected by Patnaik. I think also from Marxists, or rather the communist parties. I would delete also and substitute mainly the reason being that they possess relatively the most advanced revolutionary science. He has defined scientific scrutiny as 'recognition of one's own limitations which can lead to the appreciation of the others' strength. What are the limitations of Marxism and the strength of Ambedkarism and feminism? He has not spelt them out in clear terms as he has done in case of Balagopal and the ecologists. He himself does not seem to be prepared to admit the strength of others, or admits Balagopal's argument on ecology as clear and simple enough.

According to him [Balagopal] ecologists rightly argue that there are natural limits to the human praxis. Evolution of which brings disasters for the human beings. Human potential is better realised and expanded by recognising nature's most obvious incapacity. Marx's concern with the growth of productive forces i.e. the growing transformation of nature and human potential assumes (sometimes) that human praxis is unbounded and its limits as possibilities. Ecologists have disproved such an assumption.

There is no human praxis, this simple fact. But only because Balagopal connects

this fact with Marx's incorrect assumption. Patnaik tries to drag him into the intricacies of the dialectical relationships between nature and nurture, man and labour. 'Dialectics is usually confused with dialectic argument'. Dialectics is the cognition of the laws of movement, motion of objective reality while in dialectical argument reasoning is often a resort to sophism. Man cognised correctly the objective relationship between antagonistic and non-antagonistic contradictions on the basis of his study of these contradictions in the Chinese revolutionary movement. These contradictions do not exist in watertight compartments, rather they transform themselves into each other. Lenin could not recognise this relationship in objective revolutionary reality and hence concluded hypothetically that these two types of contradiction exist in watertight compartments, i.e. they do not get transformed into each other. That class contradiction is the only antagonistic and hence the only revolutionary contradiction in society and that it will cease to exist in socialism. Basavipriya has used Lenin's subjective cognition of the law of contradiction to attack Mao's objective cognition of that law of dialectics in the very centenary year of Marx's death anniversary (1983). Mao was vindicated by the fall of socialism in Europe at the end of that very decade.

What is the strength of feminism? His contention that Marx overlooked the fact of the share of the worker's wife in the creation of surplus value. To accept this simple fact is not sufficient here. Her over-reliance on patriarchy in the subconscious of Marx played a role here. Acceptance of the simple fact should be accompanied by the acceptance of the theoretical cause underlying the fact. The denial of gynocracy by Engels and the feminists coalesce. The feminists' denial is subjective, for their historical materialism is based on the dogma that women as a class were never exploiters and oppressors. As for Morgan and Engels their limited knowledge of the primitive society did not go beyond the American tribes based on mother right and not because they accepted Bichofen's thesis that gynocracy was an exception while patriarchy (mothers' rule) was a rule of the development of the primitive society. It should be noted that Morgan and Engels equated mother right with mother rule or matriarchy and patriarchy with primitive communism. They rejected gynocracy (rule of women) also because it could not be equated with primitive communism. Bhabhani based *The Mother* on the assumption that primitive society

started everywhere with matriarchy/gynocracy. These were the two dogmas that were sought to be countered by the feminists with their dogma of archetypal patriarchy. Primitive communism has been disproved by anthropology while gynocracy was proved by Gurdon's book *The Khasis* (1914) which is based on factual account. The Khasi and Garo women are now fighting for retention of matrilineality (*Indian Express*, May 21-22). Leela Dube's paper 'Conflict and Compromise: Development and Disposal of Property in a Matrilineal Muslim Society on the Lakshadweep Muslim Malis' published in *LPW* (May 21) is a reminder of Kerala's gynocratic past which has been documented by Padmanabh Menon in his *History of Kerala*. But none the less, it should be noted that human society has not passed through gynocracy as a rule everywhere in the world.

With Ambedkarism it is a totally different matter. Ambedkar's contention is that Indian society is basically a caste society though he does not deny the existence of the class system in it. His contention has still not been accepted by the traditional communist parties though they have been compelled to give their assent to reservation to the OBCs after the partial implementation of the Mandal report by the V P Singh government. But the left front led West Bengal government's opposition to the Mandal report continues. The Constitution had already granted reservation to the 22.5 per cent SCs and STs. With the present central government's declaration of granting reservation to 52 per cent OBCs the victims of the caste system add up to 74.5 per cent of the Indian population. The Mandal report has proved that it was the all-pervasive tyranny of the caste system which kept the lower castes socially backward and economically poor. The poverty of these castes stemmed from their social discrimination and they did not become socially backward because of their poverty (p 40). This is the strength of Ambedkarism.

RESERVATIONS OF CASTE

But as the rigid posture of the left front of West Bengal shows that the traditional communist parties are still averse to accepting this simple but unique fact of the Indian social system. The theoretical basis of their opposition to reservation was given out by S G Sardesai in his booklet *Class Struggle and Caste Conflict in Rural Areas* published on the heels of the Marathwada riots (1979) in which he affirms that in principle reservation is 'basically undemocratic' (p 33). For traditional Indian communist parties models of everything - philosophy, methodology (historical materialism), history, politics, economics, revolution, democracy, aesthetics, etc -

existed in Europe (for nalaxites in China). Did the model of ancient Indian tribal democracies exist in Europe?

Traditional Indian communist parties and Marxist scholars are afraid that if the strength of Ambedkarism is admitted it will open a Pandora's box resulting in the 'total' inapplicability of Marxism to Indian conditions. But the Pandora's box has been opened up by no human agent but by history itself. When the third world countries came on the centre stage after the second world war, their non-class social systems intensified the contradiction in the Marxist methodology, the contradiction between its class form and its content applicable to all social systems. But of all other social systems, it is the caste system of India that confronted Marxist methodology and philosophy with pertinent questions, which may be briefly listed as follows:

- 1 What is the definition of class in relation to caste (varna and jati)?
- 2 Is jati material or superstructural?
- 3 Was there class in pre-British Indian society?
- 4 If class did not exist in pre-British Indian society, what is the historical materialism of varna and jati?
- 5 In such a situation should Marxist methodology be unilinear or multilinear?
- 6 Will then the 'recorded history' of India be a history of class struggles or caste struggles?
- 7 Is then the caste contradiction antagonistic and revolutionary as averred by Ambedkar? Will the Indian democratic revolution be traditional or unique in its task of caste annihilation?
- 8 Was the Indian renaissance and enlightenment elite?
- 9 Did the class aesthetics of socialist realism prove to be inapplicable to Indian literature, arts and culture because of its epistemology of reflectionism?
- 10 Did Indian aesthetics and poetics develop only in the unilinear brahmanical current, or was it confronted by non-brahmanical aesthetics forged by the Dignaga school of sautranika vipranavada tertical realism in the words of Sarkar Mukherjee?
- 11 If the epistemology of the brahmanical poetics was pratibimba-vada (reflectionism), what was the epistemology of the non-brahmanical aesthetics?
- 12 Can that non-brahmanical epistemology offer a higher and more profound epistemology than reflectionism as hinted by Toynbee and Ikeda in their 'Chousei Life'? My forthcoming vol II, entitled *Caste: Feudal Servitude*, provides answers to these questions.

SACROSANCT CONNECTION AND AUTONOMY

I am now tempted to take up Balagopal's argument 1, dealt philosophically by Patnaik. The argument and its philosophical treatment is as follows:

'Balagopal asserts that Marxism underestimates the character of the psychic

process because it treats consciousness as a derivative of material process. But, in actuality, psychological attributes like hatred, selfishness, violence on the one hand and loving, caring, fellow-feeling on the other constitute the moral (psychic) sphere which is autonomous of the material (physical) process. Balagopal does not deny that the material physical sphere also constitutes the human existence. But he denies that it has any causal connection with the spiritual reality. Yet, he argues, they are two parts of a single process which he does not bother to define or elaborate as *is-a* Marx. Thus, he argues, 'Marx certainly did not ignore the moral history of humankind, but for him this moral history has no parameters of its own but is a derivative of the material history... The human species possesses moral as well as physical possibilities - based on psychic and physical structures both of which it has elaborated conjointly in the course of its struggle to satisfy its constantly elaborated needs...'

'If they are autonomous of each other, how are they united (connected)?..

'He accepts a *la* Marx that social being determines social consciousness but denies whether being determines consciousness...'

Balagopal does not argue that matter and mind are independent or unconnected. What he is driving at is that mind is autonomous. Discontent in philosophy is voiced by comparative laymen (academicians having lost the sense and feel of the 'new') in confused and inconsistent terms. What is to be noted in such a crisis-ridden condition is that the concerned philosophy is no more fulfilling the growing new need of explaining the qualitatively new stage in the ever developing objective reality. The confused and inconsistent expression of the discontent has to be translated in clear and consistent terms.

Mind, on the one hand, as cerebral cortex, is an inseparable part, not even derivative, of the physical body. But, even in that relation its functions differ from the other organs of the body - it governs them, and to that extent it is autonomous. Apart from this 'physical' function, it has the unique function of thinking of consciousness, the 'highest bloom of matter' as Engels called it, with which the autonomy increases. But for Marx, Engels and Lenin this consciousness is nothing beyond the reflection (it may be of various kinds) of objective reality. Debi Prasad Chhapadhyaya has shown in *Lenin the Philosopher* that Marx did not create his own epistemology, but took it over ready-made from mechanical materialism. Though he extricated himself from Feinbach's mechanical materialism, he shackled himself anew by adopting the reflectionist epistemology of mechanical materialism. If consciousness - to be precise, the thought process - only reflects the objective reality, it can create nothing new. This leads to the epistemology of the Sankhya, according to which everything is immanent

in Prakriti, which in its development manifests in actuality only what is stored in her in an unmanifested form. That is why its causality is called 'sat-karya-vada' (Karyam sat, effect exists in the cause). No qualitative changes occur, only quantitative changes take place. Abhinavagupta (10th century AD), the greatest brahmanical aesthete, based his 'abhava-vada' on this sat-karya-vada. But, chemistry proves qualitative change, the birth of the new, a break between the old and the new. It does not bother about the sundering of the 'causal connection'. Objective reality develops in discontinuous continuity. Marx's dialectics admits qualitative change, birth of the new, a break between the old and the new. But his borrowed reflectionist epistemology tries to muzzle consciousness; the highest bloom of matter was thus subjectively prevented from blossoming infinitely. That is why Marxist philosophy could accomplish the physical socialist revolution, but could not create its new man.

Buddha, Christ and Muhammad were, according to Marx and Engels, social revolutionaries. They revolted against their respective social beings and ushered feudal revolutions. In this respect they were not derivatives of their respective social beings. Their social beings, as far as the social revolutions they accomplished are concerned, were similar. But they created different kinds of moralities. The last two were social revolutionaries, prophets, but Buddha was over and above that a philosopher, who, according to S N Dasgupta, created a new philosophy which registered a break with all the prevailing philosophies. Herein lies the autonomy of consciousness.

Is the child a 'pale imitation' of its parents? According to genetics, the synthesised new is born in the womb itself and the embryo is also a break with its progenitors. The consciousness of the offspring develops and works with increasing autonomy from the consciousnesses of its mother and father, and may turn into their total opposite for better or for worst, sacrificing the sacrosanct 'connection'.

Ikeda says that 'all Western philosophies are built on a study of consciousness' (Marxism included). Toynbee develops the point by saying that 'the subconscious is the source of intuitions that can inspire rational thought but that cannot be reached by the mind so long as the mind is confining its activity to the conscious level'. So beneath the autonomous consciousness itself there lies the super-autonomous subconscious.

I will conclude this brief intervention with an apt tale told by Buddha to his disciples. A traveller encounters a river full up to both the banks. He makes a raft and with its help swims to the other side of the river. Buddha then asks his disciples as to whether the traveller, obliged to the raft, should continue his journey bearing the raft on his head, or leave the raft and resume his journey?

National Accounts Statistics of India - 4

Value Added to Output Relationship by Economic Activity

LJRW Research Foundation

THE focus of this fourth set of NAS series is on the interrelationships between output inputs and value added by major industry groups. These interrelationships have considerable analytical significance and the CSO constructs the input output structures of all sectors of the economy for deriving GDP or gross value added (GVA) that is gross output *minus* input (intermediate consumption). Apart from the fact that these are necessary aspects of the preparation of national income and related aggregates, the CSO has been putting out based on these data regular input output transactions tables, the latest one being for 1983-84 (CSO 1990). However, the NAS provides for public consumption the detailed input structure for a few economic activities and for few others only data on gross output and value added are published. Accordingly, the accompanying tables present the input structure for agriculture and livestock and value added to output relationships for a few categories of major and minor minerals and for all two digit level industrial categories under registered manufacturing.

I

Methodology and Data Sources

Agriculture and Allied Activities

This sector comprises agriculture proper, livestock and livestock products and operation of irrigation systems. Agriculture and livestock activities go together and it is not always feasible to segregate the inputs like livestock feed, repairs and maintenance costs, consumption of fixed capital (CFC) etc. into those used in agriculture and livestock production.

The principal sources of information used for purposes of building up the estimates of GVA from agriculture provided by DESAg are (i) Land Use Statistics (LUS) which mainly classifies land according to its various uses, (ii) Area and Output of Principal Crops, provides periodic estimates of area and output of the principal crops generally known as food crops and (iii) Cost of Cultivation Studies (CCS) which involves collection of representative data on inputs and outputs in physical and monetary terms and thus estimating the cost of cultivation as well as production

The principal sources of information for data on various aspects of livestock production are (i) Integrated Sample Survey (ISS) that conducts sample surveys for the estimation of livestock products and (ii) Indian Livestock Census (ILC) conducted quinquennially that provides age wise and sex wise data at the district level on a number of different categories of animals separately for urban and rural areas.

As explained in an earlier part of this series, the contribution of this sector to the GDP is estimated in terms of GVA using the production approach. The estimation of GVA involves evaluation of the products in this products and milling activities at the prices received by the producers and deducting from these the value of inputs of raw materials and services consumed in the process of production at purchaser's prices. In respect of operation of irrigation system by government's irri- gates the approach is used where the gross factor income generated is result of providing irrigation services is estimated. The operation of irrigation system by agriculturists is not separately taken into account as its output gets reflected in the value of output of crops and the expenditure on its operation in the overall input costs. Separate estimates of value of output from agriculture proper and livestock production are prepared and the estimates of GVA are worked out for the sector as a whole.

The area and output of principal crops are put out in the publication *Area and Production of Principal Crops*. For miscellaneous and unspecified crop groups, the estimates of output are obtained by applying an appropriate average value of yield per hectare to the total area covered under these crops. In the process of cultivation of crops, several by products are produced but only those which are readily identifiable and have some definite economic value are considered for the estimation of GVA. The value of output from livestock is the total output of milk, stoup meat group, eggs, meat, poultry meat, wool and hair, dung, silkworms, cocoon and honey (CSO 1989).

The farm output needs to be evaluated at a price which measures as accurately as possible the income which accrues to

the producer. For evaluating crop outputs at the state level, crop-wise average wholesale prices prevailing in the primary markets during the peak marketing periods are used. The average prices are used along with the production estimates available from DESAg for obtaining the value of output. In the absence of current price for any crop in a state, the trend observed in the prices of the crop in the adjoining state is used. The prices of livestock and livestock products are obtained from the same source as those for agricultural commodities. The portion of the output retained by the producer for self consumption, seed, livestock feed etc. is evaluated at the average prices. However, the quantity procured by the Central and State government agency is evaluated at procurement prices obtained from the Ministry of Food and Civil supplies.

Thus we arrive at the value of output from agriculture and allied activities from which necessary deductions are made for intermediate consumption, namely the inputs used in this sector. Information on chief inputs such as seed rates are available from the CCS and the output of dung of animal husbandry is used as the input in the agriculture sector. No separate estimates of consumption of organic manure are prepared except that of dung manure. The consumption of chemical fertilisers in particular is assumed to be equivalent to the quantity distributed to States by Central Fertiliser Pvt. Indian Potash Limited and domestic manufacturers and this is evaluated at retail prices. Stocks with traders are not included. The feed consumption of animals used for cultivation activities as well as production of livestock and livestock products is considered as input. The irrigation departments of the Directorate of Economics and Statistics (DES) collect data on the irrigation charges payable by the farmers in lieu of the water supplied by government owned canals and other means of irrigation. The Central Electricity Authority puts out data on electricity consumed for agricultural purposes on an annual basis at the state level. Up to 1982-83 data on quantity as well as value of pesticides and insecticides were made available by the Pesticides Association of

India (PAI), but since then data only in terms of quantity are put out by the PAI, the value of which is estimated using 1982-83 prices adjusted for change in the index of wholesale prices.

The estimates of GVA at current prices are arrived at by deducting the total value of these inputs from the total output and then adding it to the GVA from operation of government irrigation system. The GVA from the operation of government irrigation system is obtained by the income approach method, i.e., by taking the sum of compensation of employees, operating surplus, gross provision for CFC, details of which are available from the Central and State Government budgets. For estimation of GVA at constant prices, the double deflation method is used where various items of output and input are estimated at the base year prices. In a given year, the base year price data, viz., the state average price, value of yield per unit of area are used wherever applicable and a method similar to that at current prices is followed to obtain the value of output at constant prices.

Mining and Quarrying

The economic activities covered in mining and quarrying comprise extraction of minerals in all forms from underground and surface mines, quarries and oil wells, with all supplementary operations needed to render the ores and other crude minerals marketable. Only those activities carried on at the mine site are recorded by the CSO under mining and quarrying. For calculating the value of output, the mining and quarrying sector is divided into two broad groups viz., major minerals and minor minerals. The major minerals consist of coal, lignite, petroleum and natural gas and other major minerals, i.e., metallic minerals, including atomic minerals, and non-metallic minerals. The main sources of information for major and minor minerals are the Indian Bureau of Mines (IBM) publications *Financial Year Aggregates of Mineral Production (FYAMP)* as well as *Mineral Statistics of India*, while data on inputs and output of petroleum and natural gas from the ONGC and Oil India Limited (OIL) in a proforma specially designed by the CSO.

The estimates of GVA in mining and quarrying are based on the production approach calculating the value of output of each mineral at state level and deducting from it the value of corresponding inputs. The value of output of coal and lignite as given in FYAMP publication is used directly. Since the data on output of petroleum and natural gas include elements of cess and sales tax, these are deducted from the gross value of output at Central Tank Farm (CTF) prices to obtain gross

value of output at factor cost. In respect of metallic and non-metallic minerals, the data used for estimation are usually the sale value of the mineral at the mine site or pit head. In case of captive mines, the value of output is obtained on the basis of cost of production. The CSO directly obtains the latest data regarding output of minor minerals from the state geological departments.

In respect of inputs, the value of coal is obtained from the Office of Coal Controller, while that of lignite is obtained from Neyveli Lignite Corporation Limited (NLC). The ratio of value of input to value of output as worked for NLC is assumed to hold good for lignite obtained from Gujarat Mineral Development Corporation. Inputs for crude petroleum and natural gas are obtained directly from the ONGC and OIL. Mining expenses incurred for other major minerals are worked out by the IBM, but due to certain computer processing difficulties lately, the rates of 1984-85 is assumed to hold good for subsequent years. The estimates of input costs for minor minerals are not available separately and hence are based on data available in the Report No.280/6; 'Tables with Notes on Survey of Self Employed Households in Non-Agricultural Enterprises-Detailed Results', 29th Round (1974-75) of NSSO.

The estimates of GVA at current prices for mining and quarrying are then arrived at by deducting the total value of these inputs from the total value of output. The estimates of GVA thus obtained are not netted for banking service charges paid by producers. The value of such services forms a part of the income originating in the banking and insurance sector and as such the imputed banking charges are deducted further to obtain the GVA net of banking charges. The estimates of GVA at constant prices is derived by evaluating the quantity of current year output of each major mineral at the corresponding pit-head/CIF prices of the base year. In the case of minor minerals, which are reported in value terms only, the ratio of value of output of the total non-metallic minerals at constant to current prices for each state is multiplied by the value of the minor minerals at current prices in order to obtain the value of output at constant prices. This is multiplied by the rates of mining expenses for each state as available from the NSSO report mentioned above to obtain the GVA estimates from mining and quarrying at constant prices.

Manufacturing - Registered

The entire manufacturing activities are classified into two broad sectors, viz., manufacturing - registered and un-

registered. All the factories forming a part of the registered manufacturing sector are classified into 19 industry groups as per the National Industrial Classification (NIC)-1970, which has since been revised in 1987 (NIC-1987). Data on output and inputs in respect of manufacturing sector are collected annually by the National Sample Survey Organisation (NSSO) under the ASI. The field work of the survey is carried out by the Field Operations Division of zonal, regional and sub-regional offices located in different parts of the country.

The ASI frame is based on the lists of registered factories/units maintained by the Chief Inspectorate of Factories in each state and those maintained by licensing authorities in respect of bidi and cigar establishments and electricity undertakings. Though the data collected under ASI are analysed by states and within each state by census and non-census sectors separately, the results pertaining to non-census sector are not published. All the factories that constitute census sector and the industry group at 3-digit level are completely enumerated every year, whereas those constituting non-census sector are covered in two years on the basis of 50 per cent sample in the alternate years. The unregistered manufacturing sector - being complementary to registered manufacturing sector covers all those units which are not covered under the registered manufacturing sector.

The estimates of GVA following the production approach requires estimates of value of output at ex-factory prices and corresponding value of input at purchaser's prices. The output, in the context of manufacturing sector, mainly comprises (i) ex-factory value of all products and by-products including semi-finished manufactured goods, (ii) receipts for industrial and non-industrial services rendered to others, (iii) value of fixed assets produced by the factory for its use, and (iv) net balance of goods sold in the same conditions as purchased. Likewise inputs mainly comprise of purchase value of all items of (i) raw-materials, components, chemicals, packing materials and stores actually used for the production process; (ii) fuel, lubricants, electricity, water, etc. consumed; (iii) cost of non-industrial services received from other concerns; (iv) cost of material consumed for repairs and maintenance of fixed assets including cost of work done by others to the fixed assets; (v) cost of contracts and commission work done by others on materials supplied by the factories; and (vi) cost of office supplies.

The industry-wise estimates of GVA in registered manufacturing at current

prices published in the ASI are adjusted upwardly by the ratio of employment of the non-responding factories to the total employment of the responding factories of the census sector. The estimates of GVA obtained from ASI include banking charges paid by the manufacturing establishments. The value of such services forms a part of the income originating in the banking and insurance sector and as such, is deducted from the GVA of the registered manufacturing sector. In the absence of adequate details, adjustment for imputed banking charges are made only at the aggregate level.

The estimates of GVA in registered manufacturing at 1980-81 prices are obtained by adopting the single deflation method, deflating the industry-wise estimates of GVA at current prices at 2-digit level of NIC with the relevant wholesale price indices for the year for which the ASI data are available. For recent years for which the ASI data are not available, the industry-wise constant price estimates of the latest available year are moved forward by using the relevant index of industrial production. As there is no one to one correspondence between some of the NIC 2-digit level classification and the corresponding wholesale price indices classification, appropriate price indices are worked out using weighted average of wholesale price indices of relevant items.

II

Quality and Limitations of Database

With regard to agriculture and allied activities, as crop estimates are periodically revised, along with final forecast figures, revised estimates for the preceding year are also published. However, for some of the crops in some states, final forecast figures are repeated by DESAg due to non-availability of revised estimates. Moreover, farm output should conceptually be evaluated at prices which accrue to the producer at the first point of transaction, but this is not possible in practice as the producer disposes off the product at different stages. Hence average prices worked out as weighted average of district level prices during peak marketing period is considered the most appropriate.

The estimates of value of inputs prepared by using the various sources like CCS, FAL, NSSO, DES, DESAg and others are often based on certain implicit assumptions and outdated information. For instance, the estimates of seed, diesel oil and by-products of agricultural crops from the CCS data based on 900 agriculture holdings may be a representative for all India but using the same at state level may not be justified.

That apart, it is assumed that whatever amount of chemical fertilisers is distributed by the pool and non-pool agencies is consumed; data on possible stocks are absent. The concentrates used in livestock feed are estimated from the NSSO survey results (30th round) pertaining to the year 1975-76 and may not be relevant to the later years. In respect of fodder and grass the estimates of livestock feed are based on the NSSO report pertaining to 1955-56. The data on consumption of organic manure are not available and so the output of dung manure in animal husbandry sector is taken as input of the agriculture sector. The AIDIS of 1981-82 form the main source of information for preparing estimates of repairs and maintenance charges. These surveys conducted every ten years handicap the preparation of annual estimates due to the non-availability of satisfactory annual indicators.

In the case of mining and quarrying, the FYAMP publication of the IBM provides state wise estimates of output of other major minerals with a time lag of one year. On the other hand, the IBM provides data of mineral-wise quantity and value of output at an all-India level for the current year. The estimates of minor minerals are for a calendar year and they are assumed to hold good for the financial year.

Although the respective data base for the manufacturing sector is comprehensive in regard to the coverage and sample size there is time-lag in the publication of ASI results. In the case of registered manufacturing, the estimates at constant prices are prepared by using single-deflation method, whereas the ideal method to arrive at the constant price estimates is the double deflation method which is not used for want of detailed input data base.

III

What Do the Data Reveal?

The technical co-efficients as represented by the input-output ratios convey the nature of technological changes taking place in different sectors of the economy. In the present context, data on input structure in some depth is available only for agriculture and livestock on which significant results are discernible. In respect of other sectors, the only result that can be deduced is the proportion that gross value added holds to gross value of output, which is the obverse of the proportion of intermediate consumption in the value of output.

A distinct revelation in these data is that while in agriculture, the percentage share of value added in gross value of output has tended to rise since the beginning of the 1970s, in mining and registered

manufacturing the corresponding share has declined over the decades, which in turn implies that the efficiency of input use seems to have increased over the decades only in agriculture. In registered manufacturing, there was a temporary halt to the declining trend in GVA to output ratio during the early 1980s when the relevant variables were measured both at current and 1980-81 prices. The CSO themselves have raised doubts whether the emerging trends, particularly in respect of the manufacturing sector, represent true technological changes or whether they are due to use of fresh data based on the results of periodic follow-up surveys of economic censuses, etc [CSO 1990:30]. In the case of the manufacturing sector, appropriate measurement of productivity trends is also hampered by the fact that real GVA in that sector is derived by the single-deflation method [see the debate on this subject begun by Balakrishnan and Pushpangadan 1994 and 1995]. In this sector, a part of the reason for the declining trend could be the tendency for over-reporting of input costs.

Data on agriculture (Tables 16A and 16B) show significant changes in the input structure over the period. A distinct change relates to the growing importance of modern inputs in total inputs in agriculture, the share of chemical fertilisers, for instance, rose from about 4 to 6 per cent in the early 1960s to 26 per cent in the early 1990s, that of electricity from less than one per cent to 4.7 per cent, and diesel oil from one per cent to over 5 per cent. These are reflected also in the productivity of 'seeds' in that their cost in total inputs has declined from 17 to 18 per cent to about 10 per cent.

In registered manufacturing, today gross value added constitutes only about 22 per cent of gross value of output at 1980-81 prices and about 20 per cent at current prices; the corresponding ratios in the middle of the 1960s were roughly the same at about 28 per cent. Almost all industrial categories have experienced these declining trends (Tables 18A and 18B).

[This note has relied heavily on definitions and descriptions contained in CSO (1980) and CSO (1989) and to an extent the Annual Survey of Industries (various issues). The note has been prepared by Paramita Debnath and Bhagyashree Mandke and along with them Prasanth V P was also involved in its statistical computations.]

References

- Balakrishnan, Pulapre and K Pushpangadan (1994): 'Total Factor Productivity in Manufacturing Industry: A Fresh Look', EPW, July 30.
- CSO (1990): *Input-Output Transactions Table, 1983-84* (New Delhi).

Table 16A: Value of Inputs, Output and Value Added from Agriculture and Allied Activities at 1980-81 Prices

(Rupees crore)

Year	Value of Output from Agriculture and Livestock (1)	Total (4 to 13) (2)	Seeds (3)	Organic Manure (4)	Chemical Fertilisers (5)	Current Repairs and Maintenance (6)	Feed of Live stock (7)	Immunisation (8)	Market Charges (9)	Electricity (10)	Pesticides and Insecticides (11)	Diesel Oil (12)	Value Added in Agriculture and Allied Activities (13)	(14)	Operation as Per Cent of Irrigation System (15)	Gross Value Added (16+17) (17)
1980-81	26790	5975	1147	575	58	125	3910	29	122	3	2	4	20815	77.7	45	20860
		(100.0)	(19.2)	(9.6)	(1.0)	(2.1)	(65.4)	(0.5)	(2.0)	(0.1)	(0.0)	(0.1)				
1981-82	27105	5949	1150	577	47	129	3882	30	124	3	2	5	21156	78.1	46	21202
1982-83	28274	6236	1180	579	45	134	4126	31	130	3	2	6	22038	77.9	46	22084
1983-84	30529	6507	1194	582	68	138	4342	32	139	3	2	7	24022	78.7	48	24070
1984-85	31287	6593	1238	586	72	138	4379	32	141	4	3	8	24694	78.9	49	24743
1985-86	31012	6686	1277	589	79	146	4412	33	142	4	5	9	24326	78.4	51	24377
		(100.0)	(19.1)	(8.8)	(1.2)	(2.1)	(66.0)	(0.5)	(2.1)	(0.1)	(0.1)	(0.1)				
1986-87	32681	6896	1321	593	88	143	4546	33	148	5	9	10	25785	78.9	51	25836
1987-88	31123	6653	1260	607	109	158	4315	34	141	8	12	9	24470	78.6	53	24523
1988-89	34240	7012	1301	618	119	163	4586	35	156	9	14	11	27228	79.5	53	27281
1989-90	33901	7072	1378	630	172	164	4493	35	154	10	18	13	26829	79.1	54	26883
1990-91	36154	7356	1374	642	165	172	4764	39	162	13	20	15	28798	79.7	43	28841
		(100.0)	(18.7)	(8.7)	(2.2)	(2.3)	(64.8)	(0.4)	(2.2)	(0.2)	(0.3)	(0.2)				
1991-92	36147	7455	1393	649	201	178	4772	37	165	16	30	14	28692	79.4	56	28748
1992-93	35702	7631	1432	652	277	186	4817	40	163	17	29	18	28071	78.6	60	28131
1993-94	36190	7604	1403	655	309	194	4759	47	167	18	33	19	28586	79.0	72	28638
1994-95	39435	7896	1462	658	343	203	4918	52	181	19	40	20	31539	80.0	80	31619
1995-96	34946	7690	1442	649	459	213	4595	68	158	31	52	23	27256	78.0	104	27360
		(100.0)	(18.8)	(8.4)	(6.0)	(2.8)	(59.8)	(0.9)	(2.1)	(0.4)	(0.7)	(0.3)				
1996-97	34587	7963	1408	570	615	228	4693	72	158	37	108	74	26624	77.0	110	26734
1997-98	40012	8842	1479	573	765	234	5278	77	182	44	106	94	31180	77.6	118	31298
1998-99	39878	8826	1514	581	886	250	5033	90	184	58	112	118	31052	77.9	138	31190
1999-00	42275	8957	1545	585	699	258	5254	87	194	66	124	145	33318	78.8	133	33451
2000-01	44923	9155	1508	581	852	268	5249	108	205	81	132	171	38768	79.6	162	38930
		(100.0)	(16.5)	(6.3)	(9.3)	(2.9)	(57.3)	(1.2)	(2.2)	(0.9)	(1.4)	(1.9)				
2001-02	44409	9617	1532	585	1086	317	5309	110	245	90	111	202	34792	78.3	181	34973
2002-03	42379	9580	1452	594	1181	366	5099	110	285	106	158	229	32799	77.4	206	33005
2003-04	45510	9943	1508	596	1139	415	5290	110	325	113	191	256	35567	78.2	219	35786
2004-05	44956	10402	1517	614	1207	464	5295	113	365	142	421	260	34554	76.9	246	34800
2005-06	50142	10668	1571	617	1163	513	5273	116	405	163	555	294	39174	78.7	266	39740
		(100.0)	(14.7)	(5.8)	(10.9)	(4.8)	(49.4)	(1.1)	(3.8)	(1.5)	(5.2)	(2.8)				
2006-07	47785	10762	1534	621	1529	562	5213	118	445	181	243	316	37023	77.5	300	37323
2007-08	52962	11323	1634	652	1820	611	5247	124	485	189	204	357	41639	78.6	355	41994
2008-09	54261	11867	1634	655	2012	660	5392	129	525	225	241	401	42114	78.1	417	42831
2009-10	49017	12354	1569	659	2229	709	5506	126	565	246	286	459	36663	74.8	445	37108
2010-11	56875	15247	1682	679	2308	758	8125	122	601	269	250	453	41628	73.2	838	42466
		(100.0)	(11.0)	(4.5)	(15.1)	(5.0)	(53.3)	(0.8)	(3.9)	(1.8)	(1.6)	(3.0)				
2011-12	60163	15885	1776	685	2633	792	8166	135	634	279	280	505	44278	73.6	867	45145
		(100.0)	(11.2)	(4.3)	(16.6)	(5.0)	(51.4)	(0.8)	(4.0)	(1.8)	(1.8)	(3.2)				
2012-13	59777	16113	1820	688	2696	787	8202	138	623	331	290	538	43664	73.0	906	44570
		(100.0)	(11.3)	(4.3)	(16.7)	(4.9)	(50.9)	(0.9)	(3.9)	(2.1)	(1.8)	(3.3)				
2013-14	65375	16564	1832	711	2868	865	8229	146	685	335	319	574	48811	74.7	942	49753
		(100.0)	(11.1)	(4.3)	(17.3)	(5.2)	(49.7)	(0.9)	(4.1)	(2.0)	(1.9)	(3.5)				
2014-15	65915	17173	1826	734	3423	907	8153	141	681	363	331	614	48742	73.9	960	49702
		(100.0)	(10.6)	(4.3)	(19.9)	(5.3)	(47.5)	(0.8)	(4.0)	(2.1)	(1.9)	(3.6)				
2015-16	66428	17548	1815	730	3780	912	8062	149	678	392	341	699	48880	73.6	975	49855
		(100.0)	(10.3)	(4.2)	(21.5)	(5.2)	(45.9)	(0.8)	(3.9)	(2.2)	(1.9)	(4.0)				
2016-17	66041	18036	1786	712	4212	913	8089	151	665	477	302	729	48005	72.7	990	48945
		(100.0)	(9.9)	(3.9)	(23.4)	(5.1)	(44.8)	(0.8)	(3.7)	(2.6)	(1.7)	(4.0)				
2017-18	65768	17618	1803	708	3683	927	7972	166	657	611	315	776	48150	73.2	1108	49258
		(100.0)	(10.2)	(4.0)	(20.9)	(5.3)	(45.2)	(0.9)	(3.7)	(3.5)	(1.8)	(4.4)				
2018-19	76316	19734	1983	728	4777	1054	8264	192	783	732	395	826	56582	74.1	1358	57940
		(100.0)	(10.0)	(3.7)	(24.2)	(5.3)	(41.9)	(1.0)	(4.0)	(3.7)	(2.0)	(4.2)				
2019-20	77441	20171	2047	722	5028	1099	8217	187	792	837	328	914	57270	74.0	1298	58568
		(100.0)	(10.1)	(3.6)	(24.9)	(5.4)	(40.7)	(0.9)	(3.9)	(4.1)	(1.6)	(4.5)				
2020-21	80565	20695	2091	726	5291	1154	8225	187	823	883	273	1042	59870	74.3	1121	60991
		(100.0)	(10.1)	(3.5)	(25.6)	(5.6)	(39.7)	(0.9)	(4.0)	(4.3)	(1.3)	(5.0)				
2021-22	79524	21214	2093	711	5648	1158	8220	191	803	1003	278	1109	58310	73.3	1144	59454
		(100.0)	(9.9)	(3.4)	(26.6)	(5.5)	(38.7)	(0.9)	(3.8)	(4.7)	(1.4)	(5.2)				
2022-23	82895	21471	2122	722	5506	1166	8445	189	838	1019	292	1152	61424	74.1	1165	62589
		(100.0)	(9.9)	(3.4)	(25.6)	(5.5)	(39.3)	(0.9)	(3.9)	(4.7)	(1.4)	(5.4)				

Figures in brackets are percentages to total inputs in agriculture and allied activities at 1980-81 prices

Table 16B: Value of Inputs, Output and Value Added from Agriculture and Allied Activities at Current Prices

(Rupees crore)

Year	Value of Output from Agriculture and Livestock	Total (4 to 13)	Seeds	Organic Manure	Chemical Fertilisers	Current Repairs and Maintenance	Feed of Live-stock	Irrigation Charges	Market Charges	Electricity	Pesticides and Insecticides	Diesel Oil	Value Added in Agriculture and Allied Activities (2-3)	14 Per Cent of 2	Operation of Irrigation System	Gross Value Added (14+16)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1960-61	8379	1850	335	194	46	82	1099	25	41	7	5	14	6529	77.9	32	6561
		(100.0)	(18.1)	(10.5)	(2.6)	(4.4)	(59.4)	(1.4)	(2.2)	(0.4)	(0.3)	(0.8)				
1961-62	8656	1940	346	200	58	90	1147	26	43	9	7	14	6716	77.6	42	6758
		(100.0)	(17.8)	(10.3)	(3.0)	(4.6)	(59.1)	(1.3)	(2.2)	(0.5)	(0.4)	(0.7)				
1962-63	8916	2062	362	202	74	94	1219	32	44	10	7	18	6854	76.9	45	6899
		(100.0)	(17.6)	(9.8)	(3.6)	(4.6)	(59.1)	(1.6)	(2.1)	(0.5)	(0.3)	(0.9)				
1963-64	10277	2176	413	204	84	99	1249	35	50	10	8	24	8101	78.8	54	8155
		(100.0)	(19.0)	(9.4)	(3.9)	(4.5)	(57.4)	(1.6)	(2.3)	(0.5)	(0.4)	(1.1)				
1964-65	12429	2461	492	207	91	106	1421	36	59	12	10	27	9968	80.2	62	10030
		(100.0)	(20.0)	(8.4)	(3.7)	(4.3)	(57.7)	(1.5)	(2.4)	(0.5)	(0.4)	(1.1)				
1965-66	12423	2566	561	194	138	117	1397	38	58	19	13	31	9857	79.3	80	9937
		(100.0)	(21.9)	(7.6)	(5.4)	(4.6)	(54.4)	(1.5)	(2.3)	(0.7)	(0.5)	(1.2)				
1966-67	14527	3038	709	182	185	127	1607	38	68	22	30	70	11489	79.1	85	11574
		(100.0)	(23.3)	(6.0)	(6.1)	(4.2)	(52.9)	(1.3)	(2.2)	(0.7)	(1.0)	(2.3)				
1967-68	17943	3459	745	187	290	138	1819	44	84	29	33	98	14484	80.7	94	14578
		(100.0)	(21.5)	(5.4)	(8.4)	(4.0)	(52.6)	(1.3)	(2.4)	(0.8)	(1.0)	(2.6)				
1968-69	18305	3506	716	182	331	156	1812	38	82	41	34	114	14799	80.8	110	14909
		(100.0)	(20.4)	(5.2)	(9.4)	(4.4)	(51.7)	(1.1)	(2.3)	(1.2)	(1.0)	(3.3)				
1969-70	20212	3964	757	276	275	169	2113	41	91	47	39	156	16248	80.4	110	16358
		(100.0)	(19.1)	(7.0)	(6.9)	(4.3)	(53.3)	(1.0)	(2.3)	(1.2)	(1.0)	(3.9)				
1970-71	20601	3918	695	210	344	209	2169	52	98	59	40	42	16683	81.0	137	16820
		(100.0)	(17.7)	(5.4)	(8.8)	(5.3)	(55.4)	(1.3)	(2.5)	(1.5)	(1.0)	(1.1)				
1971-72	21302	4356	743	220	470	230	2360	48	120	71	44	50	16946	79.6	159	17105
		(100.0)	(17.1)	(5.1)	(10.8)	(5.3)	(54.2)	(1.1)	(2.8)	(1.6)	(1.0)	(1.1)				
1972-73	23528	4946	879	267	550	243	2585	61	165	83	55	58	18582	79.0	190	18772
		(100.0)	(17.8)	(5.4)	(11.1)	(4.9)	(52.3)	(1.2)	(3.3)	(1.7)	(1.1)	(1.2)				
1973-74	30866	6230	1173	328	570	302	3312	65	237	103	75	65	24636	79.8	200	24836
		(100.0)	(18.8)	(5.3)	(9.1)	(4.8)	(53.2)	(1.0)	(3.8)	(1.7)	(1.2)	(1.0)				
1974-75	34453	7634	1313	348	1191	346	3536	83	296	139	250	132	26819	77.8	240	27059
		(100.0)	(17.2)	(4.6)	(15.6)	(4.5)	(46.3)	(1.1)	(3.9)	(1.8)	(3.3)	(1.7)				
1975-76	33601	7216	1023	367	1093	404	3242	119	279	176	362	151	26385	78.5	266	26651
		(100.0)	(14.2)	(5.1)	(15.1)	(5.6)	(44.9)	(1.6)	(3.9)	(2.4)	(5.0)	(2.1)				
1976-77	34653	7843	1119	375	1319	415	3609	133	334	197	171	171	26810	77.4	295	27105
		(100.0)	(14.3)	(4.8)	(16.8)	(5.3)	(46.0)	(1.7)	(4.3)	(2.5)	(2.2)	(2.2)				
1977-78	40402	8518	1230	431	1437	485	3902	130	373	191	145	194	31884	78.9	354	32238
		(100.0)	(14.4)	(5.1)	(16.9)	(5.7)	(45.8)	(1.5)	(4.4)	(2.2)	(1.7)	(2.3)				
1978-79	41367	8957	1188	508	1551	532	4019	138	399	231	167	224	32410	78.3	405	32815
		(100.0)	(13.3)	(5.7)	(17.3)	(5.9)	(44.9)	(1.5)	(4.5)	(2.6)	(1.9)	(2.5)				
1979-80	43844	10691	1385	471	1679	571	5184	128	509	237	236	291	33153	75.6	433	33586
		(100.0)	(13.0)	(4.4)	(15.7)	(5.3)	(48.5)	(1.2)	(4.8)	(2.2)	(2.2)	(2.7)				
1980-81	56875	15247	1682	679	2308	758	8125	122	601	269	250	453	41628	73.2	838	42466
		(100.0)	(11.0)	(4.5)	(15.1)	(5.0)	(53.3)	(0.8)	(3.9)	(1.8)	(1.6)	(3.0)				
1981-82	63688	16892	1844	753	3010	871	8335	147	660	314	300	658	46796	73.5	940	47736
		(100.0)	(10.9)	(4.5)	(17.8)	(5.2)	(49.3)	(0.9)	(3.9)	(1.9)	(1.8)	(3.9)				
1982-83	66935	17500	1999	790	3064	959	8443	144	682	360	350	709	49435	73.9	1092	50527
		(100.0)	(11.4)	(4.5)	(17.5)	(5.5)	(48.2)	(0.8)	(3.9)	(2.1)	(2.0)	(4.1)				
1983-84	80014	19936	2125	809	3351	1137	9940	169	822	370	413	800	60078	75.1	1240	61318
		(100.0)	(10.7)	(4.1)	(16.8)	(5.7)	(49.9)	(0.8)	(4.1)	(1.9)	(2.1)	(4.0)				
1984-85	85025	21345	2189	905	3930	1320	10266	171	849	417	433	865	63680	74.9	1501	65181
		(100.0)	(10.3)	(4.2)	(18.4)	(6.2)	(48.1)	(0.8)	(4.0)	(2.0)	(2.0)	(4.1)				
1985-86	91288	23125	2386	1083	4261	1511	10926	165	900	442	445	1006	68163	74.7	1801	69964
		(100.0)	(10.3)	(4.7)	(18.4)	(6.5)	(47.2)	(0.7)	(3.9)	(1.9)	(1.9)	(4.4)				
1986-87	97542	25283	2493	1260	5051	1638	11669	195	946	530	431	1070	72259	74.1	2146	74405
		(100.0)	(9.9)	(5.0)	(20.0)	(6.5)	(46.2)	(0.8)	(3.7)	(2.1)	(1.7)	(4.2)				
1987-88	108902	27744	2825	1484	4432	1828	13646	244	1051	690	473	1071	81158	74.5	2357	83515
		(100.0)	(10.2)	(5.3)	(16.0)	(6.6)	(49.2)	(0.9)	(3.8)	(2.5)	(1.7)	(3.9)				
1988-89	132939	31876	3192	1755	5752	2303	14891	270	1306	636	621	1150	101063	76.0	3040	104103
		(100.0)	(10.0)	(5.5)	(18.0)	(7.2)	(46.7)	(0.8)	(4.1)	(2.0)	(1.9)	(3.6)				
1989-90	146126	34036	3621	1926	6062	2644	15541	246	1404	755	548	1289	112090	76.7	3357	115447
		(100.0)	(10.6)	(5.7)	(17.8)	(7.8)	(45.7)	(0.7)	(4.1)	(2.2)	(1.6)	(3.8)				
1990-91	170697	38971	4272	2146	6398	3019	18063	318	1665	882	488	1920	131726	77.2	3435	135161
		(100.0)	(11.0)	(5.5)	(16.4)	(7.7)	(46.3)	(0.8)	(4.3)	(1.8)	(1.3)	(4.9)				
1991-92	200822	45608	5006	2501	8740	3384	20174	290	1939	731	623	2220	155214	77.3	4213	159427
		(100.0)	(11.0)	(5.5)	(19.2)	(7.4)	(44.2)	(0.6)	(4.3)	(1.6)	(1.4)	(4.9)				
1992-93	223076	49642	5234	2677	8229	3816	22865	316	2140	851	669	2845	173434	77.7	4794	178228
		(100.0)	(10.5)	(5.4)	(16.6)	(7.7)	(46.1)	(0.6)	(4.3)	(1.7)	(1.3)	(5.7)				

Figures in brackets are percentages to total inputs in agriculture and allied activities at current prices.

Table 17: Value of Output and Value Added in Mining and Quarrying

(Rupees crore)

Year	At 1980-81 Prices					At Current Prices					At 1980-81 Prices					At Current Prices				
	Total Major Minerals					Fuel Minerals					Other Major Minerals					Total Major Minerals				
	Value of Output (2)	Input (3)	Bank Charges (4)	Gross Value Added (5)	Minor Minerals Value of Output (10)	Minor Minerals Gross Value Added (11)	Value of Output (6)	Gross Value Added (7)	Other Major Minerals Value of Output (8)	Other Major Minerals Gross Value Added (9)	Value of Output (12)	Input (13)	Bank Charges (14)	Gross Value Added (15)	Fuel Minerals Value of Output (16)	Fuel Minerals Gross Value Added (17)	Value of Output (18)	Other Major Minerals Value of Output (19)	Other Major Minerals Gross Value Added (20)	Minor Minerals Value of Output (21)
1950-51	554	91	-	463(83.6)	124	113(91.1)	427	347(81.3)	124	113(91.1)	3	3(100.0)	-	-	119	94(79.0)	43	42(97.7)	9	8(88.9)
1951-52	621	101	-	520(83.7)	157	143(91.1)	461	374(81.1)	157	143(91.1)	3	3(100.0)	-	-	122	96(80.3)	43	41(95.3)	15	13(86.7)
1952-53	636	104	-	532(83.6)	155	141(91.0)	477	388(81.3)	155	141(91.0)	4	3(75.0)	-	-	151	121(81.1)	46	43(95.5)	21	18(85.7)
1953-54	645	105	-	540(83.7)	162	147(90.7)	476	387(81.2)	162	147(90.7)	7	6(85.7)	-	-	169	136(79.3)	46	43(95.5)	24	20(83.3)
1954-55	673	110	-	563(83.7)	168	154(91.7)	495	402(81.2)	168	154(91.7)	10	7(90.0)	-	-	171	136(79.3)	49	46(94.1)	30	24(80.0)
1955-56	683	111	-	572(83.7)	167	152(91.0)	506	411(81.2)	167	152(91.0)	10	9(90.0)	-	-	197	157(79.7)	59	55(93.2)	35	28(80.0)
1956-57	718	117	-	601(83.7)	175	166(94.9)	531	424(79.8)	175	166(94.9)	12	11(91.7)	-	-	218	174(79.8)	65	60(90.8)	35	28(80.0)
1957-58	764	124	-	640(83.8)	171	161(94.2)	578	465(80.6)	171	161(94.2)	15	13(86.7)	-	-	254	202(77.6)	85	74(87.1)	35	28(80.0)
1958-59	789	129	-	660(83.7)	168	158(94.0)	603	487(80.8)	168	158(94.0)	18	15(83.3)	-	-	286	222(77.6)	85	74(87.1)	35	28(80.0)
1959-60	828	134	-	694(83.8)	173	163(94.2)	626	506(80.8)	173	163(94.2)	20	25(86.2)	-	-	324	250(77.6)	102	91(88.7)	37	30(81.1)
1960-61	952	154	-	790(83.8)	194	190(97.9)	715	590(79.9)	194	190(97.9)	43	38(88.6)	-	-	325	261(80.3)	107	96(80.4)	39	32(82.1)
1961-62	1005	161	-	844(84.0)	217	210(96.8)	738	609(79.9)	217	210(96.8)	70	62(88.6)	-	-	336	270(80.5)	113	91(80.5)	43	36(83.7)
1962-63	1123	179	-	944(84.1)	217	210(96.8)	818	654(80.9)	217	210(96.8)	88	76(77.6)	-	-	352	282(77.6)	120	103(79.8)	49	42(85.7)
1963-64	1178	206	-	972(82.5)	201	185(92.0)	881	709(79.4)	201	185(92.0)	96	86(90.6)	-	-	354	287(72.5)	126	103(79.8)	49	42(85.7)
1964-65	1104	208	-	986(82.6)	208	191(91.8)	880	699(79.4)	208	191(91.8)	104	96(90.6)	-	-	365	295(77.6)	126	103(79.8)	49	42(85.7)
1965-66	1288	186	-	1102(83.6)	227	222(98.8)	927	755(81.4)	227	222(98.8)	114	105(92.1)	-	-	370	304(79.9)	126	103(79.8)	49	42(85.7)
1966-67	1327	199	-	1128(85.0)	270	256(94.8)	954	777(81.4)	270	256(94.8)	103	95(92.2)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1967-68	1340	178	-	1162(86.7)	276	268(97.1)	962	800(83.2)	276	268(97.1)	102	94(92.2)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1968-69	1396	201	-	1195(85.6)	300	278(92.7)	1004	832(82.9)	300	278(92.7)	102	85(92.4)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1969-70	1469	215	-	1254(85.4)	318	292(91.5)	1070	887(82.9)	318	292(91.5)	81	74(92.6)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1970-71	1465	290	-	1171(79.9)	283	217(76.7)	1084	882(81.4)	283	217(76.7)	98	76(77.6)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1971-72	1504	298	-	1202(79.9)	306	237(77.5)	1088	881(81.0)	306	237(77.5)	101	88(80.0)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1972-73	1595	317	-	1273(79.8)	308	228(74.0)	1164	949(81.5)	308	228(74.0)	123	101(82.1)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1973-74	1592	296	-	1289(81.0)	343	277(80.8)	1135	927(81.7)	343	277(80.8)	114	92(80.7)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1974-75	1743	383	-	1353(77.6)	360	303(82.1)	1253	949(75.7)	360	303(82.1)	121	108(89.3)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1975-76	1961	435	-	1517(77.4)	416	346(83.2)	1412	1067(75.1)	416	346(83.2)	133	120(90.2)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1976-77	2066	482	-	1571(76.0)	445	370(83.1)	1470	1075(73.1)	445	370(83.1)	151	139(92.1)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1977-78	2104	466	-	1620(77.0)	454	358(82.5)	1513	1136(75.1)	454	358(82.5)	151	144(91.7)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1978-79	2159	484	-	1664(77.1)	456	365(83.3)	1562	1164(74.5)	456	365(83.3)	161	146(91.7)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1979-80	2188	496	-	1682(76.9)	461	368(84.0)	1611	1194(74.1)	461	368(84.0)	165	152(92.1)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1980-81	2482	567	-	1887(76.0)	422	337(79.9)	1861	1396(75.0)	422	337(79.9)	199	182(91.5)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1981-82	2868	710	-	2141(74.7)	432	336(77.8)	2222	1624(73.1)	432	336(77.8)	214	198(92.5)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1982-83	3183	781	-	2387(75.0)	455	369(80.7)	2515	1835(73.0)	455	369(80.7)	211	198(92.5)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1983-84	3479	1015	-	2451(70.5)	464	366(78.9)	2807	1906(67.9)	464	366(78.9)	208	192(92.2)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1984-85	3791	1293	-	2486(65.6)	509	407(80.0)	3075	1901(61.9)	509	407(80.0)	207	192(92.2)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1985-86	4096	1360	-	2623(65.5)	527	407(80.0)	3237	2003(61.9)	527	407(80.0)	220	200(90.9)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1986-87	4493	1504	-	2978(66.3)	540	411(76.2)	3540	2197(62.1)	540	411(76.2)	239	211(91.7)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1987-88	4766	1677	-	3080(64.6)	586	457(78.0)	3828	2309(60.3)	586	457(78.0)	352	323(91.8)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1988-89	5099	1550	-	3542(69.5)	614	498(77.4)	4126	2753(66.7)	614	498(77.4)	363	298(90.3)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1989-90	5367	1556	-	3801(70.8)	634	500(78.9)	4381	2992(68.3)	634	500(78.9)	352	319(90.6)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1990-91	5732	1513	-	4207(73.4)	661	527(76.5)	4613	3302(71.6)	661	527(76.5)	390	390(90.7)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1991-92	6095	1686	-	4396(72.1)	755	585(77.5)	4854	3484(69.7)	755	585(77.5)	486	440(90.5)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)
1992-93	6247	1772	-	4464(71.5)	796	614(77.1)	4966	3422(68.9)	796	614(77.1)	485	439(90.5)	-	-	382	314(79.9)	126	103(79.8)	49	42(85.7)

Percentages in brackets are gross value added as percentages to value of output in the respective groups

(RUPRES CRONE)

NIC Code	Description	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
20-21	Food products	A 2262	2774	2792	2699	2892	3197	3421	3838	3925	4155	4516	5068	5033	5153	5494
		B 428(16.1)	439(16.1)	449(16.1)	434(16.1)	465(16.1)	514(16.1)	550(16.1)	617(16.1)	631(16.1)	668(16.6)	725(16.1)	772(15.2)	772(15.3)	740(14.4)	746(13.6)
22	Beverage	A 330	338	317	317	342	380	448	478	508	550	647	666	607	598	719
	Tobacco etc	B 78(23.6)	80(23.7)	75(23.7)	75(23.7)	81(23.7)	90(23.7)	106(23.7)	113(23.6)	120(23.6)	130(23.6)	153(23.6)	169(25.4)	154(25.4)	150(25.1)	168(23.4)
23	Cotton textiles	A 2437	2499	2671	2822	2929	3015	3270	3291	3243	3276	3469	3589	3794	4284	4762
		B 820(33.6)	841(33.7)	899(33.7)	950(33.7)	986(33.7)	1015(33.7)	1101(33.7)	1108(33.7)	1092(33.7)	1104(33.7)	1167(33.6)	1221(34.0)	1126(32.3)	1138(31.0)	1476(31.0)
24	Wool Silk etc #	A														
25	Jute textiles #	A														
26	Textile products #	A														
27	Wood Furniture etc	A 61	61	61	52	64	87	101	113	127	168	182	227	210	213	276
		B 21(34.4)	21(34.4)	21(34.4)	18(34.6)	22(34.4)	30(34.5)	35(34.7)	49(34.5)	44(34.6)	58(34.5)	63(34.6)	85(37.4)	31(32.9)	69(32.4)	79(28.6)
28	Paper Printing etc	A 219	224	237	247	273	299	330	350	383	429	486	510	587	633	658
		B 86(39.3)	98(39.3)	93(39.2)	97(39.3)	107(39.2)	117(39.1)	129(39.1)	137(39.1)	150(39.2)	168(39.2)	186(38.8)	200(39.2)	222(37.8)	242(38.2)	255(38.8)
29	Leather Fur products	A 169	179	139	139	130	139	179	139	188	188	238	226	221	218	293
		B 17(10.1)	18(10.1)	14(10.1)	14(10.1)	14(10.1)	14(10.1)	18(10.1)	14(10.1)	19(10.1)	19(10.1)	24(10.1)	23(10.2)	24(10.9)	19(8.7)	23(7.8)
30	Rubber Petroleum products	A 201	203	180	208	284	412	474	512	533	613	666	730	846	918	919
		B 58(28.9)	59(28.9)	52(28.9)	60(28.8)	82(28.9)	119(28.9)	137(28.9)	148(28.9)	154(28.9)	177(28.9)	201(28.9)	221(30.3)	211(27.3)	249(27.1)	208(22.6)
31	Chemicals etc	A 486	513	513	570	594	660	687	696	869	1030	1149	1309	1492	1717	1917
		B 163(33.5)	169(33.5)	182(33.5)	191(33.5)	199(33.5)	221(33.5)	230(33.5)	233(33.5)	291(33.5)	345(33.5)	385(33.5)	430(32.8)	498(33.4)	559(32.6)	594(31.0)
32	Non-Metallic mineral products	A 210	215	231	250	266	303	343	410	453	517	573	609	682	730	810
		B 79(37.6)	81(37.7)	87(37.7)	94(37.6)	100(37.6)	114(37.6)	129(37.6)	154(37.6)	173(37.5)	194(37.5)	215(37.5)	216(35.5)	262(38.4)	263(36.0)	276(34.1)
33	Basic metal industries	A 206	211	214	770	867	889	929	987	1099	1427	1794	2057	2578	2984	3297
		B 206(100.0)	211(100.0)	214(100.0)	214(100.0)	231(100.0)	247(100.0)	258(100.0)	274(100.0)	305(100.0)	396(100.0)	497(100.0)	597(100.0)	655(100.0)	851(100.0)	1047(100.0)
34	Metal products	A 187	190	180	228	293	341	341	314	304		495	540	670	749	757
		B 55(29.4)	56(29.5)	53(29.4)	67(29.4)	86(29.4)	100(29.3)	100(29.3)	92(29.3)	89(29.3)	114(29.3)	145(29.3)	158(29.3)	193(28.8)	229(30.6)	221(29.2)
35	Non Electrical machinery Tool and Parts	A 112	115	80	103	171	222	290	306	351	493	577	591	671	871	1035
		B 35(31.3)	36(31.3)	25(31.3)	32(31.1)	53(31.0)	69(31.1)	90(31.0)	95(31.0)	109(31.1)	122(31.0)	179(31.0)	229(38.7)	264(39.3)	331(38.0)	406(39.2)
36	Electrical machinery	A 110	118	134	134	163	204	262	315	344	393	597	396	474	558	683
		B 27(24.5)	29(24.6)	33(24.6)	33(24.6)	40(24.5)	50(24.5)	69(24.5)	77(24.4)	84(24.4)	96(24.4)	124(24.5)	142(15.9)	156(32.9)	195(34.9)	236(34.6)
37	Transport equipment	A 492	502	370	420	595	862	1110	1147	994	1084	1139	1275	1309	1646	1768
		B 186(37.8)	190(37.8)	140(7.8)	159(37.9)	223(37.8)	326(37.8)	420(37.8)	434(37.8)	376(37.8)	410(37.8)	431(37.8)	438(34.4)	485(37.1)	618(37.5)	651(36.8)
38	Others	A 237	246	210	228	290	353	353	344	366	406	513	389	561	751	757
		B 53(22.4)	55(22.4)	47(22.4)	51(22.4)	65(22.4)	79(22.4)	79(22.4)	77(22.4)	82(22.4)	91(22.4)	115(22.4)	135(34.7)	209(37.3)	248(33.0)	266(35.1)
39	Repairing Services	A														
		B														
	Gross output	A 8119	8336	8560	9187	10162	11363	12558	13230	13687	15018	16969	18182	19735	22023	24145
	Gross value added (GVA)	B 2312	2373	284	2499	2766	3106	3451	3612	3716	4091	4612	5036	5520	6146	6652
	B as per cent of A	(28.5)	(28.5)	(28.5)	(27.1)	(27.2)	(27.3)	(27.5)	(27.3)	(27.1)	(27.2)	(27.2)	(27.7)	(28.0)	(27.9)	(27.6)
	Bank charges															
	GVA less bank charges															
	C as per cent of A															

Table 18A: Value of Output and Value Added from Registered Manufacturing at 1980-81 Prices (Continued)

(Rupees crore)

NIC Code	Description	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
20-21	Food products	A 5981	5875	4719	5705	7459	7729	6740	777	686(10.9)	7102	8095	8022	9303	11700
		B 854(14.3)	825(14.1)	600(12.7)	675(11.8)	1065(14.3)	894(11.6)	741(11.0)			804(11.3)	878(10.8)	956(11.9)	1115(12.0)	1274(10.9)
22	Beverage, Tobacco, etc	A 778	808	789	794	909	772	897	272	180(20.1)	153(20.1)	206(24.0)	312(27.9)	233(19.2)	308(24.5)
		B 214(27.5)	214(26.5)	191(24.2)	212(26.7)	261(32.3)	219(28.4)	235(26.2)							
23	Cotton textiles	A 4588	4736	4984	5149	5345	3530	3658	1020	1255(32.9)	1198(28.3)	1104(24.2)	1112(22.8)	1172(23.2)	1471(26.3)
		B 1441(31.4)	1442(30.4)	1465(29.4)	1486(28.9)	1665(31.2)	957(27.1)	934(25.7)							
24	Wool, Silk, etc #	A					818	884	248	258(27.6)	295(26.1)	289(22.7)	307(21.8)	381(22.4)	407(22.6)
		B					235(28.7)	239(27.0)							
25	Jute textiles #	A					804	803	195	208(32.8)	217(40.9)	286(36.6)	255(30.6)	233(30.5)	224(30.8)
		B					187(23.3)	176(21.9)							
26	Textile products #	A					250	270	55	114(17.3)	101(18.1)	113(18.1)	126(16.8)	140(16.8)	159(18.7)
		B					48(19.2)	14(17.8)							
27	Wood, Furniture, etc	A 252	278	251	282	282	330	380	104	77(25.9)	73(26.4)	69(25.7)	76(25.6)	82(25.9)	82(25.2)
		B 79(31.3)	86(30.9)	76(30.3)	80(28.4)	77(27.3)	90(27.3)	96(25.3)							
28	Paper, Printing, etc	A 767	812	865	916	1035	1183	1127	411	460(37.0)	476(38.5)	473(37.1)	483(33.8)	517(33.2)	531(32.5)
		B 291(37.9)	312(38.4)	328(37.9)	350(38.2)	414(40.0)	453(38.3)	406(36.0)							
29	Leather, Fur products	A 321	465	378	435	438	544	493	82	61(15.1)	77(18.6)	49(13.2)	83(14.7)	84(15.2)	88(13.4)
		B 28(8.7)	40(8.6)	35(9.3)	41(9.4)	36(8.2)	93(17.1)	80(16.2)							
30	Rubber, Petroleum products	A 1067	984	1084	128	1407	2121	2224	514	482(19.8)	494(15.7)	515(13.7)	670(15.7)	742(13.0)	662(13.0)
		B 214(20.1)	245(23.6)	256(23.6)	321(25.0)	349(24.8)	514(24.2)	547(24.6)							
31	Chemicals etc	A 2136	2081	2337	2917	3202	3633	4062	1335	1416(29.7)	1348(28.2)	1343(25.6)	1528(25.3)	1710(24.4)	2080(26.7)
		B 644(30.1)	611(29.4)	661(28.3)	841(28.8)	921(28.8)	1103(30.4)	1297(31.9)							
32	Non-Metallic mineral products	A 861	912	962	967	1121	1147	1177	387	391(30.5)	364(29.7)	384(29.1)	418(28.4)	491(30.5)	473(29.4)
		B 307(35.7)	330(36.2)	337(35.0)	324(33.5)	366(32.6)	300(33.1)	377(32.0)							
33	Basic metal industries	A 3099	3188	3050	3256	3565	3075	4038	933	1106(28.0)	1257(28.0)	1291(26.6)	1413(27.2)	1414(23.7)	1542(24.0)
		B 963(31.1)	899(28.2)	754(24.7)	779(23.9)	888(24.9)	1101(30.8)	1107(27.4)							
34	Metal products	A 848	861	910	910	1010	1025	1027	314	308(28.0)	296(26.9)	284(26.5)	320(26.5)	327(25.4)	328(25.7)
		B 256(30.2)	250(29.0)	239(26.3)	247(27.1)	283(28.0)	276(26.9)	280(27.3)							
35	Non-Electrical machinery, Tool and Parts	A 1120	1247	1355	1380	1637	1763	1882	662	670(32.7)	759(31.9)	738(30.7)	893(31.4)	924(30.7)	957(29.5)
		B 413(36.9)	423(33.9)	447(33.0)	469(34.0)	457(27.9)	558(31.7)	605(32.1)							
36	Electrical machinery	A 768	846	973	1007	1179	1448	1599	569	633(31.2)	567(30.7)	612(29.4)	672(27.1)	730(25.0)	769(26.6)
		B 260(33.9)	271(32.0)	302(31.0)	288(28.6)	361(30.6)	432(29.8)	486(30.4)							
37	Transport equipment	A 1811	1867	1860	1991	2141	2302	2460	854	761(31.5)	769(32.6)	700(31.0)	824(31.3)	849(32.1)	1033(34.1)
		B 658(36.3)	673(36.0)	674(36.2)	685(34.4)	766(35.8)	723(31.4)	813(33.0)							
38	Others	A 807	774	899	989	1163	1295	1464	467	424(36.1)	343(39.7)	341(32.8)	372(28.5)	378(28.7)	422(29.9)
		B 247(30.6)	257(33.2)	290(32.3)	308(31.1)	430(37.0)	476(36.8)	437(29.8)							
39	Repairing Services	A													
		B													
	Gross output	A 25204	25734	25416	26826	31893	34369	35185							
	Gross value added (GVA)	A 6869	6880	6655	7105	8339	8739	8909							
	B as per cent of A	(27.3)	(26.7)	(26.2)	(26.5)	(26.1)	(25.4)	(25.3)							
	Bank charges	13	18	17	19	21	223	239							
	GVA less bank charges	6856	6862	6638	7087	8318	8516	8670							
	C as per cent of A	(27.2)	(26.7)	(26.1)	(26.4)	(26.1)	(24.8)	(24.6)							

Table 18A Value of Output and Value Added from Manufacturing - Registered at 1980-81 Prices (Concluded)

(Rupees crore)

NIC Code	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
20-21 Food products	9962	8047	9923	13145	11525	12326	12925	13600	15830	13759	14128	20624	20187	21220
A 1138(11.4)	845(10.5)	1116(11.2)	1506(11.5)	1679(14.6)	1694(13.7)	1776(13.7)	1776(13.7)	1816(13.4)	1989(12.6)	2454(13.6)	2493(14.0)	2579(12.5)	2725(12.5)	2654(12.5)
B 1168	1110	1324	1370	1692	1682	1682	1610	1597	1686	2099	2119	2269	2578	2461
22 Beverage	222(2.3)	246(22.2)	261(19.7)	270(19.7)	497(29.4)	420(25.0)	367(22.8)	410(25.7)	435(25.8)	598(28.5)	562(26.5)	588(25.9)	668(25.9)	638(25.9)
A 2271	5652	5295	5564	5918	6313	6313	162	732	6850	7953	8729	8682	8655	8799
B 121	292	1567(27.7)	1316(24.9)	1234(22.2)	1535(25.9)	1444(22.9)	1661(23.2)	1828(25.2)	1591(23.2)	1740(21.8)	2102(24.1)	2134(24.6)	2127(24.6)	2163(24.6)
23 Cotton textiles	1917	2040	2344	2700	2836	3062	3642	3511	3571	3141	4019	4679	4677	4663
A 4234(2.1)	4433(21.7)	5342(21.5)	563(20.9)	662(23.4)	698(22.8)	810(22.2)	810(22.2)	773(22.0)	744(20.4)	649(20.7)	856(21.3)	1072(22.9)	1056(22.9)	1008(22.9)
B 721	896	929	879	675	731	1080	1080	1036	918	766	929	985	876	843
24 Jute textiles	281(19.0)	324(36.2)	293(31.1)	273(31.1)	203(30.1)	198(27.1)	215(19.9)	349(34.7)	322(35.1)	261(33.1)	277(29.8)	287(29.1)	256(29.2)	246(29.2)
A 744	874	1036	1144	1038	1031	1031	1059	1065	1385	1615	2243	2307	2173	1799
B 122(16.4)	132(15.1)	185(16.2)	185(16.2)	194(18.7)	231(22.4)	174(16.4)	174(16.4)	187(17.6)	255(18.4)	345(21.4)	458(20.4)	516(22.4)	486(22.4)	389(22.4)
25 Wood Furniture etc	344	329	299	320	313	341	385	450	496	551	551	618	580	597
A 861(25.0)	71(21.6)	71(21.7)	72(22.2)	91(29.1)	87(25.5)	90(23.4)	90(23.4)	100(22.2)	111(22.4)	114(20.7)	108(19.6)	151(24.4)	142(24.5)	146(24.5)
B 1658	1763	1942	1997	2167	2433	2717	2717	3097	3093	3400	4036	4355	4610	4639
26 Paper Printing etc	525(31.7)	526(29.8)	574(29.6)	530(25.4)	716(29.4)	692(25.5)	692(25.5)	832(26.9)	825(26.7)	917(26.2)	1118(27.7)	1203(27.6)	1274(27.6)	1281(27.6)
A 688	528	673	687	660	811	783	783	1164(14.4)	162(15.2)	168(14.8)	210(15.7)	247(17.3)	250(17.3)	253(17.3)
B 87(12.6)	77(14.6)	94(14.6)	104(15.1)	126(19.1)	147(18.1)	119(15.2)	119(15.2)	137(15.2)	182(15.2)	210(15.2)	232(15.2)	270(15.2)	268(15.2)	275(15.2)
27 Rubber Petroleum products	699(12.0)	614(9.9)	577(8.9)	580(10.4)	530(10.4)	10316	10316	10833	12299	13430	14965	18458	18289	18808
A 8367	8165	10049	10349	10991	10991	1406	13007	14733	15259	16864	19979	21916	23665	23856
B 2033(24.3)	1854(22.7)	2203(22.3)	2238(22.7)	2508(25.3)	2919(23.3)	3045(22.5)	3045(22.5)	3106(21.0)	3417(22.4)	3898(23.1)	4636(23.1)	5169(23.6)	5145(23.6)	5626(23.6)
28 Non Metallic mineral products	1476	1410	1529	1567	1532	1758	1922	3376	3648	4204	4771	5916	5331	5399
A 3554	3613	3873	4094	4287	4846	5158	5158	5242	5667	6157	7270	7496	7496	7103
B 945(28.2)	985(27.3)	1054(27.2)	1127(27.5)	1269(29.6)	1536(31.7)	1564(30.3)	1564(30.3)	1444(27.6)	1613(28.5)	1542(25.0)	1838(25.3)	1868(24.9)	1843(24.9)	1770(24.9)
29 Electrical machinery	800(25.4)	918(25.0)	943(25.0)	1212(27.4)	1276(30.2)	1607(33.6)	1359(26.2)	1480(26.2)	1921(26.9)	2066(25.7)	2390(25.7)	2556(25.5)	2239(25.5)	2170(25.5)
A 3206	3390	4811	4117	4397	5049	4965	4965	5805	5897	6726	7551	7882	7841	8144
B 1001(31.2)	1007(29.7)	1140(29.9)	1293(31.2)	1401(31.9)	1547(30.6)	1377(27.7)	1377(27.7)	1641(28.3)	1539(26.1)	1649(24.5)	1829(24.2)	2030(25.8)	2020(25.8)	2098(25.8)
30 Others	429(29.2)	456(31.6)	548(1.5)	677(33.4)	790(35.6)	945(39.7)	1165(44.1)	1250(45.1)	1360(43.0)	940(28.1)	1200(37.3)	1092(18.4)	1022(18.8)	1016(19.0)
A 917	722	754	904	564	597	622	622	685	699	754	585	659	610	600
B 195(20.8)	182(25.2)	182(24.1)	219(24.2)	251(44.5)	273(45.7)	259(41.6)	259(41.6)	284(41.5)	313(44.8)	360(47.7)	260(44.4)	325(49.3)	301(49.3)	296(49.3)
31 * Repairing Services Except 39											541	345	319	314
A											260(48.1)	159(46.1)	147(46.1)	145(46.2)
B														
Gross output	58272	58787	65642	73525	74924	82947	87948	93315	100546	112596	128046	139780	139236	141619
Gross value added (GVA)	12792	12640	13683	15026	17197	18627	19125	20345	21888	24157	27689	29649	29607	30019
B as per cent of A	(22.0)	(21.5)	(20.8)	(20.4)	(23.1)	(22.5)	(21.7)	(21.8)	(21.8)	(21.5)	(21.6)	(21.2)	(21.3)	(21.2)
Bank charges	310	399	455	525	568	596	672	824	986	1031	1531	1992	2454	2238
GVA less bank charges	12482	12281	13228	14501	16629	18031	18453	19521	20902	23126	26336	27657	27153	27781
C as per cent of A	(21.4)	(20.9)	(20.2)	(19.7)	(22.5)	(21.7)	(21.0)	(20.9)	(20.8)	(20.5)	(20.6)	(19.8)	(19.5)	(19.6)

* From 1950-51 to 1969-70, NIC codes 24, 25 and 26 are included in NIC code 23 (cotton textiles)

* from 1969-90 to 1991-92 the NIC codes 19 and 97 are as follows 39 repair of capital goods and 97 repair services except 39

A. Value of output B. Gross value added Figures in brackets are gross value added as percentages to value of output

Table 18B: Value of Output and Value Added from Manufacturing - Registered at Current Prices

(Rupees crore)

NIC Code	Description	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
20-21	Food products	A 992	1074	1127	1257	1417	1603	1815	1770	2025	2469	2674	2730	376	374(10.9)	504(11.3)	545(10.8)	640(11.9)
	B 157(15.8)	161(15.0)	170(15.1)	178(14.2)	190(13.4)	226(14.1)	253(13.9)	225(12.7)	240(11.9)	348(14.1)	399(11.5)	300(11.0)	455	519	515	671	894	
22	Beverage.	A 133	148	148	172	209	227	250	295	328	404	367	455	145	104(20.0)	107(20.0)	161(24.0)	249(27.9)
	B 31(23.3)	37(25.0)	37(25.0)	42(24.4)	48(23.0)	62(27.3)	67(26.8)	71(24.1)	87(26.5)	114(28.2)	104(28.3)	119(26.2)	1891	2432	3202	3143	3593	
23	Tobacco, etc	A 1093	1159	1252	1431	1610	1652	1828	1959	2096	2298	1655	1891	543	801(32.9)	907(28.3)	760(24.2)	820(22.8)
	B 359(32.8)	374(32.3)	421(33.6)	455(34.1)	496(30.8)	509(30.8)	534(29.7)	578(29.5)	597(28.5)	694(30.2)	449(27.1)	483(25.5)	437	631	814	972	1086	
24	Cotton textiles	A												127	174(27.6)	212(26.0)	220(22.6)	246(21.7)
	B													112	128(32.9)	175(40.8)	192(36.6)	163(30.6)
25	Wool, Silk, etc #	A												20	45(17.4)	53(17.8)	67(18.1)	77(16.7)
	B													41	33(26.2)	43(26.5)	42(25.6)	45(25.4)
26	Jute textiles #	A												179	226(37.0)	335(38.5)	331(37.1)	331(37.7)
	B													33	27(14.9)	37(18.4)	27(13.4)	50(14.8)
27	Textile products #	A 46	57	57	62	80	75	88	86	100	100	125	147	169	181(19.8)	283(15.2)	323(13.7)	431(15.8)
	B 16(34.8)	21(16.8)	18(15.5)	19(16.0)	23(18.8)	24(17.0)	23(17.0)	23(17.0)	23(17.0)	27(27.0)	34(27.2)	37(25.2)	41	33(26.2)	43(26.5)	42(25.6)	45(25.4)	
28	Wood, Furniture, etc	A 120	159	189	213	219	253	268	289	320	388	451	473	581	68(29.6)	94(28.2)	978(25.6)	1085(25.3)
	B 57(38.0)	62(39.0)	71(37.6)	80(37.6)	84(38.4)	95(37.5)	102(38.1)	109(37.7)	123(38.4)	153(39.4)	173(38.4)	170(35.9)	179	226(37.0)	335(38.5)	331(37.1)	331(37.7)	
29	Paper Printing, etc	A 58	56	55	55	74	79	125	103	115	117	143	150	181	201	202	138	
	B 6(10.3)	6(10.7)	6(10.9)	5(9.1)	6(8.1)	7(8.9)	11(8.8)	10(9.7)	11(9.6)	10(8.5)	24(16.8)	24(16.0)	33	27(14.9)	37(18.4)	27(13.4)	50(14.8)	
30	Leather Fur products	A 140	150	178	217	221	256	365	409	498	566	647	712	915	1861	2358	2732	
	B 50(35.7)	56(37.3)	60(33.7)	69(31.6)	67(27.1)	67(26.2)	90(24.7)	96(24.5)	125(25.1)	138(24.3)	157(24.3)	175(24.6)	169	181(19.8)	283(15.2)	323(13.7)	431(15.8)	
31	Rubber Petroleum etc	A 285	350	409	476	547	654	728	855	1062	1255	1508	1710	204	3339	3823	4283	
	B 94(33.3)	113(32.2)	134(32.8)	153(32.1)	169(30.7)	199(29.8)	212(29.1)	241(28.2)	307(28.9)	356(28.4)	458(30.4)	546(31.9)	581	68(29.6)	94(28.2)	978(25.6)	1085(25.3)	
32	Chemicals etc	A 135	154	181	200	222	253	285	302	308	379	412	461	567	719	890	1007	
	B 58(37.0)	54(35.1)	68(37.6)	71(35.5)	75(33.8)	89(35.2)	102(35.8)	106(35.1)	104(33.8)	123(32.2)	137(33.3)	148(32.1)	161	173(40.5)	213(29.6)	259(29.1)	286(28.4)	
33	Non-metallic products	A 352	411	541	653	775	812	889	915	1012	1187	1334	1526	2043	2698	3305	3636	
	B 97(27.6)	118(28.7)	135(25.0)	184(28.2)	243(31.4)	249(30.7)	234(27.9)	226(24.7)	232(23.9)	292(24.6)	400(30.0)	418(27.4)	387	571(27.9)	793(29.4)	878(26.6)	988(27.2)	
34	Basic metal industries	A 111	125	163	190	196	241	261	281	283	349	394	420	578	691	725	843	
	B 32(28.8)	36(28.8)	46(28.2)	57(30.0)	56(28.6)	72(29.9)	75(28.7)	74(26.3)	74(26.3)	94(27.7)	106(26.9)	115(27.4)	35	151(28.1)	187(27.1)	192(26.5)	223(26.5)	
35	Metal products	A 133	156	186	248	306	347	408	466	483	596	718	806	1046	1494	1712	2033	
	B 47(35.3)	59(37.8)	72(38.7)	93(37.7)	119(38.9)	126(36.3)	137(33.6)	154(33.0)	165(34.2)	207(34.6)	227(31.6)	259(32.1)	305	343(32.8)	479(32.0)	526(30.7)	619(31.4)	
36	Non-electrical machinery, Tool and Parts	A 117	129	160	197	254	304	365	432	441	516	693	791	1134	1398	1688	1929	
	B 40(34.2)	46(35.7)	52(32.5)	60(34.5)	66(33.9)	101(33.2)	116(31.8)	134(31.0)	126(28.6)	155(30.0)	207(29.9)	241(30.5)	290	354(31.2)	430(30.8)	497(29.4)	523(27.1)	
37	Electrical machinery	A 316	354	472	499	545	578	650	673	725	796	875	1006	1135	1408	1464	1683	
	B 117(37.0)	120(33.9)	135(36.3)	156(37.3)	198(36.3)	207(35.8)	232(35.7)	243(36.1)	250(34.7)	281(35.3)	274(31.3)	333(33.1)	376	378(31.5)	455(31.5)	454(31.0)	526(31.3)	
38	Transport equipment	A 118	134	195	272	273	298	344	404	445	520	584	671	639	674	794	992	
	B 39(33.1)	46(34.3)	72(36.9)	98(32.4)	97(34.5)	90(30.2)	134(33.1)	131(32.4)	140(31.5)	189(36.3)	215(36.8)	200(29.8)	230	230(36.0)	278(30.4)	260(32.7)	283(28.5)	
39	Other manufacturing	A												238	324	462	515	
	B													81	34.0	45.29	3.37	169(1.6)
97	Repairing services	A												19131	25567	29189	33109	
	B													4216	5017	6522	6849	7764
	Gross value of output	A 4179	4616	5213	6122	6951	7632	8669	9239	10231	11932	13455	14950	19131	25567	29189	33109	
	Gross value added	B 1192	1300	1497	1748	1948	2119	2320	2424	2622	3140	3495	3906	4216	5017	6522	6849	7764
	B as % of A	(28.5)	(28.4)	(28.7)	(28.5)	(28.0)	(27.9)	(26.9)	(26.2)	(25.6)	(26.7)	(26.0)	(25.5)	(26.3)	(25.5)	(25.5)	(23.5)	(23.4)
	Bank charges	3	3	3	4	4	4	6	6	7	9	89	102	116	125	162	202	200
	GVA less bank charges	1189	1306	1494	1744	1944	2115	2323	2418	2615	3132	3406	3704	3902	4902	6360	6647	7564
	C as % of A	(28.5)	(28.3)	(28.7)	(28.4)	(28.0)	(27.9)	(26.8)	(26.2)	(25.5)	(26.6)	(25.3)	(24.5)	(25.6)	(24.9)	(24.8)	(22.8)	(22.8)

(Continued)

Table 18B: Value of Output and Value Added from Manufacturing - Registered at Current Prices (Continued)

(Rupees crore)

NIC Code	Description	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
20-21	Food products	6382	6833	7512	8047	9004	12054	13093	14507	16053	18306	22620	27425	33135	39042	43304	48699
A		765(120)	744(109)	858(114)	848(110)	1103(113)	1381(113)	1978(146)	1994(137)	2314(137)	2444(134)	2843(126)	3733(136)	4976(140)	6803(125)	5415(125)	6004(125)
B		485	1064	1035	1105	1366	1422	1976	2029	2255	2639	2884	3777	4380	5467	6816	7191
22	Beverage, etc	189(192)	260(244)	241(233)	246(222)	270(198)	281(197)	581(234)	506(249)	514(228)	677(257)	744(258)	1075(285)	1165(266)	1417(259)	1753(259)	1864(259)
A		4211	4780	4908	5652	5671	6148	6847	7657	8910	9651	9261	11523	14176	15134	17016	19481
B		977(232)	1252(264)	1435(292)	1567(277)	1479(249)	1464(247)	1776(259)	1753(229)	2006(231)	2301(252)	2151(232)	2577(218)	3414(241)	3720(246)	4183(246)	4789(246)
24	Wool, Silk, etc	1349	1472	1762	2040	2670	3088	3411	4018	4800	4972	5808	6085	9036	11892	11645	12907
A		301(223)	334(227)	389(221)	443(217)	581(218)	636(209)	799(241)	915(228)	1068(223)	1094(220)	1203(208)	1253(207)	1936(213)	2530(229)	2658(225)	2957(229)
B		586	604	888	896	819	870	857	1517	1682	1284	1264	1317	1969	2432	2165	2311
25	Jute textiles	170(306)	185(308)	335(390)	324(362)	258(315)	271(311)	257(300)	413(272)	335(199)	445(347)	443(350)	443(341)	594(299)	709(292)	631(291)	587(292)
A		943	943	701	824	1041	1156	1105	1344	1716	1843	2340	2745	4037	4883	4620	3790
B		91(168)	117(186)	115(164)	132(151)	165(156)	188(163)	207(187)	301(224)	282(164)	323(175)	431(184)	566(206)	824(234)	1080(224)	1033(224)	848(224)
27	Wood, Furniture, etc	213	276	279	329	341	385	417	476	536	680	743	977	943	1089	1049	2163
A		55(258)	59(250)	64(247)	71(216)	81(238)	87(226)	121(290)	121(254)	130(234)	144(222)	167(225)	194(207)	184(195)	261(244)	249(244)	505(245)
B		364(332)	397(325)	474(316)	526(298)	630(296)	608(266)	759(281)	995(295)	1001(255)	1250(269)	1283(267)	1517(262)	2132(277)	2440(276)	3037(276)	3651(276)
28	Paper, Printing, etc	1095	1222	1439	1763	2093	2289	2700	3382	3929	4652	4808	5792	7697	8882	11032	13220
A		50(151)	61(133)	74(126)	77(146)	90(138)	94(152)	127(190)	160(181)	154(152)	157(148)	228(151)	271(148)	372(157)	530(173)	559(173)	552(173)
B		3234	3491	4637	6171	7700	10455	11574	13761	15340	16509	19170	21582	24438	33225	30300	41435
29	Leather, Fur products	476(147)	452(129)	554(119)	614(99)	684(83)	1088(104)	1304(104)	1433(104)	1615(105)	2347(145)	2840(148)	3393(157)	3788(155)	4871(147)	5734(147)	6075(147)
A		3025	5733	6644	8165	10833	11215	12964	15266	17410	20137	22734	26189	31986	37689	43654	54411
B		1234(244)	1528(267)	1675(243)	1854(227)	2375(219)	2545(227)	3274(253)	3635(232)	3925(225)	4235(210)	5001(224)	6154(231)	7423(232)	8740(236)	10296(236)	12361
32	Non-metallic products	1124	1232	1425	1694	3392	2764	3305	4499	5073	5425	5489	7143	8884	10379	12816	14004
A		342(304)	363(295)	405(284)	474(280)	568(272)	853(309)	1047(317)	1410(313)	1594(309)	1481(273)	1736(291)	1941(272)	2587(291)	3273(315)	4041(315)	4416(315)
B		4307	4997	5949	7272	9310	10841	10928	13662	15600	17074	18802	25287	30795	36600	41303	47000
33	Basic metal industries	995(237)	1198(240)	1285(215)	1556(218)	2054(221)	2143(198)	2502(222)	3441(193)	3301(212)	2923(175)	3553(189)	5580(221)	5927(192)	7691(210)	8658(210)	9478(210)
A		984	988	1333	1480	1679	1841	1910	2267	2792	2883	3640	4679	5851	6819	7248	7060
B		243(255)	254(257)	347(260)	363(257)	404(341)	437(237)	519(272)	580(254)	695(249)	727(252)	948(260)	1275(272)	1333(230)	1439(211)	1530(211)	1487(211)
35	Non-electrical machinery, Tool and Parts	220	2499	2981	3613	4331	4848	5432	6392	7531	8799	9188	10005	14293	16184	18490	19641
A		676(307)	736(295)	840(282)	985(273)	1177(272)	1335(275)	1618(296)	2134(317)	2283(303)	2233(276)	2614(285)	2707(251)	3613(253)	4133(249)	4608(249)	4894(249)
B		2112	2340	3010	3668	4005	4876	4849	5807	6836	7789	10063	12891	16195	18625	18725	20088
36	Electrical machinery	576(273)	637(267)	766(254)	918(250)	994(249)	1338(274)	1464(302)	1950(336)	1784(362)	2144(362)	2703(369)	3312(357)	4141(357)	4727(355)	4778(355)	5125(355)
A		1728	2153	2802	3390	4318	4833	5141	6211	7016	8616	9277	13100	14407	17143	19046	21304
B		555(321)	734(341)	875(312)	1007(297)	1292(299)	1507(312)	1638(319)	1913(306)	1951(277)	2432(283)	2419(361)	2447(345)	3610(312)	4416(258)	4416(258)	5488(258)
38	Other	1074	1189	1373	1443	1843	2199	2561	2896	3403	3727	4380	4931	4788	7511	7473	8435
A		309(288)	355(299)	401(292)	456(316)	584(317)	745(317)	916(358)	1156(399)	1510(444)	1705(457)	1934(443)	1413(285)	1913(319)	1849(246)	1993(362)	2177(258)
B		508	694	581	722	836	1029	654	730	851	983	1048	1277	1046	1349	1389	1495
39 *	Repairing services	200(394)	210(312)	178(306)	182(252)	211(242)	251(243)	232(446)	334(458)	354(416)	404(415)	470(448)	610(478)	483(441)	651(494)	685(493)	734(494)
97 *	Repair services except 39																
A																	
B																	
Gross value of output																	
Gross value added (GVA)																	
B as per cent of A																	
Bank charges																	
GVA less bank charges																	
C as per cent of A																	

* From 1950-51 to 1969-70, NIC codes "24", "25" and "26" are included in NIC code "23" (cotton textiles)

* from 1989-90 to 1991-92 the NIC codes "39" & "97" are as follows "39" repair of capital goods and "97" repair services except 39

A: Value of output B: Gross value added Figures in brackets are gross value added as percentages to value of output

**Regional Representative and Project Officers
for Lucknow and Hyderabad**

Oxfam, a relief and development agency, is looking for a Regional Representative for Lucknow and two Project officers – one to be based at Lucknow and one at Hyderabad.

The **Regional Representative** will provide overall leadership to the team and management of our work in the northern region, mainly in Uttar Pradesh. S/he should show that they have relevant qualifications, a minimum of 8 years of development experience preferably with NGOs, good analytical and strategic planning skills and understanding of development issues, commitment to social justice, team management experience including finance, research and evaluation, good administrative and communication skills, sensitivity to the inequalities facing women in society, ability to speak fluent Hindi/English.

The **Project Officer posts** require at least 5 years experience of working with NGOs in relief and development. Responsibilities include interaction with NGOs, project appraisal and monitoring and providing specific need-based development support to partner NGOs in situation analysis, perspective planning, research, evaluation and training. Knowledge of English, Hindi (for Lucknow) and Telugu (for Hyderabad) essential.

All positions require considerable travel. We offer a 2 year contract for all the posts and reasonable salaries and other benefits to attract competent professionals. Women candidates are especially encouraged to apply. **Only shortlisted candidates for all the positions will be contacted for interviews.**

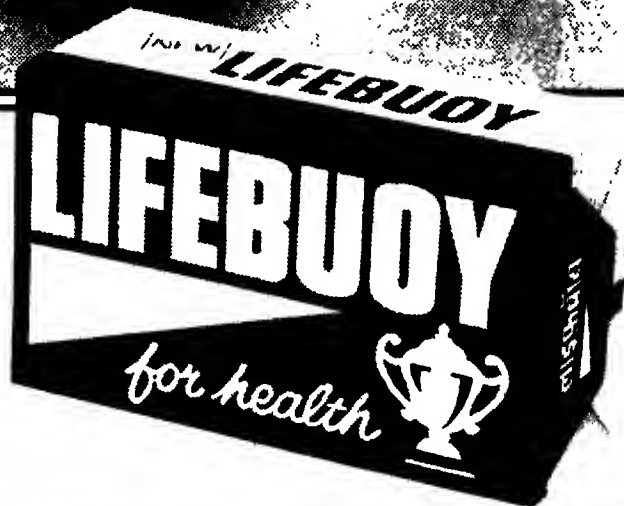
Apply with full CV and a covering letter for all posts explaining fully from your experience how you meet the criteria listed not later than **29th December 1995**. Applications for **Regional Representative should be sent to Oxfam (India) Trust, C-6/59 Safdarjung Development Area, New Delhi – 110 016**. Interviews for the **Regional Representative post** will be held in Delhi on **29th January 1996**. Interviews for the **Project Officer positions** will be conducted in the Regional Offices and candidates will be shortlisted directly by them. Applications for Project Officer for **LUCKNOW should be sent to Oxfam (India) Trust, 1 La Place, Shahnajaf Road, Hazratganj, Lucknow – 226 006 AND for HYDERABAD to Oxfam (India) Trust, 3/19 Shiva Arun Colony, (Behind Police Station), West Marredpalli, Secunderabad – 500 026**.



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SEPHIS

**The South-South exchange
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In 1996, ten grants are available for PhD research. PhD grants will be provided for a period from one to three years. The proposal must include a period of research and should make clear that the applicant can realistically complete his or her draft thesis in the given time. Salaries are normally not included in the Sephis PhD grants.

Eligibility: PhD students enrolled at a university in the South, who are supported by their institution.

▷ Applications for these grants should include:

- a research proposal (maximum of 4 pages prefaced by an abstract of 100 words) presenting the research problem, reviewing the relevant literature and indicating the relevance of the research to one or both of the Sephis themes

- an academic curriculum vitae
- a letter testifying to institutional affiliation
- a referee's report (report sheets can be obtained from the Sephis secretariat)
- a budget
- a timetable

In addition, applications for post-doctoral grants should include:

- an indication of the form of publication (book, article, etc.)
- a copy of the PhD certificate

In addition, applications for PhD grants should include:

a letter of recommendation by their thesis supervisor

Research proposals will be selected by the Sephis Steering Committee, which consists of historians from different regions in the world. The applications will be evaluated according to academic quality, relevance to Sephis themes, comparative potential and contribution to South-South co-operation. The application must be received before **April 30, 1996**.

Applications should be written in English. Incomplete applications, applications by fax or e-mail and/or too lengthy applications cannot be taken into consideration.

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Vol XXX No 50

India and FDI

The Indian government's attitude to foreign investment has evolved in the post Independence period in four distinct phases. The period from Independence to the late 1960s was marked by a gradual liberalisation of attitudes. The period from the late 1960s through to the 1970s was characterised by a more selective stance. The 1980s were marked by a certain liberalisation of policy. Finally in 1991 India liberalised its policy regime further with respect to FDI as a part of reforms undertaken to increase the international competitiveness of Indian enterprises. An analysis of the evolution of India's FDI position in these four phases of government policy and levels of industrialisation and development 3228

Hindutva and Globalisation

While the contemporary rise of hindutva can plausibly be theorised as a more or less necessary by-product of the process of globalisation, the two are also mutually contradictory. It is necessary to keep in mind these two sets of relations - the one complementary and the other contradictory rather than accept a unidimensional conception of their reciprocal involvement 3220

Hindu Men, Bigamy and Uniform Civil Code

The Supreme Court directive in the Sarla Mudgal case has strengthened the Hindutva forces - one of whose main political planks in the coming elections will be the Uniform Civil Code. The debate following the judgment has failed to address the various presumptions made by the judgment. Most important, the basic issue of bigamy by Hindu men has been sidetracked 3238

Beyond Swadeshi

Our policy makers are behaving as if liberalisation, privatisation and globalisation are the panacea for all our ills. Critics on the other hand, are suggesting resurrection of the post-Independence policies of the closed door state controlled licence regime. The starting point in envisioning a meaningful alternative to these two positions is not however, a passionate appeal to a modern brand of 'swadeshi' but redefining what constitutes development and reassessing what are the resources for development in a country like ours 3207

Beijing Agenda

While an attempt was made at Nairobi to deflect attention from a systemic perspective by focusing instead on particular manifestations of women's oppression, the significance of the fourth world conference on women in Beijing lies in the movement towards a building of alliances on issues which are outside what is termed "women's issues" 3195

Made for Abuse

Laws permitting non-justiciable forms of detention, such as TADA, provide enormous in-built scope for their abuse which is impossible to eliminate short of repeal of the laws. 3203

State and Markets

We do not live in an isolated world we have to be able to compete. But competition is possible only among equals. So it is essential for the state to intervene to improve the people's capabilities to enable them to compete successfully with the people of the developed countries 3191

Social Clause

While the combined opposition of the developing countries to the linking of the social clause to international trade has had the effect of deferring its enforcement it is a matter of concern that these same governments have done little to implement ILO conventions to safeguard the rights of labour 3199

Dalit Christians

Without constitutional safeguards dalit Christians continue to stagnate on the lower rungs of the socio-economic hierarchy 3201

Failed Privatisation

The 'voucher privatisation' of state enterprises tried out in the Czech republic has failed to deal with the problem of the marginalisation of the ownership function which was the bane of economic management under socialism 3206

Death Sentence on Peasant Activists

THE People's Union for Democratic Rights (PUDR) notes with concern the Patna High Court order on December 7 upholding the death sentence on eight peasants from Aurangabad district in Bihar. The death sentence was awarded by the sessions court at Aurangabad in the case registered after 42 people were killed by the Maoist Communist Centre at Dalelchak Bhagora villages in 1987.

While such a killing needs to be condemned PUDR has grave apprehensions about the meaning such a judgment has for the struggling poor in Central Bihar. The decade from the early 80s to the early 90s was marked in the region by the growth of landlord armies organised on caste lines. A large number of massacres of dalits and agricultural workers were conducted by these armies. That these armies were encouraged and actively guided by the police is even admitted by the director general of Bihar police in a policy document submitted in 1986. But in very few of these massacres were any of the accused arrested. There were no convictions.

The killings at Dalelchak-Bhagora, too, were immediately preceded by killings at Chhioti Chhechham village in which eight peasants were killed by landlords. No action was taken by the police to apprehend the killers. Later the accused were acquitted by the court. Had the police taken prompt action such a killing as happened at Dalelchak Bhagora would not have resulted.

A progressive law requires that a punishment should not harm the human body. PUDR opposes the death sentence since it is the last vestige of bodily harm included as punishment within our law. As a deterrent to crime it has no justification as no factual evidence has established such a correlation. In addition, this form of punishment once meted out cannot be reversed while the possibility of error in judicial judgments always remains. It undermines the essence of punishments based on incarceration by excluding the possibility of reforming the guilty. What makes it worse is the context of an agrarian conflict where one party in the conflict is being singled out for this kind of harsh treatment.

Since the gradual fall of the landlord armies, the police in Bihar is concentrating more and more on direct repression. Encounters as a method of eliminating political opposition is becoming the norm. Death sentences have also been awarded recently by the sessions courts at Siwan and Jehamabad against peasant activists led by the Indian People's Front and the Mazdoor Kisan Sangram Parishad, respectively. The administration continues to

remain mute on the basic issues of wages, tenancy and land reform. In this context the awarding of death sentences becomes merely one more measure of repression against the struggling agricultural labourers.

We appeal to all people concerned with democracy to oppose this death sentence.

RAJESH GUPTA

Secretary
People's Union for Democratic Rights
Delhi

Doublespeak?

I READ Gopal Singh's review of P S Verma's book *Jammu and Kashmir at the Political Crossroads* (October 14-21, 1995) carefully and it is with some trepidation that I write this letter. Both Gopal Singh and P S Verma are senior colleagues and it may not be politic to cross them. Moreover reactions to a book may differ from reader to reader. What one reader considers to be engrossing and wise may not necessarily hold true for all readers. The point I wish to make here however, is not concerning the book but concerning the review.

Singh starts off by panning all available books on the Kashmir problem, calling them stereotypical and vitiated by the propaganda from the media and the government. These are serious charges and, I think should not be made in a frivolous manner. Frivolity however seems to characterise the entire review and by the end of it one is left in doubt about Singh's encomiums for Verma's book.

As compared to the existing literature on Kashmir, Singh finds Verma's book to be

authentic and original. And what is it that is original? "The author (PSV)", says Singh "makes a significant observation. The collapse of civil society has thus surfaced in a big way. As a consequence of the current crisis, all political parties have become dormant in the valley. Many of their leaders have fled the valley or announced retirement or dissociation from politics and some of them have taken a pro-militant stand." Surely it cannot be Singh's case that these observations have not been made routinely by almost all observers of Kashmir in the recent past. Or is it that Singh is trying to tell us that Verma has nothing original to say in the book?

One of the basic achievements of Verma's book that Singh points out is his understanding of terrorism and state terrorism. Two paragraphs later however Singh scales down the achievement to nothing when he notices serious lacuna in Verma's argument. There are a couple of points that the author should have highlighted: (1) terrorism and state terrorism are mutually reinforcing phenomena, one feeding the other. (2) militant violence and economy of the ruling classes. What should the reader take seriously Singh's praise for Verma or the basic deficiencies in the argument of the book that he notices? Or is it that Singh is engaging in some doublespeak and his review itself should not be taken seriously?

These are merely two examples from Singh's review and many more could be easily mentioned.

RAJIV LOCHA

Chandigarh

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Forgettable Anniversary

THE last annual report of the International Monetary Fund which coincided with the 50th anniversary of the Bretton Woods Conference, claims that the anniversary had been marked by assessment of changes in the international monetary system and a forward-looking perspective on the future of the IMF. Enough information is, however, available on the deliberations of the IMF's executive board and on bilateral country consultations under Article IV of the Fund's articles of agreement to show that there can be no hope of any radical change in the working of the international monetary system in the direction of a more equitable world economic order and that the Bretton Woods institutions have reached their final destination of subserving the economic and ideological interests of the US in particular and the rich nations in general. Given the dominant influence of the US and the other industrialised countries in the voting arrangements of the IMF and the World Bank, it was perhaps simple minded to expect any other outcome. The forums of the IMF and the World Bank have been increasingly used for legitimising and providing a multilateral umbrella for the pursuit of the advanced countries' interests.

The IMF, it would appear, is being stripped of the modicum of objectivity necessary to project world economic developments with relative accuracy. Its 1994 annual report had talked of the Fund's executive directors expressing 'admiration for the dramatic transformation of Mexico's economy in recent years against the background of a "continued surplus of public finances, a reduction in inflation and further progress in structural reform, as well as a decline in the external current account deficit by more than 1 percentage point to 5.7 per cent of GDP which was more than fully covered by capital inflows"'. The Fund's board further "commended the [Mexican] authorities' efforts to consolidate the structural reform process through the further opening up of the economy, the formal removal of most restrictions on foreign investment and the approval of laws granting autonomy to the Bank of Mexico". But all this was soon exposed as sheer hype and the IMF's 1995 annual report talks of 'the financial crisis in Mexico as "the dominant single event of the anniversary year", while claiming that the crisis had "called forth a response from the Fund that was both swift and massive"'. The \$18 billion given to Mexico is the largest financial support ever extended by the Fund to a single country, but the IMF board was steamrollered into doing this because of Mexico's position as the backyard of the US and because the interests of the multinational banks of western countries were vitally involved. The contrast with the treatment of the former Soviet Union could not be sharper. The Russian Federation and Ukraine initially were given hopes of a massive assistance

of \$50 billion by the IMF and the western powers but they were finally dashed to the ground necessitating massive compression of economic activity and the imposition of untold sufferings on the people.

Similarly, the 1994 report of the IMF failed to anticipate the turbulence in government bond markets in February and March 1994 when a prolonged bond market rally since 1990 was abruptly reversed and the declining long term rates of interest began to move up rather sharply. This is now linked to a major revision of expectations about economic performance and about the course of interest rates and exchange rates in the industrial countries. Whereas the 1994 report had anticipated a more modest recovery in the world economy, the latest report hints out how the world economy rebounded strongly in 1994 with total output rising by 3.75 per cent. The robust growth was to a great extent foreign trade-led with expansion of the volume of world trade crossing 9 per cent, well above the 5.5 per cent average of the past two decades. Even as the 1994 report had been overwhelmed by the slowness of recovery in world output and trade, the 1995 report is carried away by the strength of the upturn. Despite the rapid growth in countries where the cyclical upswing began earlier (US, Canada, UK, Australia and New Zealand) and despite the beginning of recovery in Europe, the situation relating to unemployment, decline in average labour earnings and inequalities of incomes and assets seems to have deteriorated all over the western world. Each recovery-recession cycle is leaving behind higher levels of unemployment and greater degrees of inequality. The IMF's 1994 report had at least mentioned that the rise in unemployment which was cyclical in origin, might prove difficult to reverse and might lead to a further rise in structural unemployment, but this year's report makes only a passing reference to possible decline in unemployment.

The review of the performance of the Fund and its future role has similarly produced nothing of substance. Some 25 years ago when the Bretton Woods fixed exchange rate system collapsed, the then Committee of Twenty (C-20) on the reform of the international monetary system and related matters had strongly urged that a permanent and representative council of governors having decision-making powers to manage the monetary system should be established, in addition to the existing board of governors and the executive directors. The Interim Committee, the successor to the C-20, was intended to be an interim arrangement but continues after more than two decades. The C-20 had provided an 'outline of reform' which pointed to the direction which the international monetary system should take. It had envisaged (a) an effective and symmetrical adjustment process including better functioning of the exchange rate mechanism with the

exchange rate regime based on stable but adjustable par values and with floating rates providing a useful instrument in particular situations (b) co-operation in dealing with disequilibrating capital flows (c) introduction of an appropriate form of convertibility for settlement of imbalances with symmetrical obligations on all countries (d) better international management of global liquidity with the SDR becoming the principal reserve asset and the role of gold and of reserve currencies being reduced (e) consistency between arrangements for adjustment convertibility and global liquidity and (f) promotion of net flow of real resources to developing countries

Though these were unanimous recommendations of the C-20 consisting of representatives of developed and developing countries, the IMI has ducked all these substantive issues over the years. There has been a general recognition that a large deterioration in the fund liquidity was likely over the next two years. Simultaneously, the Mexican crisis had shown the vulnerability of members to sudden shifts in sentiment and resultant large and unpredictable capital outflows. Yet the prolonged deliberations for the tenth general review of fund quotas was conducted in the anniversary year without finally recommending any increase. The 1995 annual report mentions nonchalantly that the IMF Board will carry forward its work on the eleventh general quota review. In its April 1995 communiqué, the Interim Committee had likewise noted that there had been no agreement on allocation of SDRs, despite the IMI staff and managing director recommending to the board a substantial allocation.

According to the annual report on the 50th anniversary the board specially discussed the scope for improvements in the current international monetary system. Three specific issues discussed related to exchange rate volatility, globalisation of capital markets and implications for fund surveillance. There was wide agreement that exchange rate volatility among the major reserve currencies was often excessive, that this had a negative effect on international trade and investment and that the developing countries suffered the most in the process. Even with full co-operation on policies, there would be significant fluctuations in exchange rates not because of differing economic fundamentals but because of the integration of capital markets and massive cross border flows. Therefore, a system of target zones or reference ranges has been perceived as a useful disciplining arrangement for the larger economies. The advantages of even a more formal pegged system with periodic adjustments have been emphasised in the IMF board as a pragmatic step towards greater exchange rate stability. For all the lip-syn-
 pathy

no substantive decisions have been taken, instead everything has been left to be taken care of by pursuit of appropriate domestic policies which would hopefully ensure long-term macro-economic stability even as the costs of short-term volatility are minimised through the use of hedging instruments in deep and broadly based financial markets. Wide and deep international capital markets are also expected to bring about effective allocation of global saving and investment. Against this background of diverse exchange rate arrangements and immense stocks of mobile capital, the surveillance role of the IMF has become much more challenging and this requires an appraisal of the domestic monetary, fiscal and structural policies of the G-7 countries. Above all, there remains the age-old problem of a complete lack of symmetry between the rich and the developing countries. So long as that issue is swept under the carpet in the operations of the IMF, the instability in the global economic environment will persist with severe adverse repercussions on the economies of the poorer countries.

POLITICS

Special Treatment

ALTHOUGH the government swears by 'modernisation of the economy and democracy in its politics', it shamelessly flaunts the most hideous colours of an antiquated feudal order in its daily behaviour where the privileged few are treated under one dispensation and the rest of the people under another.

Not to speak of the crores which are spent on the security of the VVIPs, we are now being told officially that these Indians of a special category are also beyond the purview of the law of the land. Close on the heels of the scandal surrounding a union minister who did not declare goods worth over Rs 1,00,000 at the Indira Gandhi International Airport on his return from a foreign jaunt some time ago, another disclosure involving top politicians and bureaucrats has shocked the capital. A question in the Lok Sabha recently evoked a reply from the ministry for urban development which reveals that at least 65 important politicians, bureaucrats, senior police chiefs and judges, among others, who continued to occupy government accommodation beyond the time allotted to them, owed the government Rs 1.58 crore as penal rent. Under the law those overstaying in government bungalows or quarters are unauthorised occupants and are required to pay a penal rent from the day they extend their stay. But these 65 VVIPs (the arrears against each of whom range from tens of thousands to lakhs of rupees) have not only been relieved of the responsibility

of paying the penalties, but some have also been allowed to remain in unauthorised occupation of the accommodation by the government.

The list of the defaulters is a multi-political one, headed by the former union minister and powerful Congress leader of Delhi, H K L Bhagat (whose rent arrears of Rs 15,73,376 have been written off) followed by another high-profile Congressman Vasant Sathe (Rs 6,97,889), who now heads the prestigious Indian Council for Cultural Relations. We also find in the list the BJP stalwart V K Malhotra (Rs 2,09,913) and the former union minister from the Janata Dal Mufti Mohammed Sayeed (Rs 1,08,454). Not to be left out, top civil servants have also joined the impressive list which includes the current commerce secretary in the central government Tejinder Khanna (Rs 1,09,628), the present secretary-general of the Rajya Sabha Rama Devi (Rs 93,936), the present Election Commissioner G V G Krishnamurthy (Rs 22,938) and the former science adviser to the defence minister V S Arunachalam (Rs 3,63,121). To cap it all, the judiciary which is supposed to see to it that such illegal misuse of government accommodation does not go unpunished, is represented on the infamous list by three of its senior members—justices Mahesh Chandra (Rs 5,50,202), M K Chawla (Rs 1,78,260) and B N Kirpal (Rs 40,005).

While the administration and its minions display a ruthless zeal in evicting almost every day urban labourers from so-called unauthorised slums, and villagers from their homes on the plea of building dams, they have consistently refused to take action under the Public Premises Eviction Act against these VVIPs. Instead, the government has carved out a bureaucratic back-door in its steel-frame through which it seeks to protect them from prosecution and allow them to enjoy the fruits of their misdemeanour. An official body called the cabinet committee on accommodation (CCA) is reported to have been given the discretion to allot government houses out of turn, to fix rates of rent and to waive arrears. It has been elevated almost to the status of a defence ministry or home intelligence outfit, as evident from the statement made in parliament on December 7 by the minister of state for urban development R K Dhawan, who said that the "composition and proceedings [of the CCA] are secret in nature and as such cannot be furnished". A week later, the ministry came out with a further clarification saying that the decision to allow a particular person to continue occupation of accommodation after the stipulated period was over was "based on a variety of reasons". Since the CCA proceedings are secret, there is no public accountability and the people have no right to know

what are the 'reasons' which have prompted the government to show undue favour to these VVIPs

KASHMIR

Hidden Damage

THAT wars and insurgency take a toll of human lives and livelihoods, not only of the antagonists but of those uninvolved, is well accepted today. Trauma care as a speciality in medicine owes much perhaps to the violence which is endemic in times of 'peace' and war in many parts of the world today. What is however less documented is the often permanent psychological damage which accompanies civil and military disturbances over a long period.

The reasons for this near silence about psychological trauma related to strife are complex. The most innocent explanation is that the science of mental illness, if one may call it that, is a neglected area of medical practice. The roots of this neglect go back to the mind/body separation in medical science. This ill developed field is even more neglected in the poorer countries. It has been seen as the least needed of specialities in these countries, both by the establishment and by those who critique it. And yet psychological trauma is a common enough problem which needs special care and attention. While the distress resulting from the state's failure to provide food, shelter and work cannot be treated by medical specialities, the trauma resulting from the more direct ways the state employs to suppress social (and political) dissent can and needs to be documented and treated. Only now, through the efforts of medical activists, is an attempt being made to develop facilities for the care of victims of torture.

The non recognition of psychological problems as constituting medical issues has had damaging fall-outs. In Bhopal, for instance, although there have been studies which have documented the long-term and permanent effects that the victims, a large number of them children, have suffered, these have not been accepted as compensable injuries.

It is against this background that recent reports from Kashmir of the sharp increase in the number of people seeking help from psychiatric departments in hospitals must be read. In 1990 the Srinagar Medical College's psychiatric department saw 1,528 patients; by 1994 the number had grown to 38,000. A large proportion of the patients are children with problems as diverse as undiagnosed pains, hysteric behaviour or plain terror at loud sounds. Schizophrenia, depression and unprovoked violence are some of the other symptoms and syndromes. The range of mental

distress is not always directly related to episodes of violence, but also arises from restrictions on movement, being forced to change patterns of behaviour or life styles, uncertainties at work and general suspicion surrounding what used to be normal activities of daily living.

The actual numbers, of course, represent a minuscule proportion of those who cannot access medical care facilities, either because they are not available or because those affected are too scared. In fact, that even so many do come to the hospitals, psychiatric clinics is itself rather surprising, perhaps due to the efforts of doctors to refer them to the departments and perhaps because the stigma attached to psychiatric care does not for some reason seem to be as great a deterrent here. During the height of the 'Punjab problem', for instance, while groups of activist doctors recognised the need for these services, often they were themselves patients – the public hospitals and the state system did little to help.

The issue here is that no matter how the socio-cultural/ethnic/political problems which give rise to militancy are worked out, no attention is given to the psychological rehabilitation of the population. While resolution packages work out political, economic, social and even cultural guarantees, it is always assumed that once violence and the threat to civilian life cease, there is a return to normalcy all around. The sad bit is that psychological and emotional damage arising out of years of military action and insurgency and militancy, among those who were part of the action and those who were not, are often irreparable, making the establishment of a just society even more difficult, unless progressive people's movements acknowledge the issues and evolve ways of dealing with them.

MAHARASHTRA

Fight for Co-operatives

THE prime minister's reported decision to release Rs 600 crore for the co-operative sector in Maharashtra comes on the heels of the SS BJP government's compromise with Sharad Joshi over the demands of sugarcane producers in the state. While both these developments are responses to the crisis the co-operative sector in Maharashtra is facing, the political calculations underlying them preclude a solution to the deeper malaise afflicting the sector.

Sugarcane cultivators in Maharashtra have been agitating under the banner of the Shetkari Sangharsh Samiti in Satara, Sangli and Kolhapur and of the Shetkari Sanghatana in Marathwada for securing Rs 1,000 per tonne of cane for 1994-95 and Rs 1,100 per tonne for

1995-96. In 1993-94, when sugarcane production was lower, the sugar co-operatives paid more than Rs 900 per tonne to the farmers. But with the bumper harvest of sugarcane in 1994-95, continuing into 1995-96, the government has at present an extra stock of 50 lakh tonnes of sugar. As a result, the factories scaled down the price of cane by Rs 150-200 per tonne. For the farmers, on the other hand, the prices of inputs, especially of fertilisers which form 40 per cent of the overall input cost, have been increasing at a faster rate than the cane prices. The reduction in cane prices thus made it difficult to meet production cost, leading to discontent among cane producers.

The Maharashtra government has agreed to lift for one year the zoning restrictions on cane producers who are not members of a sugar co-operative. The decision, if extended to producer members of co-operatives, will have major consequences. It is true that sometimes the zoning restriction has been misused. Factory managements have declined to purchase cane from farmers who had not voted for them in elections to the management boards of the co-operatives and instead taken in cane from far off places. Nevertheless, complete withdrawal of zoning restrictions could ultimately end in dismantling the co-operative structure completely. The producer member of a sugar factory not merely sells cane to the factory but also owns its shares. Assured supply of cane is vital to the well being of the factories. If zoning restrictions are removed, cane will flow where better prices are offered. As a result, the condition of sick factories which are not in a position to offer a competitive price will further deteriorate. But perhaps such an outcome fits the game plan of the SS BJP government which ever since coming to power has been bent on loosening the Congress grip on the co-operative sector in the state.

The prime minister's decision to pump in money to keep sugar factories and co-operative banks going too is a temporary remedy. A long term solution would entail disciplining of the co-operative managements. Diversion of funds – partly derived from the cuts the farmers are forced to accept on such pretexts as the chief minister's fund, environment development fund, sugarcane development fund, etc. – for personal gain or for political purposes has to be stopped. Recently the factories to reduce their costs have not been extending the facilities of sugarcane cutters and transportation to their member farmers, whereas expeditious transport of cane from the farm to the crushing site would maximise extraction of sugar. But measures for the betterment of the co-operative sector will hardly be given priority by the state government whose objective is to enfeeble the Congress bastion in the co-operative sector as much as possible before the Lok Sabha elections.

Behind Budget Dispute

A correspondent writes

THE stand off between the US president and his opponents in the US Congress should be of interest to us in India for at least one reason namely the fiscal deficit as we call it here. While the parties to the dispute have temporarily reached a sort of truce over the time frame within which the deficit has to be eliminated they are taking positions which are far apart at least seemingly so on not only the proposed estimates and underlying assumptions but also the manner in which the deficit has to be reduced. President Clinton had a 10 year target whereas the US Congress wanted to balance the budget in seven years. Now it has been agreed between the two sides to work towards a balanced budget within seven years.

It is noteworthy to start with that the two sides are one on working towards a budget balance—a budget in which *all* government expenditure will be met from government revenue and no amount will have to be raised by way of borrowing domestic or foreign. In this context it is well to remember by way of background that the US government's deficit today in absolute terms is almost half of what it was in 1992 (the deficit for 1995 is \$ 164 billion against \$ 290 billion in 1992) as a proportion of GDP it is less than half of that in 1992 (2.3 percent against 4.9 percent). Even the US debt/GDP ratio is coming down—it is only 51 per cent though the figures of \$ 3.6 billion of public debt looks formidable.

Now while both Clinton and the Republican Congress are agreed that the budget has to be balanced and resort to borrowing altogether dispensed with the dispute as already stated was not about just the time frame and the manner of balancing of the budget. With agreement on the time frame of seven years the focus hereafter will be on what items of government expenditure to cut. Here it should be added that neither party speaks really of raising revenues though some of the proposals like the Republican one to reduce or eliminate the earned income tax credit would have this impact while raising income tax on an estimated 44 million low income households earning less than \$ 30 000 a year. In fact the Republicans insist on giving major tax-breaks to the corporate sector which would cost the exchequer some \$ 245 billion over the next seven years.

So the dispute is about the items to be axed. While the Republicans want to slash Medicare and Medicaid knowing fully well that as it is some 20 per cent of US families go without health cover in addition to educa-

tion and environment protection, the president proposes to achieve the budget balance by virtually putting a freeze on expenditure growth under these heads. In other words even the latter proposal would amount to a real cut but at a slower pace. Basically the president does not favour further tax-breaks for corporate America. Neither side speaks of cutting defence spending—cold war or no cold war.

In the circumstances is it any wonder if the world at large should want to know what

the big dispute is about except tax-breaks for corporations which the Republicans would like to finance by taking money out of the pockets of the poor directly through eliminating the earned income tax credit and indirectly through reducing drastically their health care. Budget balance appears to be a mere slogan that both sides raise for public consumption. Public memory is proverbially short. So no one remembers that under Reagan and Bush two Republican presidents the deficit had more than doubled.



Institute of Rural Management, Anand

INVITATION FOR COLLABORATIVE RESEARCH ON

Rediscovering Co-operation

IRMA is commissioning a year-long research programme leading to a national seminar on **Rediscovering Co-operation** in November 1996 at IRMA. This is a part of the Golden Jubilee Celebrations of the Kheda District Cooperative Milk Producers Union (AMUL).

Academic scholars, leaders of co-operatives and practitioners are invited to write analytically rigorous conceptual/empirical papers on any of the following themes:

- Bases of Co-operation** lessons from various disciplines—economics, ethics, sociology, psychology, law, history, systems theory, game theory, organisation theory, etc.—on the importance of co-operation and the conditions necessary for the emergence and success of co-operation.
- Strategies for the Models of Tomorrow** based on successful grass-root level experiments in specific sectors, formulating a proposal and a strategy for a large scale programme for promoting co-operatives and
- Co-operatives in the Emerging Context** implications of the emerging trends in economic, social, political, technological, and other environments for the management of co-operatives.

- * Honorarium and limited financial support for research is available.
- * Papers, accepted for the seminar after a rigorous review process, are to be brought out in an edited volume.
- * Papers are to be submitted on or before July 31, 1996.

For further details contact at your earliest

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ITC

Sustained by Tobacco

IMPERIAL TOBACCO COMPANY (ITC) with diversified interests in tobacco and cigarettes, financial services, hotels, paper and paperboard, packaging and printing and agri and international business was 100 per cent foreign-owned till until 1954. Over the years this composition changed following a series of public issues coupled with disinvestment of shares by foreigners. Today BAT has a 31.6 per cent stake in ITC. 37 per cent is held by the financial institutions with the rest by the public.

The company closed the financial year ended March 1995 with a sales turnover of Rs 2,834 crore against Rs 2,352 crore in the previous year. Other income rose by 36 per cent from Rs 69 crore to Rs 94 crore taking total income to Rs 2,497 crore from Rs 2,374 crore. Interest costs came down by 36 per cent from Rs 131 crore to Rs 84 crore.

In spite of the discouraging performance from some of its business divisions, namely international business, agri business and aquaculture which dented the bottomline by Rs 120 crore, the company carried on with an exceptional performance by the tobacco division coupled with the help from other income. ITC's cigarette tobacco division recorded sales of 50 billion sticks for the year, the highest ever. In March 1995 its market share stood at 60 per cent. The Bingo segment introduced by the company constitutes 13 per cent of the industry and the company has a 56 per cent share of this segment. ITC's leaf tobacco division diversified its market during the year under review. The company's plants at Chirala and Anarpati have been accredited with ISO 9002 certification. Surya Tobacco Nepal, a 49 per cent ITC company has been performing well. With a 56 per cent market share it is the largest private sector corporation in Nepal. The company's Irvani tissues division completed its technology upgradation at a cost of Rs 100 crore. The installed capacity of the mill has now increased to 33,000 tpa from the level of 13,500 tpa. An increase in the input costs and resultant price hike in the international pulp market was successfully combated through R and D activity resulting in an increased usage of unconventional raw material and new products.

The packaging and printing division of ITC converts over 30,000 mt of paperboard into value added packaging for consumer goods industries like cigarettes, liquor, foods,

tea and beverages, matches, personal products and others both in the domestic as well as overseas markets.

An impetus to exports was the rationale behind the setting up of the International Business Division. The company did have its share of wrong decisions notable among them being rice exports to Sri Lanka at prices considerably higher than international prices which led to high export receivables, a significant quantum of receivables being uncertain of recovery leading to provisions in the accounts for the year under review.

The company entered the finance sector with ITC Classic Finance and the company has already established itself as a leading player.

In spite of the prices moving up by more than 30 per cent over the previous year's level, the company's flagship brand Sundrop registered a growth of 15 per cent on account of a renewed marketing thrust and segmentation. During the year under review the company transferred its seeds business to a joint venture company ITC Zeneca, with a 50:50 equity participation by ITC and Zeneca Plc of UK.

The hotels business was restructured and ITC Hotels was made the licensed user of Welcomgroup and was given the whole responsibility for operating and marketing the Welcomgroup chain of hotels. During the year under review the Welcomgroup chain achieved a turnover of Rs 227 crore, registering an increase of 32 per cent and earned foreign exchange of Rs 137 crore.

The company continued its thrust on the use of information technology and information systems in supporting and conducting its various operations as also its investment in upgrading its technology. For development and value addition to the unutilised assets of the group, the company has promoted Greenacre Holdings. The customer base has been primarily among institutions and corporates.

The company has decided to diversify into biscuit manufacturing. A wholly owned subsidiary, United Biscuits, has been formed in Bangalore to enter into the biscuit manufacturing business. Apart from manufacturing biscuits, the company will also manufacture cookies.

The company proposes to invest Rs 550 crore to modernise and upgrade its four cigarette factories over the next five years, with emphasis on productivity and quality, new packaging styles, and improvement of the working environment. Shifting of the Bangalore factory to the city's outskirts will form an important part of this programme.

ITC has entered into an MOU with Eagle

Star for insurance services in India but the two are yet undecided on how the equity is to be split between them. The principal focus area for the joint venture is going to be large industrial risks. The area of health insurance is also being considered.

VST INDUSTRIES

Foray into Horticulture

VSI Industries, a Hyderabad based company having a common parent in UK, based BAI with ITC, closed the financial year ended March 1995 with a turnover of Rs 635 crore up by 11 per cent from Rs 570 crore achieved in the previous year. Other income surged to Rs 10 crore up by 28 per cent from Rs 7 crore. The total income earned by the company rose by 13 per cent from Rs 574 crore to Rs 646 crore. Interest costs rose by 7 per cent.

The exports of the company stood at Rs 11 crore, a decline compared to the preceding year while imports rose from Rs 3 crore to Rs 8 crore. The decline in exports has been attributed to slack demand. West Asia continued to be the largest market for the company's exports. The company for the first time exported 191 tonnes of processed tobacco. The total exports of cigarettes and processed cut tobaccos by the company registered an impressive increase from Rs 3 crore in 1993-94 to Rs 5 crore in 1994-95. In December 1994, the company was granted a certificate by the ministry of commerce recognising it as an export house for a period of three years commencing April 1994.

The company successfully marketed two new brands during the year under review. With a view to strengthening mass appeal the company is sprucing up its brand image with stress on both packaging and blends. Strengthening of the distribution network was also high on the company's agenda during the year under review.

The company is making a foray into the horticultural business. VST Natural Products is setting up a processing plant with an investment of Rs 30 crore for dehydrated spices, spice products, natural food colours along with dehydrated vegetables and fresh products. The principal raw material will be sourced from the processing of taprika. The company will support taprika cultivation in the areas where it supports tobacco farmers. The project will be financed through internal accruals and bank borrowings with a debt-equity ratio of 1:1. The company had no plans to tap the capital markets to finance the diversification. The red coloured natural

Financial Indicators	ITC		VST Industries		Britannia Industries	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	238385	235217	63513	56965	50051	43104
2 Value of production	239971	230576	63631	56638	50842	41510
3 Other income	9360	6859	749	782	1049	579
4 Total income	249331	237435	64593	57387	51891	42089
5 Raw materials/Stores and spares consumed	87765	84408	14050	8450	29910	23510
6 Other manufacturing expenses	66210	56073	390	308	5426	4074
7 Remuneration to employees	11327	11919	2338	2723	4884	4358
8 Other expenses	12329	36407	11906	40793	8333	6066
9 Operating profit	16700	18628	6009	5113	3338	4081
10 Interest	8426	13119	1047	979	308	293
11 Gross profit	44151	37630	1469	4213	3362	3976
12 Depreciation	3775	2632	436	360	363	334
13 Profit before tax	40376	35004	4033	3853	2979	3587
14 Tax provision	14012	11372	1418	1496	1140	2396
15 Profit after tax	26364	23632	2615	2357	1839	1186
16 Dividends	13356	10094	1235	1081	743	650
17 Retained profit	13008	10538	1380	1276	1096	536
Liabilities/assets						
18 Paid up capital	24284	12193	1544	1544	1857	1857
19 Reserves and surplus	61200	59955	9632	7273	6556	5460
20 Long term loans	45675	21433	5517	2510	5210	970
21 Short term loans	32859	17154	5084	2500	500	1500
22 Other bank borrowings	3137	43151	1784	314	500	1500
23 Gross fixed asset	87979	71130	8411	7069	8193	6756
24 Accumulated depreciation	71639	15153	3370	2878	2350	2086
25 Inventories	62523	18607	4998	6854	4481	3367
26 Total assets/liabilities	225810	186415	1558	17522	23667	17167
Miscellaneous items						
27 Excise duty	216956	185871	390	96	1836	1181
28 Gross value added	69277	62686	7100	7961	8106	8553
29 Total foreign exchange income	99956	100535	1100	1250	1124	2457
30 Total foreign exchange outgo	13639	14498	976	383	871	228
Key financial and performance ratios						
31 Turnover ratio						
(Sales to total assets) (%)	105.57	136.16	258.62	325.11	211.48	251.16
32 Sales to total net assets (%)	145.34	16	305.69	411.98	354.39	440.43
33 Gross value added to gross fixed assets (%)	83.49	88.01	84.41	112.62	98.94	126.60
34 Return on investment (Gross profit to total assets) (%)	19.55	20.13	18.70	24.04	14.21	23.17
35 Gross profit to sales (gross margin) (%)	18.57	16.00	2.04	7.40	6.72	9.22
36 Operating profit to sales (%)	19.59	20.67	9.46	8.98	6.67	9.47
37 Profit before tax to sales (%)	16.94	14.88	6.35	6.76	5.95	8.31
38 Tax provision to profit before tax (%)	34.70	41.06	35.16	38.83	38.27	66.89
39 Profit after tax to net worth (return on equity) (%)	30.84	28.67	25.70	26.73	21.86	16.71
40 Dividend (%)	55.00	85.00	50.00	70.00	40.00	35.00
41 Earnings per share (Rs)	10.86	1.07	16.94	15.27	9.90	7.39
42 Book value per share (Rs)	32.71	53.23	65.91	57.10	45.30	39.40
43 P/E ratio (based on latest and corresponding first year's price)	23.30	16.16	11.22	15.07	15.55	53.24
44 Debt equity ratio (adjusted for revaluation) (%)	58.39	33.74	54.22	28.47	61.93	13.76
45 Short term bank borrowings to inventories (%)	5.07	88.67	95.72	4.58	11.16	44.55
46 Sundry creditors to sundry debtors (%)	101.43	97.55	68.47	503.35	332.96	571.18
47 Total remuneration to employees to gross value added (%)	16.43	19.02	32.93	34.20	60.25	50.95
48 Total remuneration to employees to value of production (%)	4.76	5.17	3.67	4.81	9.61	10.50
49 Gross fixed assets formation (%)	16.56		18.98		21.27	
50 Growth in inventories (%)	28.47		27.08		33.09	

agent will be exclusively exported to Europe and North America where natural colourings are getting popular. The plant is expected to go on stream by end January 1996. The company has renewed its consultancy agreements for agronomy with High Value Horticulture of UK and Asia Ventures International of Israel.

BRITANNIA INDUSTRIES

Modernisation Programme

Incorporated in 1918, Britannia Industries specialises in the production of bread and biscuits and export of cashew kernel, seeds, foods etc. It also manufactures computer software as well as soft drink beverage base for Coca-Cola, Sprint and Fanta. Nushi Wadia, chairman, and the company's French partner, Group Danone, hold about 44 per cent of the equity in Britannia Industries, with 27 per cent being held by financial institutions and the balance 29 per cent by the public. The company is a leader in the biscuit market.

The company's performance has to be assessed in the light of hike in excise duty, a surge in sugar prices, imposition of dual point sales tax in some states and arbitrary allocation of subsidised wheat to its main competitor. Timely action in terms of sales support, costs savings and rationalisation saved the day for the company.

The company closed the financial year ended March 1995 with a sales turnover of Rs 501 crore, up by 16 per cent from Rs 431 crore in the previous year. Aided by rise in dividend and interest earnings, other income rose by 81 per cent taking total income to Rs 519 crore, up by 23 per cent from Rs 421 in the previous year. Interest costs rose by 5 per cent.

The company's strategy was to move away from the commodity business and build up a sound base of branded exports. The company curtailed export of soya meal and cashew nuts and rationalized its frozen semi food activities as a result of which export turnover was sharply reduced. The company has concentrated on biscuit exports where it has entered new markets like Bangladesh and Burma. Exports stood at Rs 11 crore, down by 53 per cent from Rs 23 crore in the previous year.

The company plans to spend Rs 175 crore on updating the manufacturing and packaging systems in its various factories. The programme expected to be completed in about two years will help reduce costs and enhance the product range. Part of the funds will come from the \$20 million loan sought from the Banque Nationale de Paris. Britannia Industries has imported certain international recipes with adaptations to suit the Indian tastes.

CURRENT STATISTICS

EPW Research Foundation

Deposit mobilisation by banks continues to be tardy but their lending is growing apace. Galloping net RBI credit to the centre has led to sizeable currency expansion. The capital market remains depressed with all major equity indices showing an over the year fall of 20 to 40 per cent. In the external sector the rupee is slipping with the dollar rate touching Rs 34.80/34.90. The rupee depreciation has narrowed the spread between domestic and international prices of gold to around 16 per cent (20 per cent earlier). Gold import has nevertheless touched phenomenal proportions with approximately 288 tonnes imported during January-September 1995 (225 tonnes in the same period of 1994). Legal imports of gold of 178 tonnes in the first three quarters of 1995-96 almost equal total legal imports in all of 1994.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Nov 25 1995	Variation (Per Cent)					Point to Point			
			Over Month	Over 12 Months Latest	Fiscal Year		So Far 1994-95	1994-95	1993-94	1992-93	1991-92
					1995-96	1994-95					
All commodities	100.0	299.6	0.6	8.0	10.6	5.0	7.4	10.4	10.8	7.0	13.6
Primary Articles	32.3	311.8	1.5	8.9	11.9	6.8	10.6	12.7	11.5	3.0	15.3
Food Articles	17.4	345.3	1.9	9.3	8.7	10.0	12.7	11.9	14	5.1	20.9
Non Food Articles	10.1	329.2	1.1	8.8	19.2	1.7	8.0	15.5	24.9	1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.0	5.9	0.1	1.2	2.4	13.1	15.2	13.2
Manufactured Products	57.0	295.6	0.3	8.8	10.8	5.0	6.9	10.7	9.9	7.9	17.6
Food Products	10.1	282.8	0.8	3.4	10.3	3.8	8.5	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	322.3	1.0	7.3	9.3	7.9	11.3	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Nov 25 1995)	100.0	294.5		9.7	10.3	8.9	10.6	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent)				Point to Point			
			Over 12 Months Latest	Over 12 Months Previous	Fiscal Year 1995-96	So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	319	0.1	10.4	10.3	8.9	8.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1981-85=100)	249	0.8	9.7	9.7	2.0	2.3	9.9	8.3	6.8	13.6
At Large (July 60 to June 61=100)	1411	0.1	11.5	11.6	8.5	7.7	10.6	11.6	0.7	21.9

Money and Banking (Rs crore)	Nov 10 1995	Over Month	Variation				1994-95	1993-94	1992-93
			Fiscal Year 1995-96	So Far 1994-95	1994-95	1994-95			
Money Supply (M)	560976	6052 (1.1)	30174 (5.7)	39077 (8.6)	78617 (17.4)	73307 (19.3)	50816 (15.5)		
Currency with Public	114299	3623 (3.3)	13510 (13.4)	12886 (15.7)	18806 (22.9)	14170 (20.9)	7111 (11.7)		
Deposits with Banks	440904	1343 (0.3)	14271 (3.3)	25793 (7.0)	58956 (16.0)	57925 (18.7)	43377 (16.3)		
Net Bank Credit to Govt	245754	3331 (1.8)	23338 (10.5)	9478 (4.6)	16325 (7.9)	28315 (15.9)	18657 (11.7)		
Bank Credit to Central Sector	306450	1692 (1.6)	16795 (5.8)	12762 (5.2)	44991 (18.4)	17147 (7.5)	30187 (15.3)		
Net Foreign Exchange Assets	75429	2510 (3.3)	495 (0.7)	18451 (35.1)	23798 (44.3)	27674 (110.9)	3726 (17.6)		
Reserve Money (November 17 1995)	187561	386 (0.2)	18287 (10.8)	22192 (16.0)	30607 (22.1)	27893 (25.7)	11274 (11.3)		
Net RBI Credit to Centre	117409	3052 (2.7)	18496 (18.7)	1643 (1.7)	2130 (2.2)	260 (0.3)	4257 (4.6)		
Ad-hoc Treasury Bills	34895	975	11415	4875	1750	6400	6445		
Scheduled Commercial Banks (November 24 1995)									
Deposits	399650	1703 (0.4)	12791 (3.3)	25509 (7.7)	53630 (16.1)	52144 (18.6)	39017 (16.1)		
Advances	229013	3399 (1.5)	17454 (8.3)	12762 (7.5)	40638 (23.8)	11566 (7.3)	23757 (17.5)		
Non Food Advances	216365	3879 (1.8)	17080 (8.6)	8882 (5.5)	37791 (23.4)	8875 (5.8)	21684 (16.6)		
Investments	159329	15.3 (1.0)	10076 (6.8)	13329 (9.9)	13965 (10.3)	28641 (26.9)	16820 (18.7)		

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	July 1995	Fiscal Year So Far		Average for Full Fiscal Years					
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
General Index	100.0	260.1	256.8(11.5)	230.3(8.9)	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)
Manufacturing	11.5	242.7	242.3(14.8)	211.0(1.9)	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)
Electricity	77.1	252.0	247.3(10.8)	223.1(10.3)	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(4.8)	207.8(8.9)	190.7(8.6)
Chemical	11.4	332.3	335.8(12.5)	298.6(7.1)	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)

Capital Market	Dec 15 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3049 (21.7)	3103	3904 (13.0)	2944	3583	3233	4604	3261 (13.7)	3779 (65.7)	2281 (-46.8)
National Index (1983-84=100)	1404 (23.9)	1410	1844 (11.2)	1342	1691	1572	2176	1606 (12.2)	1830 (79.2)	1021 (-48.1)
BSE 200 (1989-90=100)	309 (29.5)	312	438 (7.6)	296	385	360	497	368 (18.2)	450 (92.3)	234 (-60.0)
NSE (Nov 3 21 1994=100)	67 (29.5)	68	95	72	83			79		

Foreign Trade	October 1995	Cumulative for Fiscal Year		1994-95	1993-94	1992-93	1991-92	1990-91
		1995-96	1994-95					
Exports, Rs crore	8684	55275 (27.5)	43356 (14.0)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2469	17204 (24.5)	13820 (13.9)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports, Rs crore	9810	63955 (34.0)	47732 (19.8)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2703	19905 (30.8)	15215 (19.8)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (19.4)	24073 (13.2)
Non-POL, US \$ mn	2297	16249 (34.8)	12075 (30.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (22.2)	18045 (3.1)
Balance of Trade, Rs crore	-1126	-8680	4379	6375	-3259	9687	3809	10640
US \$ mn	234	2701	1395	2018	1039	3345	1545	5930

Foreign Exchange Reserves (excluding gold)	Dec 01 1995	Dec 02 1994	Mar 31 1995	Variation Over				1994-95	1993-94	1992-93	1991-92
				Month Ago	Year Ago	Fiscal Year 1995-96	So Far 1994-95				
Rs crore	60496	61015	66028	140	518	-5532	13389	18402	27430	5385	10223
US \$ mn	17315	19403	20816	-175	-2088	-3501	4227	5640	8724	731	3383

External Sector

Exchange Rate of Rupee	July 95	July 94	1995	1994	1993	1992	1992	1991	1990	1989	1988	1987
36 Country TWER (1985 = 100)												
(Based on FFDAI rates within brackets)												
Nominal	(41.28)	(43.45)	(41.44)	(44.99)	(44.94)	(43.87)	49.89	64.08	75.52	73.43	79.82	82.19
Real	(63.78)	(64.64)	(63.43)	(63.55)	(59.15)	(56.53)	64.24	72.69	78.70	77.52	84.56	84.73

Exchange Rate of Rupee	Monthly Average Rates						Annual Average Rates					
Rupee US \$	Dec 15 1995	Month Ago	Year Ago	Mar 31 1995	Mar 31 1994	1995	1994	1994-95	1993-94	1992-93	1991-92	
Official/RBI Reference Rates	34.97	34.91	31.37	31.37	31.37	31.37	31.37	31.37	31.37	25.97	24.47	
Market/FFDAI Rates	34.97	34.91	31.37	31.37	31.37	31.37	31.37	31.37	31.37	30.65		

Foreign Direct Investment	Foreign Collaboration Approved						Approvals Involving Foreign Investment					
	1995 (up to Sept 95)	1994	1993	1992	1991	1990 (up to Sept 95)	1995	1994	1993	1992	1991	1990
Numbers	1716	1854	1176	1520	950	666	975	1062	785	692	289	194
Amount	Amount of Foreign Investment Approved						Actual Flow of FDI					
Rupees crore	11530	14190	8860	3890	530	120	4729	2972	1786	675	351	
US \$ million	4634	4523	2852	1386	215	67	1490	947	575	240	142	

Foreign Aid (Rupees crore)	April 1995	September 1995	1994-95 (Rough estimate)	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Net Aid Receipts	577	1063	4000	6175	6159	5319	5421	3181	2595	2460
Net Aid Inflow	2911	1178	3000	2124	2188	1514	2717	1347	1101	1218

Tourism	April 1995	July 1995	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Tourist Arrivals (000s)	570.1 (2.4)	556.6 (1.9)	1907.0 (1.5)	1871.3 (2.8)	1820.8 (2.2)	1781.9 (10.4)	1613.7 (8.6)	1765.0 (9.0)	1619.3 (7.0)	1513.3 (1.4)	1491.9 ()
Foreign Exchange Earnings (Gross) Rupees crore			7365.6	6509.0	6060.0	4892.0	2613.0	2386.0	2054.0	1856.0	1607.0
US \$ million			2345.7	2074.9	2092.5	1984.6	1456.5	1433.0	1418.5	1431.0	1257.4
			13.1	0.8	5.3	36.3	1.6	1.0	-0.9	13.8	29.4

Bullion

Bullion Prices	Dec 15 1995	Month Ago	Year Ago	March 1995	March 1994	March 1993	March 1992	March 1991	March 1990	March 1989	March 1988	
Bombay Gold (Rs/10gm)	5060	5040	4670	4680	4611	4082	4443	3440	3140	3130	3140	
London Gold (\$/Oz)	386.20	386.90	380.75	386.70	387.35	330.34	344.64	361.39	393.66	490.27	443.49	
Spread over London (per cent)	16.5	16.1	21.8	20.0	18.0	21.9	36.1	53.4	44.8	61.3	69.6	
Bombay Silver (Rs/kg)	7203	7393	6454	6335	7159	5492	8050	6663	6464	6755	6136	
London Silver (\$/Oz)	5.16	5.57	4.78	5.18	5.64	3.63	4.50	3.97	5.07	5.79	6.41	
Spread over London (per cent)	24.2	22.7	33.9	21.3	25.9	49.1	88.9	171.8	131.5	133.9	129.4	
Estimated Imports (Official/Customs Tonnes)	Jan 1995	Sept 1995	1994 Total	1994 Q4	1994 Q	1994 Q	1994 Q	1993	1992	1991	1990	1989
Gold Import												
Official	177.6	121.1	138.4	57.3	39.4	47.9	33.8	114.0	95.3	na	na	na
Total	287.6	225.0	377.5	102.5	72.1	80.3	72.6	304.4	360.9	150.0	170.0	173.0
Silver Import	1303*	2026	3802	774	472	762	792	3575	1750	1360	1300	650
* January - August												

* January-August

Balance of Payments Key Indicators (US \$ million)

	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Expected											
Exports	32000	26763	22700	18869	18266	18477	16955	14257	10420	12646	9463
Imports	38500	30709	23985	23237	21064	27915	24411	23618	19816	17740	17298
Trade balance	6500	3944	1285	-4368	2798	-9437	-7456	-9361	7170	7320	-7835
Invisibles (net)	1300	1864	970	842	1620	242	616	1364	2317	2758	2967
Investment income			-4002	3423	3840	3752	2928	1711	1337	-978	776
Pvt transfers			3825	2774	3783	2069	2281	2654	2698	2329	2305
Current account	5200	2082	315	3526	1178	9680	6841	-7997	-4853	-4563	-4845
Capital account total (net)			9183	4254	4754	8402	6100	6997	4116	3990	4267
Other flows #			2148	243	271	2318	938	1442	731	-101	474
Reserve use (minus means addition to reserves)	5000	4757	-8868	728	3576	1278	740	1001	738	573	577

Includes delayed export receipts and errors and omissions. For the year 1992-93 it also includes errors and omissions arising out of dual exchange rates applicable under the Liberalised Exchange Rate Management Systems (LERMS).

Notes: (1) Superscript numeral denotes month to which figure relates e.g. superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. - means not available.

Capitalism, Markets, Market Socialism and Democracy

Arun Ghosh

We do not live in an isolated world, we have to be able to compete. But competition is possible only among equals. So it is essential for the state to intervene so as to improve the capabilities of the people to enable them to compete successfully with the people of the economically developed countries

WRITING in late 1995 – and quite contrary to popular beliefs and perceptions – one can safely assert that barely five years after the collapse of communism in Eastern Europe and the former Soviet Union, the inner contradictions of capitalism are beginning to surface in all developed capitalist countries – and that there are unmistakable portents in Eastern Europe of a popular desire to go back to some form of socialism other than the dictatorial regimes that had existed prior to 1990. Indeed, it would also appear, if history has any lessons for the future, that the left parties in India need to re-examine some of their basic assumptions and the philosophic roots of their ideology, their tactics and their longer term goals.

Consider the facts. Forget the Newly Industrialising Countries (South Korea, Taiwan and of late Malaysia, Indonesia and Thailand), the city states of Hong Kong and Singapore should be excluded from this list as they are exceptions which cannot lay down the future development pattern of less developed countries. The developed capitalist world today is undoubtedly in a deep hole. Japan, the ideal extolled by many writers and emulated by many countries (like South Korea) is now beginning to reel under the shock of the inevitable aftermath of finance capital running ahead of the real economy. Japan does not typify the 'boom-and-bust' experience of the US in 1929 – yet there is no doubt that the Japanese economy is in some trouble. The Japanese real economy, as of today, continues to be strong – and its strength may help it overcome its financial ills if the US and Western Europe do not turn 'protectionist' (as they well might), but that is not what we are discussing.

Consider Western Europe. France, as of the writing, is in a deep hole, with the nation almost paralysed by the general strike called by those manning the public services, with support from the people in general. The reason is simple. The tendency observed earlier, in the US and the UK, of whittling down, in fact dismantling social security and 'welfare' measures that had once given credibility to the capitalist system, has now been suddenly pressed hard on the French

people with sudden fury by Jacques Chirac and Alain Juppé. It is ironic that when the cold war was at its height, the capitalist system quickly adapted itself into a 'well-ordered' economy. Indeed, soon after the second world war, the capitalist system transformed itself – perhaps to counter the threat of the appeal of communism. The widespread adoption of social security and other 'welfare' measures – the influence of liberal thought which focused on political democracy leading on to the fostering of a democratic society – made the capitalist mode of production take on a humane approach – and the progress made by the industrialised developed countries of Western Europe and the US after the second world war stood out prominently. It was loudly proclaimed by 'liberals' like Ken Galbraith that the beauty of capitalism is that it is adaptable. That capitalism did adapt itself (as far back as 1933 in the US under Roosevelt – but especially under the Labour government in Britain after 1945) that the social democracy practised in the Scandinavian countries led to high rates of growth with equity – an all-historical fact – but today they are only part of history.

LIBERALISM UNDER ATTACK

Even before the collapse of the communist countries in Eastern Europe, liberalism came under attack under Reaganite US and Thatcherite UK. The glorious days of capitalist growth in the 1950s and 1960s – partly (though only partly) made possible by the availability of cheap oil as a source of energy for the developed countries – had a rude shake-up with the two 'oil shocks' of the 1970s. And though the developed countries reacted with inventions and innovations leading to significant oil conservation, their recovery was greatly assisted by the dramatic deterioration of the terms of trade of developing countries which were dependent on the export of 'primary products'. The gain of the oil-rich countries came eventually at the expense of the exporters of primary commodities, not of the developed industrialised countries. That, again, is a historical fact.

And yet, the stagflation of the 1970s had

its roots elsewhere – the continued payments deficits of the US, the announcement of the non-convertibility of the US dollar to gold at the fixed price of \$35 per 1100 ounce, and the consequent breakdown of the Bretton Woods system preceded the first oil shock.

The 1970s saw the industrialised countries of the west focusing on price stability as the most important desideratum of policy – and this was the beginning of an attack on public spending on welfare. The Hayekian principle of minimum government as the best led to a spurt of privatisation under Margaret Thatcher. In the US, under Ronald Reagan – supply-side economics, the reduction of tax rates to bolster consumer spending – which always lags behind production capability under the capitalist system – came to be the accepted policy. Essentially it was the power and strength of those controlling finance which came into play. In the US, deregulation of banking and of finance companies has led to high costs to the tax payer – but that was passé. The chorus of voices of reaction was against public spending on welfare – against regulation of all types – and it continues to be so even to this day. And now, under Jacques Chirac, the French have decided that in order to make the French franc a stable currency it is a must the German mark. France has to have major cuts in welfare and social security expenditures. The hope of a common European currency – which was shaken by the devaluation of the British pound and the Italian lira earlier – must be kept alive no matter what the costs are to the French people.

Consider the facts again. Western Europe has as of now an unemployment rate exceeding 10 per cent of the labour force. United Germany, the leading light of the EC/M, has an unemployment rate of 10 per cent. France has an unemployment rate of 12.5 per cent, and the UK of 12 per cent. (Spain has the dubious position of heading the list with 20 per cent of its workforce unemployed.) And though even the socialist Mitterrand had initiated cuts in welfare spending, Chirac has decided to make the axe fall sharply on the working classes in order to drastically cut government spending so as to balance the budget and to steady the franc.

The reality is that governments (in capitalist countries) are no longer free to pursue nationally desirable policies, to promote employment, to increase the welfare of their people. The ascendancy of finance capital, the capital account convertibility of currencies, and the quick and easy transferability of large volumes of floating funds across borders, make a mockery of domestically oriented economic policy-making. Essentially, economic policies in developed countries of the west are ruled by a few who control liquid (and highly mobile) finance capital. No

wonder, the inner contradiction of capitalism – that consumption can never keep pace with production capacity – has come to the fore once again in a stark manner. Even in tradition-bound Japan, unemployment has grown from about 1 per cent of the work-force to more than 3 per cent, in less than two years, while the volatility of the stock market has left many (hitherto strong) institutions in a deep hole facing enormous capital losses.

Consider some more facts. Communism first came to Russia, not as a transformation of a mature capitalist economy into a socialist one, but as a feudal country which suddenly shook off its feudal government and opted for a communist dictatorship. In China and Viet Nam, likewise – as also in Cuba – communism emerged as a result of the exploitation of the people by the feudal lords (and in China and Vietnam as a result of the native feudal lords either unable to resist external aggression or collaborating with foreign powers, denying the people a voice in their own governance).

It is not necessary to go into the reasons for the collapse of communism in Eastern Europe: there are diverse factors both internal and external, and one must accept the greater importance of internal factors in any such process. What is interesting, however, is that Poland – the first country to repudiate communism – has democratically elected former communists back to political power, despite the strong support given by the clergy (in a highly religious Polish population) to anti-communist Solidarity leader Lech Walesa. Poland – for one – appears to have repudiated the policy of a return to international market capitalism.

Obviously, no country Poland included would plan to return to the type of regimented economy that had come to be established over 1945-89 in the East European countries. And yet Poland's repudiation of market capitalism is significant. What kind of economy then are they likely to establish? There is a possibility that all the East European countries may be opting for a 'welfare state' with state ownership of the *major* means of large-scale production. In other words, some variant of what has come to be known (in many countries) as market socialism. Employment guarantee and/or significant social security and the widespread supply of public goods – would be one possible variant.

MARKET SOCIALISM

Is market socialism then a possibility? Strictly in theory, the market system is incompatible with socialism. The market system works on the basis of incentives (profit-making) and disincentives (the threat of the sack and unemployment) signalled by the market, all economic agents taking their cue from market signals. Again, the market system must – if market signals are truly

followed – lead to inequalities in income distribution – and thereby lead eventually to effective demand falling behind production capacity. The Rosa Luxemburg thesis of underconsumption leading to unemployment is an axiomatic consequence of a free market. It is this that Keynes had endeavoured to obviate and overcome – but Keynesian policies got discredited in the 70s because of the onset of stagflation in Western Europe. And now the liberal Galbraithian paradigm of a 'welfare and social security' regime within the capitalist system appears to be in disarray. In the context of fierce international competition, the social democratic forces (of the Scandinavian variety) also appear to be in retreat. In any case, one must acknowledge that markets are not compatible with socialism.

This is the dilemma – indeed, this poses a problem for left thinkers who need to rethink certain basic ideological and conceptual issues. We may leave these thoughts for theoreticians and ideologues, though one must repeat that left thinkers need to rethink and rework some parts of their ideology. For one must accept as a starting point that Marx's prediction of mature capitalism turning into socialist economies has been disproved historically. But then Marx was not a determinist, though unfortunately many of his followers appear to be so. The Marxian thesis of progress being a dialectical process cannot be said to have been disproved – in fact, increasingly, more and more scientific discoveries tend to confirm the dialectical process of even nature, the minutest human body cell is all the time interchanging sodium and potassium in our blood stream every second of the day and night, all through life.

Secondly, historical materialism also does not appear to provide the sole answer to

human actions and human progress. The economic motivation is an important – an extremely important – one in our activities, but it is not the sole motivation of human beings. Property relations do affect the production pattern as also the distribution of the social product. But man does not live by bread alone. One needs to ponder. There are innumerable instances of not only individuals but whole groups of people indeed entire nations taking postures – not on the basis of economic considerations but as a result of other motivations. The family, the caste, religion, tribal affiliations, many other ties bind groups and their decisions. Indeed, the very concept of nationalism transcends the calculus of the economic man. The liberal philosophy of the 18th century invented the economic man, and the philosophy of historical materialism would make sense only if all humans are suffused with the emotions and motivations of the economic man. But the economic man is only a part of the human personality, the concept does operate up to a limited extent. The vision of the economic (and moral) good of all human beings is as much a part of the human personality as Adam Smith's concept of self-interest guiding all economic activities. These different perceptions arise under different circumstances, but they cannot be brushed aside.

A rational thinking person has, therefore, to evolve both a philosophic and an economic answer to the fundamental issues concerning life and living. (Admittedly, there are arenas in which our sensory perceptions, our experiences cannot fathom. For example, the human eardrums can only catch a small part of the sound waves that suffuse the atmosphere. What a mercy that is!) But the limits to human perception do not imply saying

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goodbye to 'reason' It is in this context that the Leftist thinkers need to rethink the 'roots' of their philosophy, their economic ideology

But our concern here is not with ideology, our concern is with what may be deemed to be practical, practicable for the developing countries in the complex international framework that exists today While practice must be consistent with theory, in turn theory must be relatable to reality

In a sense if one were to work out the equations backward the task may not be too difficult Marx envisaged a communist society wherein with the withering away of the state there would emerge a society which creates a society wherein people would find their vocation combine their efforts for production activity distribute the social product as per 'need' and each individual would have enough leisure to pursue other interests (the arts, the sciences, exploration, the sky being the limit literally)

That may be a distant dream but the idea is consistent with true democracy with a really democratic society And the concept of a democratic society is something with which all thinkers are essentially in tune The liberal philosophers of the 19th century including those who advance the cause of individualism – would readily accept the fundamental tenet of a democratic society The concept which is not consistent with this philosophy is that of an 'economic man'

It is reiterated here that the concept of an economic man is a myth Man is a social animal the herd instinct is seen to operate in many walks of life It is the concept of the economic man which is the centre piece of neo-classical economic theory But human beings are not necessarily maximisers of personal economic well being

Economic development it is widely recognised even by neo-classical economists – not has not been even as between different peoples different locales The basic reason is the problem of externalities So, even if all human beings were rational 'maximisers', the problem of externalities would prevent equal (or even approximately comparable) development This is where the state – or some other organ of society – has to play a mediating role Markets alone cannot bring about the 'development' of societies which have been left behind for diverse reasons Indeed in a modern (and complex) world, there can be no concept of a *convinced* macro-economic balance in any economy without active state intervention It is no longer necessary to refer to Keynes' refutation of classical theory that mere adherence to signals given by market prices would achieve an optimal equilibrium It is this (essential) requirement of state intervention which repudiates the philosophy of 'minimum government' for such a government would only perpetuate the *status quo ante*, whatever the *status quo*

It is therefore necessary today to repudiate with even greater force and clarity the increasing attack by the right on all welfare and social security expenditures by the state But while that applies to developed capitalist societies – who need to go back to the concept of a welfare state – what is the economic philosophy that would benefit low productivity poverty-ridden societies like India? Where broad-based economic development is the first or the basic requirement?

DEMOCRATISING SOCIETY

If we believe in democracy we must then rethink the political base of our society A genuinely democratic polity is not possible without a democratic society but the latter implies all in terms of prerequisites – many of them clearly laid down in the Indian Constitution which sadly are just not part of our present heritage So one needs to ponder what is it that has to come first in this land of some 900 million people with some 40 per cent of the population below the poverty line? How do we ensure the raising of these teeming millions in the present international milieu?

A democratic form of governance of the Swiss type or even of the Scandinavian variety is not possible in India today We have inherited the Westminster type of parliamentary democracy, in a highly undemocratic society Ideally, India should have been a federation of states, but in the present international framework that could be suicidal as an immediate solution But can we not attempt to live up to our own Constitution?

Today we need a strong state only because we need state intervention to introduce greater egalitarianism more widespread and equitable development We need a strong state to develop infrastructure and to raise the resources required for this purpose equitably So we need a central authority imbued with these ideals in fact a left-of-centre government with an egalitarian philosophy And, like the Chinese in the 1950s, we need to *mobilise* people our greatest strength namely the existence of a large pool of underemployed manpower, for local area development And yet, this type of mobilisation is not possible centrally Decentralisation of all matters of local interest to local authorities people's representatives at the lowest level with the people exercising constant vigilance – decentralisation of both political and economic authority on all such issues, would ensure both local area development and greater equity

This is essentially what Gandhiji had in mind when he envisaged his *panchayat raj* in villages, with indirect elections all the way from the villages to the district, from the districts to the state from the states to the centre That would give us as close a semblance to true democracy as one can envisage There would remain many

responsibilities that only the central or the state governments could discharge As indicated earlier, in a complex modern economy, the achievement of macro-economic balance would require intervention by the government at the centre There would arise many other such responsibilities including the build-up of infrastructure arbitrating on common resources on unevenly distributed scarce resource for which costs and benefits both need to be shared Indeed in the complex competitive world today there would arise an imperative need for the state to take up diverse other responsibilities including heavy expenditures on – and direction given to – Research and Development effort and the enhancement of the knowledge and skill base of the people We do not we cannot live in an isolated world of our own We must be able to compete Again competition is possible only among equals So it is essential for the state to intervene so as to improve the capability of the people to enable them to compete successfully with the people of the economically developed countries

It is something of a paradox in India today that the only political party wedded to the concept of democratic centralism has in practice tried to operate a system of democratic decentralisation in the matter of governance and of economic planning It is an even greater paradox that the party nursed by Mahatma Gandhi before independence has in practice concentrated all power at the centre even state level leaders have been reduced to being mere supplicants for the favours of the central leadership But these are peripheral issues not germane to the problems being discussed The basic problem of the political parties which are left of or to the left of the centre is what ideology what strategy would not only help them to power but also help the people of this country to get out of the present syndrome of low productivity low output low savings consequent low investment and low productivity?

Even though in strict theory market socialism is a misnomer in the sense that market theory and socialism do not mix well it is necessary to accept that both the planner (the central interventionist) and the market have a role to play, the latter if only because we have seen the fatal consequences of too much reliance on the judgment of a few people and because in a globalised world we must face the competition of the market economies The role of the planner is related to the problem of externalities how best to overcome the handicaps and take advantage of the benefits in any situation as also arising from any given set of policies/actions/investments

But state intervention in India should not be confined to the centre what is required is *societal* intervention at the (micro) village and town level for planning the well being

of the teeming millions of this country in the rural areas, there has been much talk of local 'watershed area planning' and obviously such planning can be done by local communities.

There would arise many problems, problems of co-ordination, problems of funding. But all problems have solutions provided that we have our objectives set in the common interest, for then, we would immediately get a consensus and willing participation of the people in the common endeavour.

MAKING MARK 15 WORK

And over a large area of activity, markets do exist, markets function (and where they do not, they should be made to function) and the lowest common denominator of leftist and left of centre ideology should be to accept the functioning of well regulated markets within certain limits. The market system is certain to engender inequalities, but it is the function (and the responsibility) of the fiscal system to tilt the balance towards equity through taxation and through welfare expenditures. In other words, what is feasible and therefore the obvious objective - is Scandinavian style social democracy. This is heresy for a Marxist, but it is essential if we are believers in the dialectical process to take a look at world developments, the scenario in India and mobilise the people for a practical, practicable programme for their development.

In any case, we need to remind ourselves that with some 85 million peasants in India, we have a system of production which is anything but socialistic. Peasant farming is not necessarily capitalist farming either, and that is one area where, in our drive for increasing the productivity of land, we must pursue two contradictory policies: first, redistribution of land to the actual tiller of the soil, there being 110 million landless labourers working on farms owned by others - and secondly, we must also encourage all farmers to maximise, through horticulture, development through dairy farming (using small tracts of land for raising fodder and mixed crops in addition to some food) through the provision of the required non-land inputs (irrigation, seeds, organic manure, extension services) including finance, the provision of widespread extension services through the panchayats. And it is through an agrarian revolution of this kind that we can hope to prepare the country for widespread industrialisation. Demand would generate the supply (exactly the obverse of Say's Law), which is the way that China achieved the extraordinary progress that we witness today.

This is not exactly a tidy philosophy, but more in the nature of an action plan. But the philosophic underpinning has to be the objectives of greater equity, faster development with social justice, for which genuine decentralisation would be a means. It would also be the means for progressing

towards a truly democratic society, which is essentially what both Karl Marx and Gandhiji envisaged through entirely different paths.

While theoreticians may work out the ideological underpinning, we need a consensus on a 'minimum programme' on the above lines, among all progressive people in India.

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Evolving a Women's Agenda

Report from Beijing

Indu Agnihotri

While at Nairobi an attempt was made to deflect attention from a systemic perspective of issues, focusing instead on particular manifestations of women's oppression, in Beijing the initiative rested with the international women's movement. The significance of the conference lay in its movement towards a building of alliances on issues which were outside what is termed 'women's issues'

In the history of world conferences on women the Beijing meet stands out for its reassertion that women's struggles are integral to the mounting challenge to the existing world order and that women's issues could not be segregated from larger issues related to development. It is also clear that women's struggles in various countries are not disaggregated and dissipated. Beijing and Huairou reaffirmed the vitality of the movement. At the same time the perspective of groups which advocated a system-based initiatives made the connections with the global reality clear. While the UN document assumed this reality to be a given, there were serious contestations of this given order from women in the developing countries. In this way participants challenged the feasibility of the draft document directives in addressing fundamental problems given its explicit endorsement of the current process of globalisation at the behest of the World Bank/IMF. This was tantamount to a challenge to the developmental model being pushed by the G7 nations. The official conference was also witness to an attempt at the consolidation of the G77 grouping. This was compelled by the shift of political forces from the last world meet in 1985 in Nairobi where the emphasis was clearly apolitical, a reflection of the complacency of the NAM alignment and the confidence of the first world. With the collapse of the socialist bloc it became clear that the struggle for women's rights was up against political forces which were pushing the agenda in favour of fundamentalism and tearing out of context the very goals sought to be achieved. At Nairobi a clear attempt was made to deflect attention from a systemic perspective of issues focusing instead in a fragmented and ineffectual way on particular manifestations of women's oppression. Gender sensitisation and training was being handed as a panacea while it became clear that the movement itself did not set the agenda. In Beijing, the initiative rested clearly with the movement. The failure of the developed countries to cope with the crises in world capitalism was brought out by pointed critiques of the gamut of liberalisation strategies and trade agreements from within the developed world itself, drawing attention

to the effects of the 'dismantling' of the welfare state. This provided the backdrop to a consolidated critique from the perspective of the international women's movement. It showed the relevance of the international political context in the framing of any meaningful women's agenda, rather than it being based merely on biologically based sisterhood. This is not to understate the domination of the advanced west in the international political configuration which was apparent right from the preparatory stage of the conference and in the selective nature of accreditation given to NGOs. Here the influence of the donor agencies was clear. The first world dominated in terms of the presence of their governments and in the say that the first world based donor agencies had in deciding who went to Beijing. The gap between the aspirations articulated by the movement and the commitments governments were willing to make remained nevertheless.

The significance of the conference lay in moving towards a building of alliances which spilled out of strictly 'women's issues', reflective of a shift in the prevailing attitude towards the direction of global change. This was completely missed out in media coverage of the event. The dominant media representation seemed to endorse the trivialisation of women's issues which were also restrictedly seen as relegated to the right to abortion, fight against rape, sexual abuse and so on. Further these were projected as being delinked from international issues.

This delinking was surprisingly abandoned when it came to China-bashing, the other dominant trend in media coverage of the meet. The grounds on which China was picked out as an 'inappropriate venue' (its capabilities in hosting the meet, its record of human rights violations, female infanticide, forced abortion, Tibet and state censorship) reflected the hostility towards China. What was more surprising was the uncritical acceptance of this bias by the media of the third world, which even though not always shared by the journalists present, was carried over through western news agency copies carried by the newspapers. To those who were present in Beijing-Huairou it was

clear that China was more than capable of hosting the meet. The arrangements made in terms of accommodation and transport facilities were excellent. It needs to be pointed out that these arrangements were made even for those on a tight budget, a fact glossed over by the student critics of the venue. As far as apprehensions about surveillance and security go, it was clear that it was largely restricted to procedural requirements of such a large meet and did not infringe on delegates' freedom of movement or speech. Pamphlets of all kinds were freely distributed and demonstrations were held at the Forum site every day. Finally, the belief that violence and crimes against women are a third world problem was belied by the various personal testimonies by women from developed countries of the first world in the public hearings on women's rights as human rights in Beijing itself. Amongst others there was a testimony given by a lesbian from the US which is indicative of the state's record. She was put in a mental asylum between the ages of fourteen and eighteen on grounds of 'gender identity disorder' at the cost of a million dollars. The first world's role in the commodification of women through promotion of sex tourism and trafficking of women was highlighted in a number of workshops. That the state reflected patriarchal norms in dealing with women was highlighted by a speaker from Ireland where both divorce and abortion are frowned upon. Along with others, the US has yet to ratify the Convention on Elimination of Discrimination against Women (CEDAW). The violence that multinational companies generate in Mexico across the US border in the lives of the Maktadoras was very revealing. To single out China for a pointed attack was clearly a motivated political strategy. This, however, is not to imply that China or other social countries should be glossed over when assessments are made of denial of women's rights/human rights.

IMPLICATIONS OF SAPs

The critique of the current stage of capitalist development was mounted from different standpoints throughout the Forum. There was near unanimity over the havoc wreaked on women's lives by SAPs and globalisation strategies by lowering their status and dismantling of social structures created for their support leaving them at the mercy of market forces. There were over 300 workshops dealing with economic issues which indicated the effects of international trade agreements on national policies and the role of international funding agencies. The baselessness of the claim that peace, equality and development could take place in the prevailing ethos of the global economy was questioned by delegates from Denmark, Canada, the Scandinavian countries, Ireland, Latin American, Asian and African countries, especially given the complicity of the north in the development of the arms industry. And

the interference in the democratic processes of the south by such monies e.g. the UK's funding of the Mozambique elections. Across the board women emphasised that women are not a unitary category that the indignities heaped on them had their roots in economic and political structures that these were not neutral *per se*, and that material realities had a crucial bearing on their lives.

Feminisation of poverty figured as a major theme. The International Association of Feminist Economists organised a series of panel discussions which put women's property rights, control over land and resources and challenges posed by globalisation on the agenda. Strategies and struggles against SAP were also focussed on. The implications of new laws regarding intellectual property and the threat to the environmental balance was specifically discussed in many sessions, also with specific reference to the hazards of the consumption and production patterns of the developed countries.

In a workshop organised by the Women's International Democratic Federation (WIDF) the dominant ideology leaned to the left. It was pointed out that 60 per cent of the world's rural population were women and two thirds of the poor are women and that half a million women die every year due to maternity related problems. A delegate from Cuba noted the effect of the economic blockade on Cuba which is tantamount to the denial of Cuba's sovereignty as a nation. A representative of the All China Women's Federation affirmed that in China too the brunt of the new 'open' policies was faced by women. A delegate from erstwhile East Germany spoke of the problems faced by her people after the reunification in terms of education, housing and other social and welfare issues.

A consolidated opposition to religious fundamentalism was clearly sought to be built in the Forum. This was heartening in the wake of the organisation of the Christian and Islamic fundamentalist groups for the meet. There was a formidable presence of large numbers of female supporters of these orders. They attacked women activists as being godless, non-feminine, anti-family, immoral and attempted to portray Virgin Mary as a feminist and a religious symbol. Discussions on violence, law and reproductive rights would inevitably veer towards the issues of fundamentalism along with economic globalisation. Considerable attention was focussed on issues like abortion and inheritance rights of women under different personal laws, especially women under Islamic laws. There was a formidable opposition sought to be mounted to the fundamentalists and women from countries including those with theocratic governments, were outspoken in viewing religious fundamentalism as the greatest challenge to the women's movement.

It was also clear that to eulogise the concept of women and agent in a de-contextualised and de-politicised sense was dangerous. Hereby, beliefs and practices of an exclusivist genre are sought to be sanctified on the basis of 'differences' and women are projected as

being active participants in the perpetuation of such ideologies. In fact the presence of such a large number of women upholding religious fundamentalism in an international conference on women points to the insidious manner in which the feminist facade of fundamentalism operates. Unable to present an outrightly anti-woman face fundamentalism has tried to adapt itself to many modern agendas and even cites 'cultural difference' as the basis for deflecting criticisms. This is something that a liberalist agenda cannot theoretically counter. Doubtless, cultural difference does exist and need to be given their due. However, it does not necessarily follow that cultural frameworks become the paradigm within which these issues are to be confined. The most significant question lies in analysing the precise basis of gender inequality which is systemic. Culturally relativist stances lead to selective tinkering with some aspects of women's existence without undermining (sometimes they even strengthen) the systemic basis of this existence. The fundamentalist agenda would at best be confined to cosmetic mitigation of women's conditions that too along the lines of prescribed norms. Countering the woman fundamentalist remains a challenge before the women's movement.

VIOLENCE AGAINST WOMEN

Ludging by the importance given to discussions on violence against women, it was clear that despite the number of action programmes focusing on different aspects of violence, the issue continues to remain an important one for the women's movement. If anything, there seems to be an intensification of mental and physical violence against women in the recent past. A plenary session organised at Huarou consisting of public hearings of personal testimonies before a panel of judges revealed the gross violation of women's rights at all levels. It underscored the fundamental point that women's rights were human rights and that the inability of the state to safeguard the rights of its citizens was a violation of the state's commitments and responsibilities towards them.

These hearings were the culmination of efforts begun in Vienna 1992. Radhika Coomaraswamy, UN's special Rapporteur on Women placed the preliminary findings of a report on domestic violence. The proceedings highlighted in general the different aspects of violence: domestic, child abuse, rape in situations of war and strife, dalit women's oppression in India, violence arising out of power situations at the workplace due to class and social structures, violence emanating from moral precepts against lesbianism, the sufferings of the Korean comfort women and so on. The state whether liberal democratic or authoritarian was equally implicated in the denial of civil rights and justice to women. More than anything else, the session made clear that all societies were witness to problems on this count and not just societies from the peripheral regions of the world.

The women's movement has, since the outset, engaged with the law as both reflecting dominant attitudes as well as instrument of

effecting change. Within the movement, though standpoints and strategies differ, a tradition of legal activism exists which emphasises that law cannot be treated either as a given nor as static, even as specific sections and clauses are invoked for implementation. There were workshops on the rights of women under different laws, more particularly personal laws. Judicial bias also came in for criticism. There were also discussions on the strategies to expand the horizons of laws and legal concepts in a workshop on 'Basic Laws - Basic Needs'. One argument advanced by a participant from the Caribbean region was that talk of legal rights is rendered meaningless unless enabling conditions are created for the actual exercise of these laws. Equality cannot be secured merely by provision of legal guarantees. In the discussion on CEDAW, attention was drawn to the fact that no follow-up legislation had been brought forward to advance the implementation of the concerned clauses after the signing of the convention by several nations. Furthermore, in many countries countervailing laws continued to exist alongside the CEDAW and in some cases new laws had been passed which were violative of CEDAW in letter and spirit. The AfDWA delegate cited the example of the Muslim Women (Protection of Rights of Divorce) Bill 1986 which continues to be in force despite being challenged in court and, by all accounts, being violative of both CEDAW and fundamental rights enshrined in the Indian Constitution. Participants pointed out that the convention lacked teeth and could not be implemented. Also that the reporting procedure was extremely lacking. Countries like India could get away by merely ratifying the convention and subsequently violating it. In a workshop on women's rights in Nepal the manner in which majority fundamentalism was practised was discussed. Nepali women suffer under brahmanical Hindu laws of Manu e.g. in Nepal bigamy is valid, the second marriage is not void. The maximum penalty imposed, if at all, is that the bigamist goes to jail for a few months.

The context to the discussions on reproductive rights was the Cairo Conference in 1994. At Beijing, fundamentalist Islamic and Christian were well organised. Activist groups from the south were also well prepared to challenge the Cairo draft which seemed to push population control measures through social policies which made contraceptives proven to be hazardous part of an aid package. This reflected the paranoia of the first world of being engulfed by a population bomb. So battle lines were drawn on two fronts: one favouring reproductive rights along with availability of long-acting barrier method contraceptives as part of a more comprehensive health policy, the other focusing on the autonomy argument, based on freedom of choice against the repressive social policies based on fundamentalist precepts represented by the Vatican and Islamic fundamentalism, led by Iran.

Sexuality as an issue, only beginning to surface in the women's movement in India, was high on the agenda of a sizeable section

in Beijing. Despite reservations about the single point nature of the sexual rights agenda, often at the neglect of other related problems, there was recognition of the sexual rights issue as a part of human rights. Indian laws, though regressive in many aspects, remain silent on the issue of lesbianism though discrimination and fear of discrimination prevail.

In a number of workshops participants from the Philippines, Nepal and Thailand pointed to the manner in which women from their countries were at the receiving end of sex tourism. While prostitution is an age old phenomenon, sex tourism seems to have grown in the recent past. This was obvious also from the fact that more western men frequented sex workers than Thais in Thailand.

The question of rights of prostitutes was raised very forcefully. Speakers from the International Collective of Prostitutes argued that their work constituted an occupation and therefore they ought to be given rights as workers. Some conceded that this work was abusive to women, and that the institution as a whole was abusive to women. A peculiar argument was put forward drawing an analogy between marriage and prostitution to argue that women face a lot of abuse within their marriages, but the institution of marriage is not condemned and women are not told not to get married, so why should sex workers who are abused in their profession be told not to engage in such work? This was countered by those who maintained that the two institutions could not be counterposed, even though abuse of women within both institutions poses social problems, the two cannot be collapsed nor encapsulated in a single legal gesture. Speakers pointed out that prostitution was on the increase in countries where social securities were being withdrawn and new opportunities were not being opened up. In the developing countries women were forced into prostitution as a survival strategy for their families in the face of ever increasing unemployment and poverty. Also the problem with respect to children as sex workers was raised and here the argument for rights of sex workers as women's rights and based on choice just could not hold was made clear. There was some ambivalence with respect to the relationship between the demand for rights of sex workers and women's rights. Some reservation was expressed over the connection on grounds that prostitution as an institution was perpetuating oppression on women, so recognition of sex work "like any other work" would violate the fundamental principles of women's struggles which is against prostitution *in toto*. Nonetheless reasons for prostitution were recognised: poverty, unemployment, racism. Another consensus that emerged was that there should be de-criminalisation of society in general so that women are in a better position to counter the abuses by police, pimps and clients. There was a strong general opinion against trafficking. A Chinese delegate said that prostitution was increasing in the new economic zones with the increase in difference between the rich and the poor.

PLENARY ON INTERGENERATIONAL DIALOGUE

This session was intended to be a dialogue between the doyens of the women's movement and some of its younger proponents. Helvi Sipilä spoke amongst others. Gloria Steinem, who was unable to attend, sent a message which made three main points: (1) Feminism is not about telling women what to do, but to enable them to make choices and decisions; (2) The older generation should lead by example; (3) For older women there was great joy working with younger women since this awakened the child in the older women, a sentiment which is killed through years of suffering and violence.

A young teenaged delegate from Australia noted that it was important for the older generation to be more sensitive to the needs and problems of younger women, and to allow them a greater role in decision making in organisations. Sipilä, one of the 32 women present in the UN Geneva meeting which gave the call for 1975 to be observed as Woman's Year said that 'we talk about power to decide to intervene. We have to make women system makers, and not only victims of war or other events'. Another delegate said that this is the right time for political action, to move from demands to proposals and from demands to action. Women have effected far reaching changes without shedding any blood - they have done it peacefully which is a remarkable achievement.

Participation in political processes and a greater involvement of women in decision making featured through a series of workshops on democracy, grass root initiatives, governance and policy. Whereas for some it was the question of solving the problem of lack of women in decision making by ensuring the greater physical presence of women in decision making bodies, for others it was linked to the advance of democratic forces and interventions which were both pro women and pro development. It was clear that women's participation was low under military regimes and that the context of democracy and a commitment to development underlay any meaningful demand for women's role in decision-making. Beginning with the message from Suu Kyi and the experience of the Burmese people under successive military regimes, to protests for a nuclear free Pacific and the pointed display of anger at US policies while Hillary Clinton spoke at a plenary, a large majority of activists gathered at Beijing emphasised that this struggle was against oppressive structures which had their roots in macro-policies and larger structures: nations, classes, communities and to the balance of power prevailing between them. The fact that women's participation and representation in political fora was not reflective of their contribution to society was a reality cutting across the north-south divide. Their participation in political bodies continued to be dismal at all levels in all countries except the Scandinavian. In fact, as the UN claimed, it was itself far ahead of member states in putting more women at the top. Women's participation in institutions of local self-governance was much higher though, especially in the socialist states.

Running through the conference was the emphasis on the need for greater participation in the political process, in institutions of governance at all levels and the need to get more women into decision-making bodies. This was a clear advance on the earlier slogan of the personal is political or the focus on body politics. Developments over the past two decades had made it amply clear that while one could attempt to liberate oneself from the shackles of oppressive patriarchal ideology, if the level of interpersonal relationships, the structures of oppression remained intact. While the critique of these came from a predominant section of women from the developed world only on account of their being anti women, the critique mounted from the third world countries directly linked it to the process of democratisation. Thus women from the developing world felt the need to associate with political bodies so as to not just get policies that were pro women but to influence decisions so as to push for policies that were more amenable to development and women in particular.

This year's *Human Development Report*, released at a special session at Huairou, emphasised the central message that human development must be 'gendered'. Speaking on the occasion the UN representative argued that if development is meant to widen opportunities for all people then not only is there no rationale for the continuous exclusion of women, but also that this denial of opportunity warps the processes at the outset. The report itself asserts that history is likely to judge the progress in this century by one major yardstick - is there a growing equality of opportunity between people and among nations? Advance in this direction cannot be a technocratic goal but has to be recognised as a political struggle. The criterion used in arriving at an all inclusive gender development index in the report is open to discussion.

WOMEN'S STUDIES

At Beijing the tremendous information boom accompanying feeding into and drawing upon the women's movement was very visible. This was extraordinarily well brought out by the display and sales counters set up by Women's Ink, Feminist Book Store, The Institute of Development Studies and so on. While most of the publications came from countries/publishing houses based in the north, the south was by no means unrepresented. Activists' reports and pamphlets combined perspectives emerging from women's studies with those from the movement. Interestingly divergence in perspective or stated/unstated tensions between activists/researchers were not as visible as they sometimes are in our own women's studies conferences in India although in each workshop one could see a healthy mix of activists and academics who together contributed to the standpoints that emerged.

Why should this be the case? There are two likely explanations: one in such a large

conference, pre-selection would minimise tension given the simultaneity of workshops. Secondly, women's studies' scholars from centres or fora as diverse as the International Association of Feminist Economists, Croatia, Latin America, Canada spelt out the contexts in which they were (a) conducting women's studies, (b) framing the parameters of their analysis. The combination of activism and research was evident in these studies, as also in workshops related to themes such as 'Valuing Women's Work' (which included sales of baby suits with the slogan 'I am a full time job!') or 'On International Coalition against Debt', 'For the Comfort Women in Korea', 'Against the Nuclear Arms Race'.

The Feminist Press, CUNY, and the Centre for Research on Women along with WSIS organised a series of panel discussions which tried to put across a comprehensive picture of women's studies across the world. The sessions took stock of both structural and analytical inputs in the field. While global trends in women's studies did not emerge with any sharp delineations, the sessions gave a fairly comprehensive picture of the state of women's studies through the 1970s-90s, as well as the problems faced in including gender into the educational curricula.

The focus of discussions on 'Women's Studies and Public Policy' can be summed up in the title of a book on display at the Feminist Press bookstore: *How School Shortchange Girls*. General discussions were held on the quality of education, the lack of infrastructures, as well as questions of who comes to school and who stays on. A panelist from Canada raised the question of political agendas being tied up with education. With the visible shift to the right in politics and greater privatisation a two-tiered structure of education was emerging: one for those who could pay and one for those who could not. Along with the increase in racism in the west, growth of cynicism accompanying privatisation was also discernible. It was clear that the women's movement itself had given a push to women's studies by drawing attention to: (a) women and education, (b) analysis and review of curricula from a gender perspective, (c) institutional review of the gender bias in academic institutions, (d) analysis of classical studies to make gender more visible. An entire series was organised on a range of issues by the City University of New York. Some of the themes on which panelists presented papers were: 'Engendering Institutional Change', 'Research Theory and Activism', 'Post-Colonial Women's Studies', 'Teaching about Mothers and Daughters', 'Women's Studies and Public Educational Policy', 'National Report on Women's Studies Centres/Programmes' begun in the 1970s till the 90s, and towards a worldwide federation of women's studies scholars.

At a plenary organised in Huairou the role played by UN agencies in advancing the cause of women's empowerment and gender equity strategies came up for discussion. Representatives of various UN organisations such as the UNFPA, UNIFEM, UNICEF, and UNDP reported on the manner in which women had emerged as a target group in

agency programmes/projects. The status of women within the agencies was commented on and observations made on the success of training programmes to focus on gender issues. However the panelists resisted being drawn into discussions regarding the positions being advanced in UN documents and the extent to which these advanced the fight for gender equality. When attention was drawn to the fact that the UN could perhaps be lending itself to what was seen as 'retreats' and that the history of the UN was now being talked of only as of Rio, Cairo and Copenhagen whereas important documents such as the Alma Ata one were being consigned to the archives as pre-history, this was seen as 'negative assessment'. For the record it must be mentioned that the UN programme had put pressure on some governments to specially focus on women. As a prominent functionary in the UN rightly asserted, "in the UN when equality is achieved it will be not only for women but for the organisation as a whole".

The functioning of NGOs and their relationship with donor agencies came up in discussions. Many took positions which were critical of donors and funding agencies. Questions were also raised about the role of donor agencies and the attempts to influence agendas and NGOs which were accepting funds. This aspect becomes particularly crucial in the light of the preparatory process of the UN conference where donor agencies were very influential. Countries need to make financial commitments about their own Gross Domestic Products (GDP). But budgets and the decision as to who got to the conference and who could speak was also a question of money. At least half of the delegates to the NGO Forum were US- and Canada-based. Japan, China and Thailand too had a large presence. The extended preparatory process has to be critically reviewed. Many activists could not make it to the conference. There is a pattern to the networks that have been built up. For the first time the Indian government was forced to have a mediated relationship with its own NGOs through an Inter-Agency Facilitating and Co-ordinating Bureau, which itself is a creation of the donor agencies. This pattern was repeated in Beijing. Briefings and meets at the official UN conference could only be organised through such established networks. Furthermore, the NGOs and NGO caucuses are based in the first world: their heads, and spokespersons are largely from there though a token presence of the others may be seen. These are not always allowed to voice their opinions.

Given the hostile press the Beijing meet received it is necessary to put on record that the organisation of the conference was really admirable. Having heard about long queues at Cairo, etc, delegates were prepared for the worst. In fact the entire conference was extremely well organised. Not only were basic needs met in terms of accommodation, even TV, telephone, ISD, Fax, banking facilities and transport were easily available. The same goes for medical facilities, though a friend who required dental care found that she had to pay far more for the ambulance to be taken

to the hospital than for the dentist's fee. Food was available generally at about five minutes walk from different conference venues. The Golden Arch of McDonalds could be seen at a few spots and even as Judy Small sang a song about the onward march of American junk food (amongst other things), there was a demonstration outside McDonalds one afternoon. Food was, however, slightly expensive going by Indian food budgets. On an average some of the delegates managed to live for 15 days on about \$300-350 which is fairly reasonable going by the amount one pays in the west. Translation facilities were available in all the plenaries, and for some of the larger workshops.

The dismantling of the socialist bloc was evident in the waning of the peace movement. The Peace Train group from Helsinki had problems co-ordinating itself leave alone link up with the others. The presence of Japan was marked in the peace initiatives. The Peace Tent was the centre of many activities.

The WIDF-organised workshops on the post-socialist scenario which included some interesting discussions on women's rights in the eastern bloc countries. Awareness on the post-soviet unipolar reality was strong among the Palestinians. Many of these delegates were using this conference to regroup and take stock of the specific challenges faced by them. As one Croatian put it, in a discussion on women's studies there is far greater talk of women's rights now since the earlier climate of the 'ideology of equality' no longer exists.

It is important to note that while critiques of capitalism and opposition to imperialism were forthcoming from varied quarters there were no alternative 'models' being advocated. It was as if activists had realised that for the moment coming to terms with this phase of globalisation was the issue at hand and that the economic agenda of conservatism was not entirely divorced from the aggressive political stance being adopted by fundamentalism. Recognition of this double-edged sword was a first step towards stemming the tide of conservatism and asserting that the women's movement was a significant component of the forces working towards structural transformation.

Notes

[This report is based on impressions of the meet as part of the All India Democratic Women's Association delegation to the Forum and does not claim to be an exhaustive account of the entire meet. I would like to acknowledge the inputs received from the other members of the delegation and through discussions with Vina Mazumdar. Bela Malik kept up a healthy pressure on me to write the report.]

1 While there was a consensus on the failure of the existing policies to deliver, there was no unanimity on the alternatives, not even from the standpoints from which the criticisms were being made. Even so, the meet was characterised by a remarkable openness in attitudes, cutting across regional and ideological lines (barring the fundamentalists). This was reflective of the overall need to obtain a broad picture which was necessary in working out counter-strategies.

Social Clause: Is Its Opposition Justified?

Sharit K Bhowmik

While the combined opposition of the developing countries to the linking of the social clause with international trade has had the effect of deferring its imposition, it is a matter of concern that these governments have done little to implement the ILO conventions safeguarding the rights of labour

INDIA happens to be one of the few countries where there is near unanimity between the government, the employers and the trade unions on opposition to linking the social clause with international trade. Indeed most developing countries fear that whatever competitive edge they have in the world market through lower input costs will be offset by the imposition of the social clause. By unfairly highlighting the provisions in the social clause the developed countries can create trade obstacles through issues like human rights and unfair labour practices.

There is a lurking fear among the developing countries that in the present unipolar world these measures will be used by the developed countries, especially the US, to intervene in the internal affairs of the developing countries thus eroding their political sovereignty.

These fears are without doubt well-founded. The US especially has linked trade with developing countries with human rights in a selective manner. For example, the US is spearheading the economic blockade of Cuba in the name of human rights even though there is no concrete evidence of any major violation. At the same time China is given the status of Most Favoured Nation despite the fact that it has unabashedly curbed democratic opposition. Such examples of double standards are very common which makes one doubt the genuineness of the concerns voiced by many of the developed countries about the sad plight of labour in the developing countries. Are these countries taking up the issue of the social clause because they sincerely believe that this would enable a better deal to labour in the developing world or are they using it as a ploy for their own interests by raising non-tariff barriers to international trade and in the process causing greater harm to labour in these countries?

Reactions of developing countries towards the imposition of the social clause have been quite strong. They have unanimously rejected its linkage with international trade. The fifth conference of labour ministers of non-aligned and other developing countries held in Delhi on January 18-23 rejected what it termed as

the 'west sponsored move seeking to link international trade and labour enforcement standards. The conference, which was attended by labour ministers of 57 countries, decided to oppose at all international fora any attempt to link ILO conventions with international trade. Speaking at the valedictory function of the conference, India's commerce minister Pranab Mukherjee said that the social clause was a means of depriving developing countries of all the opportunities provided to them by globalisation and free trade following the GATT agreement. This united opposition of developing countries has had some effect on the World Trade Organisation (WTO). It has temporarily decided to delink the social clause from international trade.

An immediate fall out of the aggressive attitude of the developed countries in this matter is that the developing countries are becoming increasingly wary of any attempt by international bodies to grant protection to labour. This could be clearly seen in their attitudes towards a proposed convention on home-based workers by the ILO recently. While the international trade union movement was unanimous in supporting the move for a convention most of the governments having large sections of home based workers thought otherwise. Some such as India and China favoured a recommendation rather than a convention while most others opposed both. Interestingly countries like the US and the UK which have been at the forefront on the issue of the social clause opposed both convention and recommendation on home based work. Perhaps they were worried that this protection would result in higher wages to the large section of informal sector workers (comprising mainly immigrants who work in sweat-shops) in these countries. Here too we can see double standards at work.

ISSUES RAISED BY SOCIAL CLAUSE

The developing countries have for the present been able to defer the adverse effects of the social clause on international trade. Nonetheless it is necessary to take an objective look at the basic issues raised by the controversy, namely, the sad plight of labour in the developing countries and to view the

social clause from this aspect, rather than as a tool of the developed countries to suppress the developing world (which it has unfortunately become due to its linkage with trade).

The six ILO conventions comprising the social clause have been passed at various times and some of them have been in existence for at least two decades. Governments in most of the developing countries have endorsed these conventions. Yet most of the provisions are yet not fully implemented in these countries. These conventions are Freedom of association (convention no 87), right to organise and bargain collectively (convention no 98), minimum wage for employment of children (convention no 138), freedom from discrimination in employment (convention no 111), equal pay for men and women (convention no 100) and freedom from forced labour (convention nos 28 and 105).

Many developing countries, including India, have passed laws on the issues concerning the social clause but these made no significant difference to the actual conditions of work. The Equal Remuneration Act was passed by the government in 1976 and the Child Labour Act was modified in 1985. Yet women in the unorganised sector still get wages lower than those of men and children below 15 are widely employed in all types of hazardous work. Similarly the right to freedom of association has been granted since long but the overwhelming majority of India's workers, especially those in the unorganised sector, are yet to know what are trade unions. The Constitution of India abolishes all forms of discrimination based on caste, religion and race, but we find that in public sector undertakings the job quotas for scheduled castes and scheduled tribes are never filled up. Is it so difficult to find workers or class IV employees belonging to these categories or is it because the largely upper caste officers who dominate these services refuse to do so?

These are some of the issues which should have been discussed earlier by the government and the trade unions. Unfortunately they crop up only when there is a threat to international trade. Hence it is ironic that while some countries in the developed world attempt to use the social clause to better their own position in world trade developing countries are counteracting these manoeuvres by opposing any attempt to protect their workers. They now tend to view any move to improve conditions of workers as external threats. How else can one explain the government's opposition to the ILO convention on home-based workers?

Had the conventions embodied in the social clause been sincerely implemented by the government the position of labour in India may not have been as helpless as it is now. In this respect the support of trade unions,

along with the employers and the government, in opposing the social clause seems somewhat incongruous with the objectives of trade unionism. The trade unions have opposed the social clause in order to uphold the national interest. However, had the provisions of the social clause been implemented the quality of life of the workers would have improved and this too would have served the national interest.

The major trade unions in India have largely ignored the problems of workers in the unorganised sector. This sector employs 92 per cent of the workers in India and it is also the major employer of women and children. The problems of these workers have largely remained invisible to the policy makers. Hence it is not at all surprising that the sad plight of child labour in the country became an issue only after international exposure. The pressure for eliminating child labour was built up only after it became an international issue. As a result the labour ministers of the developing countries who met in Delhi gave sufficient importance to the elimination of child labour. The government of India too has announced an ambitious scheme for the elimination of child labour. The question now is were not the government and the trade unions aware of the gross exploitation of children earlier? If yes, then why was it necessary for international pressure to mount before any substantive steps could be taken towards its elimination? Why have the national trade unions not given enough importance to the question of child labour in the past? The high incidence of child labour is not merely a reflection of poverty in the countryside. It also implies that hundreds and thousands of children have been denied elementary education which in turn will affect the quality of the population in the future.

SOCIAL CLAUSE AND UNORGANISED SECTOR

Perhaps one of the reasons for the indifference towards implementing the provisions of the social clause was that they were relevant to the unorganised sector which has remained largely outside the interest of the national trade unions. The organised sector has implemented the provisions to a large extent. Here too the exception is the tea plantation industry which, with nearly one million permanent workers, happens to be the largest employer in the organised manufacturing sector. In the tea plantations of West Bengal and Assam which collectively employ around 7.50,000 permanent workers, wages are abnormally low and child labour is officially permitted through the Plantation Labour Act. The figures provided by the Tea Board indicate that these two states employ around 60,000 children (those in the age group 12-15 years) as permanent workers.

Though there is a high degree of unionisation among tea workers these basic issues have never been on the agenda of any of the national trade unions (including the more radical ones like AITUC and CITU).

It is mainly in the unorganised sector that there have been violations of the ILO conventions. Because of the absence of trade unions in this sector the meagre legal protection provided by government is hardly ever enforced. The workers are not organised in order to ensure that the legislations can be enforced. Their protection is left to the good offices of the bureaucrats in the government (the officials in the labour department).

At the same time it can be seen that wherever agricultural workers or workers in the informal sector have been unionised they have been able to improve their living conditions. Trade unions like the Self-Employed Women's Association (SEWA), National Federation of Construction Labour, National Forum of Fishworkers and some of the unions of agricultural workers have been fairly successful in making some gains for the workers in this sector. These attempts are limited and are restricted to the areas of operation of these unions. They are also disparate and they seek to make sectional gains for the specific workers. These unions are unable to focus on the problems of the myriad occupations comprising the unorganised/informal sector. The national trade unions on the other hand are able to take up the problems of workers in the organised sector at the national level and thus force government to pass legislations in their favour. The recent move of the major unions in the unorganised sector to come together to form a national federation, National Centre for Labour (NCL), is a

promising development. The NCL has been formed precisely because the unorganised sector workers have no forum to raise their issues at the national level. This move will hopefully gain visibility to this large section of underpaid unprotected workers. However, this move also exposes the failure or, more likely, the indifference of the national trade unions in taking up issues confronting the majority of the working class in India. One can therefore hope that with a national level union of unorganised workers the issue of implementing the social clause with sincerity will be brought to the forefront. The point to be stressed here is that organisations of the working class (viz. trade unions) alone can be effective in solving workers' problems. Neither the bureaucracy nor any other organisation can fill in this need.

The manner in which the developed countries (especially the US) have been using (or misusing) the social clause cannot be supported by any self-respecting people. The way in which some of these countries have utilised this issue will lead to worsening of conditions of labour in developing countries rather than improving them. At the same time while opposing these moves should we oppose the social clause itself for reasons of national interest? Moreover, why should the working class alone make sacrifices for the nation? Reduction in costs can be achieved by lowering the profit rates of industrialists and not merely by cutting down wage rates but how come nobody sets this on the agenda? While on the question of national interest it should be borne in mind that any move to improve the living and working conditions of the vast majority of unprotected labour should serve the national interest as these people too are a part of our country.

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Will Mariamma's Grandson Catch Up with Maramma's Grandson?

Arunoday Guha

Bereft of constitutional safeguards, dalit Christians continue to stagnate at the lower rungs of the socio-economic hierarchy

MARIAMMA was visiting Maramma. They were born to the same parents and her given name was Narassamma. In Maramma's hut in the harijan cheri of Chundur in Guntur district of Andhra Pradesh they reminisced about the different paths their lives had taken since that fateful day 40 years ago. That was the day when Narassamma and her beloved Jimmanma had been married in a church under new names, Mariamma and Joseph. The padri had told them that Christianity was a brotherhood and as Christians they would be able to pull out of the madigas cheri. It appeared true at least on Sundays. For the obligatory one hour they could share the rituals of the service at the church with the entire Christian community of the Chundur environs even though the few upper caste reddy and kamma Christians had their separate places in the church.

But they returned to the cheri after the service and for the rest of the day and indeed for all the ensuing six days they remained cut off from the Christians' milieu. Just like Maramma's family was shunned by brahmins, reddy and kmmas, Mariamma's family was ostracised by brahmin Christians, reddy Christians and Christian kmmas.

As the years rolled by, a chasm opened up between Mariamma's harijan Christians and Maramma's madigas. True they continued to live in the same cheri, visited each other and dined together. But visits were becoming increasingly embarrassing for Mariamma. Maramma's husband Pothayya with his 40 per cent SSI C marks had first got a small job in the taluk office and later got elected to the state assembly. Maramma often went to Hyderabad when the assembly was in session and lived in the MLA's hostel and hobnobbed with the wives of upper caste MLAs. Pothayya had his sights already on sitting in the Lok Sabha and Maramma looked forward to her trip to New Delhi after the next general elections. Maramma's only sorrow was that her son Mohan Rao no longer lived with his parents in the cheri at Chundur. Maramma and Pothayya had seen to it that Mohan got a good education. It had not been too difficult with stipends, scholarships and free hostel accommodation and seat reservation. He had graduated from the Guntur medical college and married the daughter of

an MP who put the newlyweds in a nice little house in Hyderabad after Mohan got appointed as a junior doctor in Osmania general hospital.

Mariamma was not jealous of Maramma's happiness. After all, she was her own sister. But she could not understand, let alone appreciate her own lot. She and Joseph still scavenged the streets of Guntur. Their own mission school showed no special consideration for Michael, their darling son. So they enrolled him in the municipal school. Since there were no stipends and scholarships, Mariamma took up toilet cleaning jobs in higher middle class homes after the municipal job. She earned enough to buy him textbooks and notebooks as well as clothes which compared favourably with those of his classmates. This she achieved by denying herself and Joseph things that were taken for granted even in Maramma's household. Joseph had a matriculation certificate but his 65 per cent marks were not enough to compete with other applicants for the taluk office job. The posts reserved for SCs were not open for him. His nomination papers for fighting a reserved seat in the state assembly had been rejected by the returning officer during scrutiny. Everywhere at school, taluk office and election office they heard the same refrain: "No no. You may be a scheduled caste madiga. But you are also a Christian! We can't help you. It was no use their saying 'Christianity is our religion, our faith, not our caste. We remain scheduled castes. Our social status, our economic position has not changed, only worsened compared to our own kith and kin in the cheris who remained Hindus'".

Some of their neighbours and relatives had become neo-buddhists and Sikhs. At first nothing had changed for them. But by and by, the parliament had amended the president's constitution (scheduled castes) order, 1950 and both Mahendra Kumar and Buta Singh were going places. Joseph could never understand the logic of the government favouring the SCs in certain religions while he was denied his brother-in-law's reservation facilities just because he (Joseph) went to church on Sundays. "What is the meaning of secularism that is told during the election speeches," he wondered.

Joseph attended a mass gathering of ten lakhs in Tiruchirappalli, went to New Delhi for a mass rally at the Boat Club and made trips to Vijayawada, Nalgonda and Eluru for mammoth public meetings. He also signed a petition that was submitted with 50 lakh signatures. But Delhi was not moved to end discrimination against scheduled castes professing Christianity.

Michael passed the 12th class examination with 76 per cent. He wanted to go to college in Guntur but could not make the grade in open competition. Registering at the employment exchange had not brought even an interview card. He could only relieve Mariamma a little by taking over a few of her residential toilet cleaning calls. He was of marriageable age but there was no question of getting a bride from any of the reddy Christian or Christian kamma families of equal financial status. There were no girls of the right age among Christian madiga families either. Luckily, Mariamma could arrange Michael's wedding with Shakuntala whose parents had like Maramma and Pothayya not succumbed to the blandishments of the missionaries.

Mariamma often felt like taking the old padri to task. But then the church had confessed its failure to eradicate casteism among the Christians and had pleaded with the government to recognise the reality and not to deny reservations to Christian converts among harijans. The Catholic bishops' conference India (CBI), national council of churches India (NCCI) and united Christians movement for equal rights (AIUCMER) have been campaigning for the inclusion of Christians of scheduled caste origin in the constitution (scheduled castes) order. A joint commission of the church of north India, the church of south India and the Marthoma church had urged the government not to view it as a communal problem but consider it a human issue. The minorities commission noted that the social and economic disabilities of dalit Christians are not getting mitigated because their voice is not heard in the legislature where they are unrepresented.

Michael came one day to Mariamma excited. He had a copy of the newly published handout by AIUCMER 'The Cry of the Dalit Christians: an appeal to the leaders believing in Secularism, Human Rights and Equal Justice'. He read out the quotation from Babasaheb Ambedkar: 'To the general mass of the Hindus, the untouchable remains an untouchable even though he becomes a Christian. Michael also read out the statement by Mahatma Gandhi: 'A Harijan may change his garb and call himself Catholic, harijan, neo-Muslim or neo-Sikh but his untouchability will haunt him during his lifetime'.

Michael told Mariamma it was ironical that

the harijans who remained in the Hindu fold had exorcised untouchability by climbing the social/economic ladder taking advantage of reservations in schools colleges and government services. So had neo-Sikhs and neo Buddhists. Why should Christian harijans also be still haunted by untouchability? he asked.

The question became even more poignant when one day their Chundur cheri was torched by those who called themselves upper caste Families of Maramma Mahendra Kumar and Buta Singh could fight the perpetrators of the atrocities with the weapons of the protection of civil rights act and the SC/ST (prevention of atrocities) act but the likes of Mariamma and her family could only get some ex-gratia compensation payment.

Indignant for a while Michael after some reflection calmed down and wrote to P V Narasimha Rao.

Respected Pradhan Mantri

My parents converted to Christianity four decades ago. They have done their best to see that I grow up to be a self respecting Indian with rights and duties equal to those of other citizens. They scavenged the streets and made domestic calls to clean toilets so that I could go to school although there were no stipends

and hostel accommodations. But they could not give college education. So I too clean toilets. During these past 45 years the Christian community as well as believers in secularism have pleaded for human rights and equal justice for the scheduled caste converts to Christianity.

Several pro-bodies right down to the Mandal commission have shown how we suffer from socio-economic disabilities and educational and cultural backwardness and have recommended statutory benefits on par with scheduled castes professing other religions to us as well. The parliamentary forum of SCs and STs at the historic national convention on June 16-17 1992 in New Delhi recommended our inclusion in the constitution (scheduled castes) order 1950.

The Supreme Court judges in their 8-1 judgment in the Mandal case said that caste does not change with the change in religion and there should therefore be no denial of reservation to us.

The AITCMER and the national coordination committee for SC Christians in symposium have pointed out that upper castes targeted us along with other scheduled castes in Chundur Karimnagar Nellore and Gokulapally in Andhra Pradesh. But we alone among the bleeding victims were denied safeguards under civil rights and

atrocities prevention enactments.

Like Rajiv Gandhi when he was prime minister you too have promised to extend us statutory benefits.

We are spread out among all the states and union territories but form a microscopic one per cent minority of the population. Verification of us by revenue officers presents no difficulty as we mostly live in isolated harijan colonies and cheris and are known to all villagers.

We already enjoy non-statutory benefits extended to scheduled castes. So the extension of reservation in the services and in people's representative bodies involve almost no financial burden on the exchequer.

Since no article of the constitution of India needs to be amended but only para 3 of the president's constitution (scheduled castes) order 1950 as in the case of SCs in Sikhism and Buddhism with a simple majority I earnestly plead that you fulfil your promise to us during the term of the present Lok Sabha itself.

I am expecting my wife to present me our first child before the year end. May I expect my child will not miss in life what I and my generation of Christian harijans have been denied?

Yours sincerely
Michael Joseph

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TADA and Indian Democracy

Sudha Pai

Laws like TADA give extensive powers to the state vis-a-vis ordinary citizens, thus providing grounds for its misuse

THE increasing authoritarianism of the state has long been a major concern for analysts of Indian politics. The 1980s witnessed the enactment and extensive use of laws such as TADA which permit non-judicial forms of detention. These evidences of state authoritarianism in the face of growing economic and political crises raise questions of public accountability and rule of law as the foundation of democracy.

On March 11 1994 the Supreme Court upheld the constitutional validity of TADA and did not suggest any changes within the structure of the act as it would jeopardise the amendment of parliament. However the judgement records large-scale misuse of the act. The union home minister has admitted it in the parliament. A review committee consisting of secretaries of various departments and police officials was formed to screen out the cases of misuse. Although the points of contention are many the government realised that the act has been misused and review of TADA cases was begun. These events have initiated a public debate upon the necessity of TADA in a democratic society. Since then under the pressure of public protests the government has announced to amend it although the demand is to repeal it altogether.

The centre for political studies Jawaharlal Nehru University convened a one day workshop on TADA and Indian Democracy on February 11 1995. The workshop addressed itself to the implications of authoritarian measures for the growth of democracy in India and the possible ways in which questions of equity and justice could be dealt with in our society. More specifically the discussion centred upon (a) the factors which permit the enactment of laws such as TADA (b) its use and misuse and (c) whether such an act is required at all on the statute books or should it be repealed or amended.

In his introductory remarks Aswini K Ray outlined the background of the emergence of TADA. The 1980s in contrast to developments in other parts of the world, witnessed the twin phenomena of economic liberalisation accompanied by political de-democratisation. The latter process has been marked by technological modernisation of the security establishment and use of unaccountable coercion by the state apparatus. This has reinforced the process of reversal of democratic rights won after years of struggle in the era of national liberation.

Ray outlined the increasing duality within India's post colonial democracy between an uninterrupted process of periodic elections in the present phase under strict scrutiny by the election commission a vibrant pluralistic print media a strident democratic rights movement encompassing many deprived groups on the one hand and the increasing proliferation of police and para-military organisations and repressive legislations on the other. It is in this context that the debate on TADA becomes a peg on which to hang the discourse of India's democratic governance.

In his inaugural address the chairman of the National Human Rights Commission (NHRC) Justice Ranganath Misra covered a wide range of issues dealt with by the commission with regard to TADA and the problems and limitations it faced. Underlining the importance of transparency accountability and legitimacy in a democratic polity he focused upon the objectionable aspects of TADA and the manner in which it has been used particularly since 1989. It has been brought to the notice of the commission that in most cases it is the police that creates a situation where TADA is invoked. Two incidents that became test cases for the commission mentioned by Justice Misra are the Sanjay Dutt case and the branding of pickpockets on the forehead. Discussing similar legislations in the UK against the Irish people he held that their provisions were not as severe as TADA.

He informed that the commission has been trying to impress upon the government that the act must be withdrawn the reasons put forward being its draconian nature which is against the tenets of democracy its gross misuse its low rate of conviction (0.8 per cent only) which reveals its ineffectiveness and the administration of the statute being left solely to the executive. In conclusion he emphasised upon the need for sensitisation of the police and the public against the act for the healthy functioning of democracy in India. Agreeing with Justice Misra Y K Alagh was critical of brutalisation of power and urged the participants in the workshop to explore institutional mechanisms to resolve the many dualities within India's democracy threatening to undermine the creative opportunities of the new era of economic reforms.

The opening paper by S K Chaube, examined the context and the manner in

which the Constitution of Freedom, i.e., the framing of the fundamental rights took place within the constituent assembly. The steel frame of imperial rules over Indian subjects, limited largely to the Indian Penal Code (IPC) and Criminal Procedure Code (CPC) had generated a consistent and growing demand for rights during the colonial period from the Indian nationalists. This is seen in the Indian National Congress resolution of 1918, the Nehru committee of the all party conference 1928 and the Karachi resolution of 1931 etc. The nationalist preference for fundamental rights with few limitations on them was presented in the draft of fundamental rights prepared by K M Munshi for the fundamental rights subcommittee of the constituent assembly. It was intended to be a legal instrument creating definite and legally enforceable rights and corresponding duties between the union units and citizens of India.

However the nationalist lawyer-freedom fighter approach clashed with two other powerful opinions in the subcommittee. The first the administrative approach of B N Rau drawing upon the narrow colonial system of rights warned against merely enumerating the fundamental rights in general terms and leaving it to the courts to enforce them. This would create uncertainty restrict the power of the legislature and enable an irremovable judiciary less sensitive to public needs in the social and economic sphere than the representatives of the periodically elected legislative body the power to veto legislation. The second the purely legalistic approach of Alladi Krishnaswamy Ayyar held that rights needed to be qualified on grounds of national security public order and morality. It was the latter two opinions which prevailed. As a result Chaube argued the chapter on fundamental rights (part III) of the Constitution reflects the law against which the national movement had fought. This is particularly evident in the discussion on freedom of speech and secrecy of correspondence dealt with in clauses (a) and (g) of article 19 in the Munshi draft. The former was qualified by inserting a provision bodily lifted from the IPC which made publication of any seditious obscene slanderous libellous or defamatory matter punishable. The latter was dropped from the list of fundamental rights as it would give every private correspondence the rank of a state paper and obstruct the establishment of any case of conspiracy against the state. As Somnath Lahiri the communist member observed in the assembly these are fundamental rights from the police constable's point of view. Here we find none of the existing powers of the executive have been done away with."

In any discussion of TADA today, it is relevant to note that even though an elaborate

protection against unreasonable detention after arrest was added in the Constitution, at the same time it excluded preventive detention from the scope of such protection. This according to Chaube was the cause of the non-availability of 'due process of law' to Indian citizens and the preference in the Constitution for "procedure established by law". In conclusion he pointed out that it is most unusual for a constituent assembly to be guided in the making of a constitutional law by the prevailing criminal law. While the communal situation might have been one of the reasons for this yet there are clear evidences of colonial legacy in the constitutional law providing space for laws like TADA.

Reflecting on the enormous growth of all central police forces (CPI) in the country since independence and pointing out the feudal and colonial legacies of the police in India Jayatilak Gulia Roy's paper emphasised the need for reform of the police system. Referring to the increasing use of police forces, he maintained that even though under the Constitution law and order is a state subject over the years there has been increasing dependence of the state governments on the central police forces (under article 355) which is not a healthy sign for the democratic system in the country.

The paper provided details of the genesis and enormous growth of the CPFs or para military forces in India. Raised as small forces on a moderate budget with limited and clearly defined responsibilities the CPFs have over the years expanded both in terms of size and nature of responsibilities. The Assam Rifles for example raised in 1835 as the Cachar Levy and renamed in 1917 was originally a collection of men poorly armed, partially trained, haphazardly organised, assortedly clothed and miserably paid, all commanded by a civil officer. Today the force comprises 31 battalions and its sanctioned strength is 52,460. The demands made upon the CPFs have continuously increased. The CRPF provides the best example. Beginning as a small unit in 1939 and reconstituted as one of the armed forces of the union under the CRPF act 1949 for maintenance of internal security, it has now become the main force deployed in almost all states/union territories. It has been deployed in various parts of the country to cope with critical law and order situations arising out of communal violence, communal riots, terrorism, insurgency, to reinforce state police forces during elections, natural calamities etc. and was also used during Operation Blue Star in Punjab in 1984 and as part of the Indian Peace Keeping Force at Sri Lanka in 1987. Its strength has risen from 870 in 1947 to 1,64,000 in 1994. The number and type of CPFs and expenditure on them

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have increased since independence reflecting the growing dependence of the state upon use of force. While the Border Security Force with 149 battalions, and the Indo-Tibetan Border Police with over 24 battalions are used to guard the northern borders, the Central Industrial Security Force and the Railway Protection Force are specialised need-based forces, but they are also at times utilised for internal security duties. The National Security Guard (NSG) and the Special Protection Group (SPG) are two specialised forces raised between 1986-88. While the former was raised to meet the emergent threats of extremism and terrorism including hijacking, the latter was raised for providing security to the family members of the prime minister and former prime ministers. These are the most expensive CPFs compared to their strength. For instance in 1993-94, the expenditure incurred by the 3,000 strong SPG was approximately Rs 19.92 crore while the 7,000 strong NSG spent around Rs 57 crore in 1992-93. With the demand for VIP security increasing, there is demand for augmentation of these forces and the annual expenditure of the SPG is expected to jump to Rs 150 crore.

Guha-Ray argued in conclusion that mere increase in the number of CPFs without implementing the required internal reforms within the police system in India to make it more effective will not help in dealing with deteriorating law and order and increasing threats from terrorists, casteist and communal forces and insurgents in the country. He points out that the failure of the government to improve the living and service conditions of the central police personnel, particularly at the lower levels has contributed to the brutalisation of power. They are compelled to live in huts and tents with total alienation from their families for long periods. There is no fixed hours of duty for them and barring the BSF, the internal grievance redressal machineries are ineffective and unsatisfactory. He emphasised that "training in human rights" should be part of the pre-induction programme for the central police personnel before they are sent for counter-insurgency or similar kinds of operations.

Justice Rajinder Sachar in his presentation held that the recent Supreme Court decision upholding the act will weaken the fight for protection of human rights. TADA has already negated various rights that have long been established as essentials for fair trial of the accused and is in conflict with international human rights covenants of which India is a signatory. The most important ground on which the constitutionality of TADA can be challenged relates to section 15 by which confessions to a police officer of the rank of superintendent of police were made admissible as against the general law of

evidence. Another challenge pertains to section 16 of the act which permitted the court not to disclose the names and identity of witnesses for the prosecution thereby denying the accused his fundamental and effective right to cross examination. TADA also violates article 14 and 21 of the Constitution. He argued that misuse of TADA is evident from the large number of cases recorded in Gujarat which is not a terrorist-affected state and has the low conviction rate anywhere in the country.

Govind Mukhoty emphasised the limited role of the NHRC in dealing with the TADA as it has only recommendatory and not implementative powers. Giving details of various cases of atrocities on women and dalits, and the feudal character of the state apparatus in dealing with such cases, Mukhoty made a strong and impassioned plea for the repeal of the TADA act.

While majority of the participants endorsed the view that TADA must be repealed different reasons were advanced for the step. Some pointed out that the victims of TADA were usually the minorities or the poor while others held that TADA illustrates the alienation and breakdown of the police force.

The discussion in the second session concentrated on the socio-economic basis of violence, the coercive state and its implications for the reinforcement of democracy in India. Initiating the discussion Manoranjan Mohanty argued that the authoritarian measures inherent in TADA have a social base and are part of the growing crisis of the state from the mid-1970s. This process creates situations for use of authoritarian measures in order to cope with the crisis. One has to take note of the socio-economic basis of violence in India, the communal problem, the alienation of tribals and of minorities in Punjab and Kashmir etc. Experience has shown that use of repressive measures only creates grounds for further violence. Mohanty felt that on the one hand there is an increasing demand for fulfilment of democratic rights, and on the other the state has resorted to more and more coercive measures. The justification of TADA as being necessary for democracy creates dangers to democracy.

In contrast Kapil Sibal took the position that the fault lay not with the law, but with those charged with the task of implementation. He cited the anomaly that "TADA is like a surgeon's knife placed in the hands of a butcher". The extraordinary situations existing in areas such as Punjab, Kashmir, etc. necessitate acts like TADA. However, he agreed that the draconian provisions need to be scrapped and the act must be made consistent with ordinary law. As the terrorist problems quantitatively vary in different parts of the country Sibal suggested that the answer lay in (i) looking at the politico-economic

cause of the problem, (ii) increasing the accountability of the persons implementing TADA, and lastly, establishing "a non-governmental independent screening committee to give clearance for prosecution of cases. Gurpreet Mahajan pointed out that a society which adopts a democratic structure of governance must give priority to individual-based civil and political rights although there would be social costs involved in doing so.

In the discussion that followed many participants pointed out that if objectionable elements were removed, then TADA would be indistinguishable from ordinary law, which is the same as the demand for removal of TADA. Opinion remained divided upon the restrictive use of TADA as against its total removal.

Presenting an overview of the provisions of TADA, Harish Dhawan's (PUDDR) paper opined that the overriding powers it gives to the state apparatus violates almost every safeguard guaranteed by the Constitution, the mechanism of checks and balances, principles of liberal jurisprudence and natural justice won after years of struggle by the people. By constantly presenting an array of statistics on terrorism the government has tried to show that TADA is an absolute necessity. However Dhawan pointed out that the power to legislate is but part of a larger structure that includes the power to coin words, construct images and thereby shape public opinion. Further the manner in which legislation has defined terrorism and disruptive activities makes holding and practising of certain political beliefs a crime. The act has been used by every major political party that has formed a government at the central or state level. The misuse is built structurally into the act for narrow political gains or for 'making a last buck'. Although initially meant to be used against Khalistanis, the act has been used against minorities, tribals and political activists in various parts of the country thereby giving it a sectarian character. Dhawan felt that the present attempts to create a TADA with a human face are reinforcing the arbitrariness of the executive, at the cost of existing institutions of democracy.

Against the background of the implications of TADA on specific cases, N V Baba cited instances from Kashmir to show that violation of human rights go beyond laws. He explained that the process had become a vicious circle in Kashmir militancy creates conditions for repressive laws and vice versa.

Concluding the session Aswini K Ray noted that the workshop helped to underscore the extensive power that TADA gives to the state vis-a-vis the ordinary citizen, its gross misuse, and the need to revoke it. He echoed Justice Mishra's exhortation "TADA must be repealed" because measures like TADA have a built-in proclivity for misuse.

Problems of 'Voucher Privatisation'

Stephen Steiger

'Voucher privatisation' of state enterprises has failed to deal with the problem of the marginalisation of the ownership function which had taken place under socialism

THE proclaimed aim of Czech privatisation - similar to all the other privatisations in Eastern Europe - was 'to find a concrete owner'. It is only such an owner who manages the property economically with responsibility and efficiency since it is he personally who experiences profits and losses of his entrepreneurial deeds and decisions. Few post-revolutionary ideas were accepted by public opinion in such a general way without objections as was this thesis. This is easy to understand if we take into consideration the socialist experience of how anonymous state ownership had been working.

Economic liberalism comprehends the concrete owner as a unit of the execution and ownership functions. The ownership function is titular. When I am the owner then the given property is mine and because of this title I can dispose of it as I wish. This right is being guaranteed by law. However I can delegate the execution of my property to some other person who would dispose of it more skillfully than myself. Such a person could be called a manager.

If the titular ownership and its execution are in different hands then there is a possibility they can be separated or even divorced actually. The ownership function is a titular one only. The ownership and its execution are being divorced on a grand scale especially when execution/entrepreneurship becomes very demanding professionally when it necessitates special professional qualifications which the owner does not have or want to have. The development of industry, technology and technique have gone in this direction. The managerial revolution took place, a part of the broader process of devaluation of property rights and growth of bureaucratic state regulation of ownership. This is what happened in the industrialised countries.

The remedy the neo-conservative political parties in the west began to prescribe against this devaluation is privatisation. This should unite again ownership rights with their execution and thus renew the function and cogency of ownership.

Czech privatisation was accompanied by similar rhetoric. The authorities were looking for a concrete owner to renew the weight of property rights and to surmount the marginalisation of the ownership function which had developed beyond measure under

socialism. The voucher privatisation was regarded as the most effective solution. It seems however, that the above-mentioned problem is not being solved by this method, it even reproduces it in another form.

The authors of voucher privatisation knew that the ownership function was menaced by its marginalisation in the form of an ownership which could be dispersed in the hands of a mass of small shareholders. To prevent a wild breakneck process of gradual concentration of this dispersed ownership, investment funds emerged which executed the concentration in parallel with the course of privatisation.

Yet the problem of dispersed ownership has not been solved in this way. Were it not for the funds the dispersed and marginalised property could have been seized by its executor - the manager of the enterprise. After the disappearance of the state and party representatives the manager could turn the dispersion of the owners and their functional inability to his advantage. This advantage would not represent a reward for his labour but would follow from the imbalanced structure of the property relations.

However the investment funds did not eliminate this possibility - they only gave it another form. An advantage similar to that of the enterprise manager can now be taken up by the fund manager. He is disposing of the property because he is representing its owners - the shareholders of the fund who are dispersed - in other words, mostly imaginary. The majority of the shareholders can hardly apply their ownership function in any way other than by buying or selling their shares on the stock exchange. The petty shareholders should like to be invited to the general assembly which is 'well prepared' can be just a formality. As a matter of fact nothing is being really solved there since everything has been agreed, discussed and 'approved' in advance. One can expect that the process of concentration and sifting of the fund properties is yet to come, but it would be a surprise should it not proceed to the managers' satisfaction. The losers will be - because of the marginalisation of their property function - most probably the petty shareholders of the funds.

The funds manager can even multiply his advantage resulting from the weak control of

the owner by getting directly into the execution of the property in his enterprise, for example, as a member of the board of directors. A kind of a double separation of ownership from its execution takes place. The fund manager is fusing with the enterprise manager. Both groups can behave as owners in spite of not being so and not experiencing the consequences of their ventures on their property.

Under the communist regime the manager was 'responsible' to his ministry, his activities were 'directed' by the State Planning Commission - and the Party 'watched' over all of this. These authorities represented the people's ownership and took advantage of this difference between the imaginary titular owner and the actual real factor they represented. Now when the party has disappeared and the Planning Commission has been dissolved, the 'concrete owner' is being represented by an investment fund (besides the marginalised small shareholders). Thus the real owner is also imaginary to a certain degree, yet the resulting advantage for the managers of both kinds is real.

All in all it appears that after the mass privatisation of the Czech economy the execution of the ownership and the ownership functions have diverged and the managers of the funds and of the enterprises are using the loophole to their advantage. The new structure of property relations should now be examined thoroughly as to its real functioning. The rhetoric about the merits of the 'concrete owner' cannot be a substitute for such examination.

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Salvaging 'Traditional' Knowledges

Nirmal Sengupta

By constructing false tradition-modern dichotomy, that which was useful in traditional knowledges was institutionally suppressed. The time has come to recognise the mistake and bridge the fissure

WHAT is our economic strategy? Policy-makers depict as if liberalisation, privatisation and globalisation are panacea of all evils. Critics tend to suggest resurrection of the post-independence policies of closed door state controlled, licence regime. Can we envision a meaningful alternative?

The starting point for such an exercise is not an unscientific passionate appeal to a modern brand of swadeshi but redefining what constitutes development and reassessing what are the resources for development in a country like ours. How do we characterise the present state of our development? After 50 years of independence our achievements are far above nominal. But there are serious shortcomings. For example even after nearly half a century since independence, we have still not been able to feed, clothe, shelter, educate, employ and extend health care facilities to all our people. If houses can be built only with cement and steel, then it is quite possible that housing for all is a utopian dream. The picture changes substantially if we include in the list the wide variety of materials and techniques traditionally employed by our people in different parts of our land in making houses for themselves. If we include in our plans the wide variety of proven medicines, practices and principles that have been indigenously evolved for health care in our society, then the resource position on the health care front may not appear as bleak as it now seems. If the wide range of materials and techniques that our farmers have traditionally employed to ensure and fertility, pest control, high yield, etc. — are included in the list of resources at our command then the prospect of enhancing food production substantially in an ecologically and economically sound manner may not appear as daunting as it seems now. And so on.

This is not a mere wishful thinking. In the last decade development analysis have undergone substantial change which contests in many a sphere, the existing notions of development. With the discovery of newer and newer technologies once unimportant materials become important resources. The latest in this series of discoveries is in the area of biodiversity. While we have neglected his very rich heritage of ours for years

sometimes even destroyed our traditional biodiversity conservation techniques in over eagerness to show our modernist attitude the world has come to a critical stage where this is one of the most valuable resources. It is this kind of rich heritage which now need the support of modern science and technology to carry us forcefully into the next century.

Another recent development — increasing awareness about environmental problems and sustainability — too has increased the importance of traditional technologies. This has occurred in more than one way. Tradition and sustainability are indeed tautological identities. All that ever occurred in the past were not glorious or sustainable as revivalism tends to think. There certainly appeared non-sustainable practices in the past, even in *Ramayanas*. They did not last. Only those that withstood the test of time are handed over to us as traditional. Only these are the eligible candidates for understanding alternative models of sustainable development. No new model can be declared as sustainable until it has been tested in course of time or in other words has become traditional. The world commission on environment and development (Brundtland Commission pp 114-15) has drawn attention to this role of traditional societies though in a very limited sense. That does not mean that the past situations can be reproduced or that all traditional systems are sustainable. But important principles of sustainability can be learnt from these traditional systems.

Besides the tools for analysing economic development are also changing. Its consequences are very broad. If environmental impact assessment is integrated into the conventional cost benefit analysis for project selection then many major dams may turn out to be less attractive than the traditional small storages or rainfed farming. The newly developed tools like natural resource accounts or energy accounts impute values not only to production and consumption but also to conservation. There is an interesting consequence to it. If in future these tools are integrated into the social accounting frameworks — which is likely — many tribal communities residing in symbiotic relations with the nature may appear as affluent even

in the modern sense. These are significant for the developing countries. On the one hand these countries must oppose the use of these tools by advanced countries to perpetuate the status quo of extravagant lifestyle by the rich and thrift for the poor. On the other hand these developing countries must also realise that they need to redefine their developmental goals in the light of the emerging valuation methods. Even if by some magic political economic and technological factors eliminating rapid growth possibilities are revoked it will still be impossible to attain the high standards of living of the western countries for everyone. Nature and the problems of resource availability will not allow that. We must have an alternative vision of future which is feasible and sustainable.

The third important reason is not exactly a new one. It is the obtusation of developmental goals by dominant political ideas and vested interests. Every society must build up on its past — developing what is useful and rejecting what is obsolete. But objective judgment has not prevailed in all situations. It is well known that the colonial regime had often discredited the Indian ways and favoured several modern practices that were not necessarily superior in scientific or technological considerations. Even after the independence the sectarian understanding of science of technology remained in vogue. Under the influence of modernisation syndrome one particular kind of lifestyle and values — popularly but misleadingly known as western model of development — has come to be regarded as superior to all others. This is best known to economists through Rostowian model of growth. This paradigm has been amply criticised indicating that this is an apology for neocolonial hegemony — a continuation of the white man's burden thesis. Even radical theories like that of Marx are not devoid of this bias. The west centric views of Marx's writings have been criticised by Marxists themselves. Under the influence of this paradigm people all over the world have desired not just fulfilment of their needs but to fulfil those in some particularly fashionable ways. Consumerism has spread into many undesirable directions. The rich repository of human knowledge has been partitioned from the vantage point of powerful organisations. Modern institutional structures, not scientific methods *per se* came to decide what should be regarded scientifically correct and technologically superior.

False dichotomy of traditional and modern has its origin in the colonial period but it has gained wide acceptance in the last few decades. Under the modernisation paradigm

the indigenous intelligentsia the social activists the philanthropic organisations have become important agents of subversion. The planning of Damodar valley corporation on the model of Tennessee valley project speaks of the great scientific and economic acumen of the builders of new India. At that time one third of the irrigation facilities in the country were from traditional sources. While the colonialists had shown considerable interest to learn from traditional Indian irrigation system the builders of modern India knew little about them and paid no attention to their development potentials. But for that summary rejection there would not have occurred the sharp dichotomy between modern and traditional in the irrigation sector. It soon became unfashionable to talk of traditional systems and the ignorance about Indian reality was legitimised under the garb of modernist attitude.

Or take the case of primary health care. Here too the major onslaught has occurred in the post independence period. Realising that the western medical model was failing to deliver adequate support to the needy in the 1970s agencies like WHO and UNICEF adopted a revolutionary approach to primary health care. The comprehensive approach originally adopted was reduced in practice to oral rehydration therapy and immunisation for child survival. There are two basic approaches to oral rehydration therapy by manufactured packets of oral rehydration salts and by home fluids prepared rapidly and in a less costly manner from cereals and starches which was the traditional practice in many areas. David Werner (*EPW*, January 21, 1995) describes how from the start WHO, UNICEF and USAID put their biggest investment into factory made packets. The result was disastrous. In the last few years the mistake has been realised and lately UNICEF and WHO have begun to place more emphasis on increased home fluids. But after a decade of marketing the packets as wonder drug it is proving difficult to re educate people. It is in fact proving more difficult to re educate the health practitioners who have come to believe that the factory made packets are scientifically superior to traditional home therapy.

Because of these various reasons all over the world currently considerable interest is being shown towards understanding traditional technology and traditional knowledge. The purpose is not revivalist but scientific assessment not to go back to the past but to bridge the false dichotomy between traditional and modern. The juggernaut of modernity supported by global institutional bases seems indomitable. The gigantic challenge appears demanding Herculean effort in reorienting the trend. But success stories have also started trickling in. Indonesia initiated successfully a ban on modern

pesticides. Israel has successfully revived its millennia old traditional irrigation systems and Zimbabwe has courageously refused the oral rehydration salt packets in favour of home fluids. None of them have suffered any adverse consequence.

OVERVIEW OF POSSIBILITIES

The process of bridging the fissure between modern and traditional consists of a four-fold task: identification, investigation, improvement and incorporation in the modern society. This process is continuing all the time. We are indebted to our past even for such things as language and agriculture. The exact task therefore, is identifying the neglected but still functionally significant aspects of our tradition and developing them towards their incorporation in the modern society. Note that thereby the technology ceases to be identifiably traditional. This is why we call the dichotomy tradition/modern a false dichotomy. Owing to the colonial heritage and strict adherence to the western model of development we have neglected a lot of traditional resources and knowledge which are useful. Time has come when this fissure between modern and traditional need to be bridged. Thereby we will be able to open a much broader horizon for developmental goal and will obtain much more in both material and human resources to design development not merely for India but for the whole world.

Particularly during the last two decades we have built up a large repository of knowledge about neglected but functionally useful traditional technologies in India. I will briefly introduce a few to substantiate the point.

Agriculture and irrigation are indeed the best examples to establish deceptive nature of traditional/modern dichotomy. Various technologies used here from seed selection to well and canal irrigation have millennia old traditions behind them. Only certain practices introduced later have come to be known as modern. In closer analysis, traditional and modern are existing here side by side complementing each other. This would have been the desirable state of affairs if only the shares of each were determined by their relative merits. But that is not the case. The modern component receives the major share of investment and policy support. Very little effort is made to perpetuate and improve the traditional aspects. This is in spite of the fact that the applicability of many modern techniques is still limited to small areas and to some spheres.

The conventional argument in favour of such a distribution is that the modern mode is more productive. On a closer scrutiny however one would find considerable institutional support has gone to create this relative advantage. Tubewell irrigation often

thrives on massive rate of power subsidy. Canal irrigation and chemical fertiliser uses too rest on considerable subsidy. No doubt all modern innovations are not of this class. Several innovations have definite merits over the traditional ones. But the choice is made by institutional considerations than scientific and economic merit. If the open and hidden subsidies given to the modern technologies are accounted for many of them would not be economically viable. If apart from productivity other aspects like health hazards and sustainability are taken into consideration the relative advantages change substantially. Increasingly, these other aspects are being considered in valuation systems like cost-benefit analysis. Increasingly problems of perpetual subsidisation is becoming a difficult proposition.

From technological considerations too, some of the modern technologies in use in agriculture and irrigation are not superior to their traditional counterparts. The modern mode is (a) energy-intensive, (b) input-intensive, (c) expert oriented instead of being participatory and (d) sometimes unsustainable. Since each of these criteria have assumed greater significance in recent years interest in traditional systems is increasing in wide variety of areas in agriculture and irrigation, e.g., groundwater identification, techniques of irrigation, salinity and flood control, soil and water conservation, drinking water collection and purification, traditional seed varieties, dryland farming, organic farming, nitrogen fixation methods, green manuring, pest-management and other plant protection methods, post-harvest technology, food preservation and storage, nutritional practices, veterinary practices and livestock management, agro-forestry, aquaculture and so on.

In the area of renewable resource management, like in fisheries and forestry, the traditional modes of resource extraction are currently of great interest among scientists because of non-sustainability of modern production. While this is so the Indian government is dispossessing traditional communities and destroying traditional practices. The government has recently introduced steps like large-scale commercialisation of deep sea fishing and privatisation of forests for commercial interests proposed in the new forest act. Against both these measures there were recently countryside agitations.

I will not go into the details of biodiversity and intellectual property rights (IPR) questions. Here again the traditional knowledge has been realised as immensely important. Currently, there is race not only for identification and investigation but also to monopolise these knowledges under IPR. The future will see their improvement and incorporation. This is a tremendous resource

if only we can retain our control over it and can use it meaningfully

Industries are considered to be the forte of modern sector. Albeit in highly truncated and withered forms, a large number of traditional industries still survive throughout the country. These include agro-based industries like gudi, khandasari, sugar, oil, soap, palm products and processed foods etc. metal-based industries like tools, implements, vessels and ornaments, hand-made textiles, silk, paper, jute and leather industry, gems and jewellery, pottery, handicrafts, wood and bamboo works, etc. Not only do they generate lion's share of employment in manufacturing sector, even a significant part of our export earnings still come from those sectors where we have been traditionally strong.

During the Indian freedom struggle khadi had become a symbol of national resistance to colonial hegemony. In the post-independence period governments in the states and at the centre have been helpful to cottage and village industries. But the outlook was to use them as mere employment generating subsidised activity. Even in government policies a sharp difference between traditional and modern was maintained. The traditional sector never received due attention of massive modern science and technology research organisations to develop itself. The patronising attitude of the officials also lacked capacity to appreciate the significance of many advanced traditional knowledge and techniques. These – and not the run-of-the-mill productions – are indeed the endowments which are able to impart distinctions in Indian products in the ensuing globally competitive scenario. I will discuss here the case of only one of the industries – the textiles – to give an idea of the wide variety of prospects of traditional industries.

India is the only country to grow all four cultivated species of cotton. American and Egyptian cottons were introduced from the late 17th century till the 1960s. In the present state of cotton cultivation in the country, American hybrids have acquired a predominant position. However, it has been realised that the traditional varieties are definitely superior with respect to pest-resistance, low requirement of inputs like water and fertilisers and general hardiness. Efforts are being made to improve their staple and yield. Some new hybrids are being developed using at least one of the parents from a native strain.

There are definite economic reasons to encourage traditional charkha and pitlooms. The simplest charkha can be used to spin all kinds of yarn – the finest to the coarsest. The simple pitloom can be adapted to weave all varieties of cloth. The rejection of charkha was because of its being a slow instrument having a low productivity. Today, however,

productivity alone does not dictate choice of appropriate techniques. Charkha is also the only instrument to produce cloth by bringing into use two otherwise unused resources: (a) the time of the old, retired and disabled people who have no productivity in the present system, and (b) short-staple cotton cultivable on wasteland as against long-staple cotton required by mills which can be cultivated only on irrigated land using fertilisers and pesticides. Programmes like rural development and wasteland development should seriously look at these possibilities.

Widespread concern over the pollution created in the manufacture of chemical dyes and the health hazards associated with their use has led to a revival of interest in natural dyes. Nearly 8000 dyes and chemicals which are in use in the textile world have already been analysed and many of them have been put into red list to be phased out. The EEC countries have started insisting on eco-labels for various products. The diversity of vegetable and mineral resources and the sophistication of dyeing techniques perfected over centuries makes India a potential world leader in this technology provided of course, the rights are protected, techniques standardised and improved, and extension and training works are undertaken.

The famous Dacca Muslin had lost not to economic competition but to forcible suppression. The very high standards could not have been reached in one product alone. Although the technique of Muslin-making is lost, many others survive. In weaving, printing and designing there still exists lots of rich traditions of quality production. In particular in the market of quality saris, different local techniques have earned the significance of brand names and in spite of tough competition from mill-made products, have retained their positions. The skill and the knowledge need to be used imaginatively over a wide range of textile products.

Similar prospects exist for other small scale and cottage industries. In more sophisticated industries the prospects are not as wide-ranging. But still significant gains can be made by studying the traditional methods. In the area of metals and metallurgy for example, there were such achievements as the Ashok Pillar of Delhi which does not rust. The technique of making it is not yet known, and if understood the knowledge will surely enrich modern metallurgical sciences. Once again, the pillar could not have been an isolated feature. The traditional metal working practices have almost, but not completely, died out. Many traditional metal workers still continue to produce useful objects in their small workshops. If properly investigated, these can still add to the knowledge of metallurgy and metal processing. Some works have been done in areas like the crucible process of making

'wootz', metal working techniques like Dhokra craft and the lost wax process and making of metal mirrors and utensils. Whatever can be added is a definite gain.

Even in the area of electronics and computer softwares, there is scope of using traditional Indian systems of logic, linguistics, mathematics, cognitive science and epistemology. Indian theoretical traditions relied more on numerical discourse than logical. In the era of computers, interests in numerical languages have increased. Already their application in the areas of computational linguistics and numerical processing have borne significant results and several research groups in the country are currently engaged in furtherance of inquiry inspired by traditional theories.

Enrichment of the modern knowledge is only one way of using traditional science and technologies. Another important source is proper utilisation of the skills of traditional artisans. Modern industries are understood as mass scale factory based production introduced after industrial revolution. But in today's world, several modern industries thrive on decentralised organisation of production. Further comparative advantages in production and exports today are obtained more from skill than cheap labour. In many countries in Asia, the traditional artisans and craftsmen have been the major supplier of such skilled workers. In India, however, many communities who were involved in financial and market management in the past, did move over to play similar roles in the modern industry. But they did not take our skilled workers and craftsmen with them to play a more important part in modern industrial production. Partly, it was because within the colonial situation the indigenous financial communities could become traders and moneylenders, not industrial leaders. But even after Indian industrialisation began, the attitude did not change much. The fine-skilled artisanal classes were brought into the modern economy as unskilled labour in agriculture and industry, pauperised from loss of traditional markets. There still is scope of using their skills.

As a part of the new basic needs approach, development planners sought ways to make western medical and health service systems more widely accessible to the third world countries through primary health care systems. While the rural penetration of western medicine brought some benefits, it also created new problems. One was the added cost in form of money as well as time spent in travelling etc. In consequence of the spread of modern system, people's faith in low cost home remedies began to decline. It came to a stage when the poor families were required to spend even 30-40 percent of their incomes on health related costs. Little was left for nourishment after recovery and disease attack.

became a vicious circle. Budding multinational pharmaceutical companies capitalised on this growing drug habits. And currently after the system has been altered by the initiative of governments and international agencies, they are gradually withdrawing subsidies stressing more and more privatisation and cost recovery.

While the dishonest profiteering of Indian pharmaceutical industries need to be checked by providing for patents, the future need to be planned. Per capita consumption of drugs in India is one of the highest thanks to the medical culture that developed here. Unless it is changed, in the new scenario a very substantial part of subsistence will be unduly wasted in the name of health care. Local knowledge need to be revived and revitalised.

In the area of housing we have already told that if houses can be built only with cement and steel then it is quite possible that housing for all is a utopian dream. The number of our homeless is expected to go up from the current figure of about 25 millions to about 45 millions by the turn of the century. On the other hand, our architectural traditions include a wide range of designs, building techniques and material technologies with rich regional variations and local adaptations. It is still a living tradition. A lot of our house building work, particularly in the rural areas, still rely largely on traditional building and depend almost exclusively on local crafts and skills. Lack of access to resources and opportunities is what our traditional designers and builders have been suffering from in the last 40 to 50 years. Our current policies and regulations are marginalising the scholars and practitioners of our architecture. No housing boards consult the *sthapatis*. New structures meant to be the symbols of our national pride and glory are contracted out to western architects.

In the recent years however, there is an increasing awareness that excessive and exclusive dependence on western styles, techniques and material is neither desirable nor practical in our context. Serious efforts have begun to be undertaken by individuals to explore the contemporary uses of traditional building materials like mud, bamboo, stone, lime plaster etc. Modern architects are also beginning to realise the capacities of our traditional builders to adapt their skills and knowledge to the modern needs and requirements. The challenge that lies ahead is how to get these things formally accepted for large-scale application and improvement.

THE AGENDA

Two distinct attitudes to traditional social institutions, structures and processes are discernible among educated Indians. The first is characterised by a certain reverence for tradition and views tradition as a museum object. In the past this reverence for tradition

rarely went beyond pious wish. Investigations were meant for publication in journals of history and archaeology. Appreciation often was limited entirely to the aesthetic and the decorative dimensions of the products of our traditions, not their functional aspect. These were viewed solely as beautiful relics of a dead and gone past worth preserving. Lately however, reverence for tradition has been misled by political interests, extracting fanatic energies sometimes towards restoration of a temple. On the one hand, these political interests are selective in eliciting aspects of our tradition, carefully avoiding not only the oppressive and exploitative facets but also any reference to the anachronistic moral and ethical standards. On the other hand, they are overzealous in tainting with their own ideological moorings, any scientific inquiry establishing continuing functional significance of our tradition. It becomes a tight-rope walking for a committed investigator to retain a distinct identity from these legitimacy hunters.

The second attitude is characterised by open and unambiguous hostility to anything traditional. This hostility stems from the faith that the greatest obstacle to our progress is the traditional social order and institutions. It is therefore held that only by rejecting the tradition, if we can build anything worthwhile in India. No doubt, many aspects of tradition need rejection. But a scientific assessment demands not a gross judgment but a case-by-case scrutiny. To many educated Indians, a case-by-case detailed study of traditional knowledge and technologies seem to be misdirected investment. Unfortunately under the influence of modernisation paradigm even committed social reformers have usually shown this attitude. It was the champions of

Indian independence and development struggle who disregarded investigations into traditional irrigation systems. It is not a corrupt doctor in collusion with company salesmen, but more often a socially committed physician opting to serve the poor, who prescribes the rehydration packets, being driven by a firm belief that this is more scientific than home fuids. The debate on scientific temper and rationalist movements had shown much greater eagerness to develop penchant for criticism of the past practices than scientific faculties of investigation and appreciation of functionally important aspects of tradition. I dare say re-establishing a neglected aspect of functionally useful tradition may require a lifetime of effort. Instead, most science activists will opt for easier course of involvement like timely criticism of syndromes such as milk-sucking Ganesh idols.

In the early stages of our investigations into functionally important traditional phenomena we have faced serious problems from friends belonging to either of the quarters. One group demanded romanticisation and idealisation and were not happy should we also record the exploitative and regressive nature of many traditional systems. The others were impatient critics eager to dissuade us from revivalist trap and technological determinism. The situation has changed considerably. Still, the casualty rate among nascent attempts in this area of investigation is very high. Science movements in the country are acknowledging and spreading the limited set of already accepted findings about the merits of certain traditional technologies. But this is again a communicated knowledge. It does not promote by itself, investigations and validation — both acceptance

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ind rejection - of new traditional phenomena. The need of the day is extensive scale of identification and investigation.

The existing norms of scientific inquiry unduly restrict investigations into traditional systems. Existing validation and certification procedures are in reality controlled by institutions although the empire mode of validation retains its legitimacy out of a pretension of being scientific and objective. There is no qualm about scientific methods *per se*. But in the area of application it is the institutional sanction and not scientific methodology *per se* which plays a decisive role. Experiments conducted within the confines of laboratories and experimental plots are treated as the most reliable. Improper setting of experiments, careless recording of data, limited range of parameters and obliviousness to the side effects restrict the real scientific merits of accepted norms of validation. Yet laboratory approach tend to be accepted as well tested methods. The silver lining is that unreasonable respect for experimental methods is on the wane. Particularly during the last two decades the use of alternative data bases by consumer action groups, health activists etc. discrediting several certified food, drugs and other materials have partly crumbled the legitimacy of the existing institutions of validation and certification procedures. The claims of superiority of in house and controlled experiments in scientific validation procedures is also under doubt. Alternative validation methods like long history of successful application thus find a better climate today for acceptance. The consequences of many traditional practices used by millions for generations are evident. These are often expressed in folk knowledge of various matters. It is possible to use that data as meaningful to draw conclusions about their merits and demerits. Investigations into traditional systems can prosper only if this alternative method of validation is accepted on a wide scale.

The objective of this exercise is of course improvement and incorporation of traditional science and technology in the mainstream. Not everything requires improvement. But all that does not require immediate improvement are not condemned. Currently useful functions need perpetuation. And for perpetuation sufficient support measures must be extended. In the cases of many traditional systems little effort is given towards their perpetuation. Many of them have continued to this date with great difficulty. But continue they did being essential for day-to-day life of the people. Traditional irrigation systems are an excellent example. Although they still provide the major share of irrigation in several states and there is no suitable alternative to them for more than a half of the land area

in the country, the general attitude is one of condemnation. Little financial, legal and technical support is received by many of these techniques. Incorporation in their cases means extension of support measures for their perpetuation.

Extension and improvement are only the next steps. These require investment be it by individuals through research time or by agencies in terms of finance. Any investment presumes an amount of trust in the future prospects of the object. This was what was badly lacking in the past. Although climate has improved, even now it is difficult to get financial support for developing methods of standardisation of natural dyes or for extension of traditional pest-control methods. Recently introduced courses of alternative medicine remained vacant - understandably students hesitate to commit themselves for a lifetime. Indeed, it is the established scientists and practitioners who alone are able to invest parts of their time and money in such ventures. Also greater entrepreneurship is shown by multinationals and international agencies. They are able to make considerable investments in developing information bases. The data often point to bright prospects in many areas of traditional science and technologies. One can only hope that the climate of investment in general, will change in proportion to the success and investigations, improvement and incorporation of functionally significant traditional science and technology.

That brings us to the last question - what kind of incorporation do we envisage? This is not merely a task of administration, management, training, extension. Distribution of benefits is a major issue. Some approach may lead to monopolising knowledge by a few. Some others may lead to equitable and sustainable development. In retaining their traditional expertise, some members of artisanal communities have faced serious odds in the past. But today, in spite of increased interest in the society, they are not very secure. There is a strong likelihood that their knowledge will be misappropriated leaving them as pauper as at present. Many tribal communities have retained the biodiversity of the country. By not exploiting it they have remained poor so long. In the question of incorporation one must also consider which approach will benefit the tribals and in which the knowledge will be stolen away from them. The contribution of ethnobotanists in enriching the drug companies is by now, well known.

In general, in any development programme today the question of distribution is of crucial significance. Designing suitable approach that favour the women, the downtrodden and the deserving instead of being a privilege for a few is a great challenge. Whether the nature of dissemination will lead to community

based practices or self help or will be export-dependent depends on the approach we are able to adopt at this initial stage. Participatory approach to development and realisation of grass roots democracy also requires appropriate orientations in science and technology. Currently, traditional communities are being dispossessed at a very fast pace. Although it is said that this is the inevitable consequence of the advent of commercialisation, closer look reveals that is far from the truth. Artisans are losing grounds not always because of inferior production techniques but also because of deliberate interventions in their channels of raw materials supply, preferences shown by officials to uses of factory-made products and similar institutional suppressions. The recent steps taken by the government in fisheries and forestry to promote multinational and large company interests were met with countrywide protests. Those who reason that economic progress rests on commercialisation conveniently overlook that the artisans, the fishermen and minor forest product collecting tribes have always been practising commercial activities. The institutional design to dispossess them is strictly violation of their rights to livelihood.

Notes

[I acknowledge my gratitude to numerous scholars and activists whose contributions have been used here. Many of the findings mentioned were presented at the First Congress of the Traditional Science and Technology in India in IIT Bombay, November-December 1993. They are available in the Proceedings of the Congress. Remaining findings were not part of the Congress. However, the views expressed in the paper are my own.]

1. This realisation had led, after the first Traditional Science and Technology Congress, to the citing of figures like 40 per cent and 60 per cent as the contribution of traditional sector to Indian exports. I am told one such citation was by P V Narasimha Rao in Jaipur Science Congress. The supporting data for such statements may be as

Percentage Share of Exports	
Genis and jewellery	18.1
Ready made garments	11.7
Leather and footwear	6.1
Handicrafts	4.2
	40.1
Agriculture and allied products	16.0
	56.1

However, I do not favour this kind of analysis for there is no strict compartmentalism between traditional and modern sectors. The contribution can be judged only qualitatively. Strong traditional production areas is one of the important characteristics which give us a relative advantage over others in certain products in the global market.

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Relevant Macroeconomics

Vinod Vyasulu

Macroeconomics for Developing Countries by Raghendra Jha, Routledge London and New York 1994

It is one of those ironies of life that this book came along just when I had retired from the teaching world. Macroeconomics is the one branch of economic theory that appears to have immediate policy relevance and teaching the subject can be a challenge especially to good students.¹ In recent decades most books on macroeconomics have presented either simple minded Keynesian prescriptions or simple minded Chicago ones. This book also has the Keynesian touch but not in any rigid way as it consciously tries to go well beyond that limited perspective. I would therefore have loved to teach a course with it as the basic text for it enables one to discuss issues of importance to developing countries without sacrificing rigour and without asking the student to wait till she has learned the tools of the trade before addressing questions that are of interest to her. Till then she has to study utterly unrealistic models.²

What Jha has provided is a textbook that combines the rigour of neoclassical textbooks with an openness of mind that is quite uncommon in that school: the line between rigour and rigor mortis is clear and distinct. Compare this book with other standard texts such as Branson. The latter would appear to subscribe to the view that there is such a thing as Economic Theory which is both Objective and True and go on to present one version of it. Anything else in this universe is not science. In contrast Raghendra Jha acknowledges that there may be many points of view not all of which agree with one another. And so far as the student is concerned he tries to present different viewpoints highlighting their strengths and weaknesses. He gives the student the opportunity to make up his or her own mind in this matter: the book itself deliberately takes an agnostic position. For a textbook this is a welcome feature.

After going through the main themes that constitute the core of modern macroeconomics Jha has a section on alternative approaches. And in each chapter he makes an effort to relate what has been discussed to developing countries. And he has three archetypes – the Latin American, African and South Asian – of this group thus both avoiding over-simplification and making the point that there is great diversity within the developing countries themselves that needs to be carefully taken into account in theorising. Thus in his teaching in the west, he has exposed students to something of develop-

ment: this is something that is most welcome. We who use these textbooks here uncritically should be grateful that such a discussion has indeed been included so that we as teachers can expand and elaborate on these issues without apology in our own colleges and universities. Of course macroeconomics approached *de novo* in the specific context of developing countries would be most welcome. We have to wait for such a book. Till then this is one of the best I have seen.

There are many advantages in terms of facilities, opportunities and academic interaction in writing such a book while teaching abroad but the limitations too, in terms of the approaches that are acceptable and questions that are considered interesting, must be understood. It is not very surprising that there is no mention of the Paul Baran and Paul Sweezy analysis of the US macro scene in which government intervention would necessarily show up as increasing military expenditure not of the less radical military-industrial complex characterisation of Galbraith which is much more Keynesian in its inspiration. Nor is Kaldor³ very popular. These works rarely find a place in the academic scene in America (these economists are more widely read in this country). This apart, Jha's efforts at presenting plural views deserve special commendation.

The book is divided into four parts. Part One deals with mainstream macro, in a closed economy. Part Two deals with an open economy. The material in these sections is standard and to be found in many other text books. This one adds a discussion of the relevance of tools studied to developing countries and that places it in a different market niche.

Parts Three and Four, on alternative approaches and key policy questions in developing countries are unique to this book. Jha makes the point that for LDCs what is important is long term growth and not short-term stabilisation. Of course, this does not mean that stabilisation is unimportant. It just means that it must be seen in the right perspective.

The first section has a clear Keynesian flavour, discussing as it does national accounts and related concepts. It then goes on to the 'neoclassical synthesis' or an exposition of the IS-LM analysis developed by Hicks and refined by many others. The creation of money, the role of interest and so on are clearly discussed (see pages 78 to 81, for

example). The real balance effect and the money illusion are duly dealt with. When trade is introduced the treatment retains its rigour in the discussion of different conditions with fixed and flexible exchange rates, both diagrammatically and in algebra. It is all very user friendly. The book is easy to use because material is divided into clearly marked sections each dealing with a specific sub-theme which are then all brought together at the end.

And, for a book published in 1994 the approach of rational expectations or how people use all the information available with them finds its due place. The work of Krugman and the new trade theorists also finds a place in the treatment. Truly Jha has brought research questions of recent years into the classroom. I would have liked to see the strategic implications of this work for developing countries elaborated upon in greater detail. The book also devotes space to the assignment problem, the need to have as many independent policy instruments as targets and to assign an instrument to the target where it has maximum impact. This is a welcome feature not generally found elsewhere. The various analytical tools are clearly explained and the student who works through the diagrams should be ready to venture into the world of journals to pursue his or her own interests independently.

Chapter 9 in which a stylistic macro model of a developing economy is built is an important contribution in a macro text drawing its inspiration from the structuralist school of which Lance Taylor is perhaps the best American example. Aggregate supply and aggregate demand are discussed with developing country features built in. Equilibrium is examined and the policy options like monetary contraction and devaluation are examined. The different results that emerge are explained for example how devaluation may lead to inflation. In Chapter 10 dualism is introduced and discussed in the Keynesian and neo-classical frameworks. Chapter 11 is devoted to an understanding of inflation: the empirical data in Table 11.1 gives an important focus to the discussion. All this provides the base for the discussion in Chapter 12 of the IMF Stabilisation package and the criticisms levelled against it. For students in India this should be particularly useful. For teachers it provides the point of departure to discuss the new economic policy. And if they so choose, even to criticise it.

The last section is devoted to the major issues of debt and 'repression' or physical and quantitative controls and their costs. This discussion is useful, but limited: the issue is not so simple as this model suggests. The various dimensions of regulation and regulatory institutions need much more discus-

sion. But it provides a useful starting point, and that is what I appreciate.

This book helps teaching macroeconomics in developing countries like ours in a rigorous way. If I were using it as a text, I would supplement it with others such as Bhaduri,⁴ and Rakshit.⁵ Bhaduri's book to introduce the student to the work of Kalecki (whose name appears in Jha's bibliography but not in the index), and Rakshit's for its analysis of the dualism model. Both would serve to round off the material for the Indian student. From there the student can move on to other things, for example Pasinetti's recent work on structural economic dynamics,⁶ although this would be a big jump as issues of technology, learning, and other things will have to be brought in from elsewhere.

Other books that have recently appeared would make a student's life easier and also add to the value of an Indian macroeconomics course – for example, those by Pulapre Balakrishnan,⁷ Narendra Jadhav,⁸ and Uma Datta Roy Chaudhuri.⁹ I am also surprised to see no reference to the work of Prabhat Patnaik: for example his 1984 R C Dutt lectures.¹⁰ But then, one cannot expect everything from Jha: he has done enough, and provided us with an excellent text. Something must be left for the teachers themselves to do.

Notes

- 1 There is a view that economic analysis is about proving interesting theorems; policy is the business of those who make

value judgments. If the initial distribution of income and wealth leads to an equilibrium that is not satisfactory, then that should be changed. How this is to be done is not addressed. In macroeconomics such detachment is not very easy.

- 2 Paul A Baran and Paul M Sweezy, *Monopoly Capital*, Monthly Review Press, New York, 1976. This may be seen as developing on the earlier ideas of M Kalecki, *Theory of Economic Dynamics*, London, 1965 and Joseph Steindl, *Maturity and Stagnation in American Capitalism*, MR Press, New York, 1976.
- 3 See his collected papers.
- 4 Arun Bhaduri, *Macroeconomics. The Dynamics of Commodity Production*, Macmillan, New Delhi, 1983.
- 5 Mihir Rakshit, *Labour Surplus Economy: A Neo Keynesian Approach*, Mcmillan, New Delhi, 1982.
- 6 Luigi L. Pasinetti, *Structural Economic Dynamics. A Theory of the Economic Consequences of Human Learning*, Cambridge University Press, Cambridge, 1993.
- 7 P Balakrishnan, *Pricing and inflation in India*, Oxford University Press, Delhi, 1991.
- 8 *Monetary Economics for India*, Macmillan, New Delhi, 1995.
- 9 *National Income Accounts*, Macmillan, New Delhi, 1995.
- 10 *Time, Inflation and Growth: Some Macroeconomic Themes in an Indian Perspective*, Orient Longman, Hyderabad, 1988. This is part of Patnaik's effort at developing a relevant macroeconomics for India.

when he realised – revealed for the first time in this book that it was a lost cause. To such comments and angry protests, McNamara pleaded understanding and provided his version of the situation then: "We all believed that if the US let Vietnam go, communist China and the Soviet Union would be tempted to flex their muscles elsewhere in the world – and a nuclear confrontation would be all but inevitable". And he concluded thus: "I don't agree with that analysis now. At that time the danger of communist aggression was very real and very substantial. In retrospect, US could have withdrawn on any one of several occasions – between 1963 and 1973 – and the dire predictions would not have materialised".

Lastly, while the sight of the aged and sad McNamara on his intensive tour to promote this book, alternately grovelling and pleading for understanding or even acceptance of his personal sorrow every moment of the way, has prevented many in US from reading it, in anger or disgust – but Vietnam grabbed and published a pirated Vietnamese version of this book in May 1995 by the Hanoi-based, state-owned National Political Publishing House. This pirated Vietnamese version was released with an additional preface by the local publishers which maintained that "McNamara's assessment and conclusions may be different, even contrary, to ours, nevertheless we hope this book will provide our readers with useful information, helping us to a deeper understanding of our nation's struggle... After three decades, we have some one talking on our sufferings and sacrifices."

For several reasons, *In Retrospect* is a must read. This is the most detailed book from the highest-ranking US policy-maker we ever heard on the most brutal and barbaric Vietnam war. All three of the important presidents who relentlessly escalated the Vietnam conflict in the late 1950s through mid-1970s died without casting much useful light on the history of what is generally known as 'McNamara's War'. More crucially, one has to read it because of the stories 'I was there' feature. In addition, this book has several fascinating and provocative narrations that match the confessions of a serial killer. For the first time, new material from Kennedy and Johnson presidential archives is researched and published. As the blurb to the book notes: "We hear presidents talk; we sit in on secret meetings, we read private cables, and we hear the voices and arguments of the men who battled over America's Vietnam policy". It provides deep insights into US administration, its defence establishment and the CIA.

This book is divided into 11 chapters with a detailed appendix, bibliography and notes wherein McNamara appropriately examines the mechanics, lapses, politics, enthusiasm and senselessness – especially irrationalities – involved in war-making at the highest level's of the world's superpower. The contents of

Ignorance, Arrogance and Vietnam War

M S Shivakumar

In Retrospect: The Tragedy and Lessons of Vietnam by Robert S McNamara with Brian VanDeMark, Times Books, USA, 1995; pp xviii + 414, \$ 27.50.

A brief note on the timing, style and events that surrounded the launching of this book might be revealing. It was released in March/April 1995 when Vietnam was preparing itself to celebrate the 20th anniversary of its victory over US, and the ceremonious integration of south and north into one nation. During that time US-Vietnam dialogue on normalisation of diplomatic relations was progressing well: indeed, in August 1995 secretary of state Warren Christopher visited Hanoi and opened the US consulate signifying 'return of the normal' era. Robert McNamara, author of the book under review and a former US defence Secretary, is expected to visit Vietnam early October 1995 for the first time since the war. He will join a group of historians and archivists, who hope to persuade Hanoi to take part in a conference on the Vietnam war in the latter half of 1996. This effort is expected to use the documents on the conflict which are now regularly declassified, initiate discus-

sions and record 'facts' of that war. It is sponsored by the New York-based Council on Foreign Relations.

In April, McNamara came to Kennedy School of Government, Harvard University, to seek publicity for his book and declared that "in continuing the Vietnam war we were wrong, terribly wrong". Old emotions returned with a vengeance and as he spoke a small group of protesters milled near the building's entrance. They were mainly Vietnam war veterans, not angry students who in 1966 forced McNamara, at the height of the Vietnam war, to flee through the campus' underground tunnels. Several veterans screamed: "There are several indications that you had doubts as early as 1965. Now you tell us that we fought, lost and several died for 'geopolitical reasons'. Is this not a vulgar explanation? Your book and your presence is an obscenity." Unforgiving veterans wanted to know why McNamara did not stop the war

his book can be divided into three broad parts. One, McNamara's years under two presidents, i.e. John F. Kennedy (January 1961 to November 1963) and Lyndon Johnson (November 1963 to his departure from Pentagon in February 1968) where he provides a broad and sharp overview as to how did the US administration [and presidents] arrive at decisions? Two, McNamara looks at a few important particular incidents that generated intense debate and controversy. For example: (i) the Tonkin Gulf Congressional Resolution of August 1964 (b) The six months between January 28 and July 28, 1965 saw the US embark on a course of massive military intervention in Vietnam, an intervention that ultimately destroyed Lyndon Johnson's presidency and polarised America like nothing since the civil war, and (c) periodical bombing pauses that were expected to bring Vietnam to the negotiating table. How did such incidents condition the course of the events? How did the US administration handle such crisis situations? Three, McNamara responds to persisting questions such as: 'Was the Vietnam war inevitable? Did US really learn lessons from the Vietnam war?'

BACKGROUND

During the early 1950s and particularly after the beginning of the Korean war, the Americans saw France's colonial war in Indochina as an important part of the world-wide struggle against communist expansionism. By 1954, US military aid to the French reached US \$2 billion (at 1950 rates). In 1950 about 35 US soldiers arrived in Vietnam as part of the US military assistance advisory group, ostensibly to instruct troops receiving US weapons how to use them. American troops remained on Vietnamese soil for the next 25 years. At about the same time, US State Department was rumbling with recriminations over who was to blame for 'losing China' to communism – later, it recognised that Bao Dai's government as a reaction to those events. From that point to date, US policy in Indochina has been a reaction against whatever the communists do.

When the last French battalion left Vietnam in April 1956, the US soldiers, numbering a few hundred, assumed responsibility for training the South Vietnamese military. As the military position of the South Vietnamese government continued to deteriorate, the Kennedy administration (1961-63) sent more and more military advisors to Vietnam. Despite growing opposition in the US, president Johnson and his successor Nixon continued to pour American troops into Vietnam, at the 'sometime beginning negotiations' with North Vietnam leaders. Millions of refugees poured into other nations. In 1969, the US began secretly bombing neighbouring nations like Cambodia and Laos. This new escalation infuriated previously quiescent elements of

the American public, leading to bitter anti-war protests. Australia, New Zealand, South Korea, Thailand and the Philippines sent military personnel to South Vietnam as part of what the Americans called the 'Free World Military Forces' whose key purpose was to internationalise the American war effort and thus confer upon it legitimacy. In April 1975, US forces left Vietnamese soil and leaders of South Vietnam surrendered to the North, commencing integration of two zones into one nation.

WAS THE VIETNAM WAR JUSTIFIED?

McNamara succinctly (and page after page) agrees that continuation of Vietnam war was not justified; however, he is silent on 'whether the beginning of the war itself was based on some sound reasons?'. On this question, he provides a round about response. He admits that during Vietnam crisis, US administration was pursuing efforts to 'contain' spread of communism and operated on two premises which were contradictory, viz, the fall of South Vietnam to communism would threaten the security of the US and the western world, and that only the South Vietnamese could defend their nation, and that America should limit its role to providing training and logistical backing.

In support of this, he extensively quotes several meetings, discussions and notes exchanged. In particular, he mentions the meeting between the then president Eisenhower and president-elect Kennedy on January 19, 1961.

We covered an immense number of subjects that afternoon but the emphasis was on Indochina... focus in that part of the discussion was actually on Laos, not Vietnam. President Eisenhower stated that Laos is the present key to the entire area of south east Asia. If Laos were lost to the communists, it would bring in an unbelievable pressure to bear on Thailand, Cambodia and South Vietnam. If Laos is lost to the 'free world' in the long run we will lose all of south east Asia'. Thus, at the time of transition of presidents, Indochina was seen as the test-case for US in implementing its '321' containment policy of communist expansionism. In bare words, the earlier principal argument by the US administration that it was Hanoi's quest for regional hegemony that forced the American intervention and invasion now stands erroneous.

Did the US policy succeed? Certainly not, asserts McNamara and deduces that "we badly misread China's objectives and mistook its bellicose rhetoric to imply a drive for regional hegemony. We also underestimated the nationalistic aspect of Ho Chi Minh's movement... we equated Ho Chi Minh with Fidel Castro... such ill founded judgments were accepted without debate by the Kennedy administration as they had been by its Democratic and Republican predecessors. The

foundations of our decision-making was gravely flawed' (pp 32-33). Then, McNamara makes an inventory of 'eleven key events' that logically emerge as errors of omission and commission of US leadership and administration. However, defence historians and analysts argue that these key events could not be examined in isolation but are to be studied as part of the containment policy of US. For example, vis a vis Cuba or China, nevertheless, they squarely place the burden of responsibility on the US administration for this misdemeanour in Indochina.

In his effort to make the reader understand the situation, he returns repeatedly to the overwhelming dilemma of the US in Vietnam war. On the one hand, America was primarily dedicated to assuring South Vietnam's right to determine its own future, knowing that if the country failed to help itself, the mission had failed. On the other hand, McNamara and all his colleagues saw almost daily evidence that the South Vietnamese were dodging hard work and depending on the US to assure self-determination. Nevertheless, he avoids discussing the arrogance of US in claiming that it could do the job. Overall, intervention in Vietnam began only to contain communism and was never expected to develop as a major war. There was no sound geopolitical reasons either. Thus, the US intervention remains as an unwarranted action with no rational foundation.

ESCALATION OF WAR

McNamara claims that US never declared war and had no direct interests in its outcome. Then how did the war intensify? Was the escalation based on better understanding of the circumstances? He acknowledges with a strong 'no'. For example, here is the personal confession in regard to Asia when he assumed post as defence secretary and knowledge of other members: 'I had never visited Indochina, nor did I understand or appreciate its history, language, culture or values. The same must be said to varying degrees about president Kennedy and others. When it came to Vietnam, we found ourselves setting policy for a region that was *terra incognita* with innocence and confidence we approached Vietnam in the early days of the Kennedy administration. We lacked experience dealing with crises. Finally, and perhaps most importantly, we were confronting problems for which there were no ready or good answers. I fear that in such circumstances, governments – and, indeed, most people – tend to stick their heads in the sand. It may help to explain, but it certainly does not excuse, our behaviour' (pp 37-39 and 40). Those at the helm of affairs were ill informed or had no better understanding of Asia and presumably decisions taken were poor and irrational.

According to him, apparent change happened by the fall of 1961 as guerrilla infil-

tration from North Vietnam into South Vietnam had increased substantially, and the Vietcong had intensified their attacks on Diem's government. At this stage senior officials suggested that the US recast its policies in a transition from advice to partnership. On November 8, 1961 McNamara submitted a brief to president Kennedy agreeing with the above policy change. Thus he was instrumental in arriving at the wrong decisions based on inadequate reading of the situation. Contradictorily he claims that in line with above policies and efforts the US actually began planning for the phased withdrawal of its forces in 1963, a step adamantly opposed by those who believed it could lead to the loss of South Vietnam and very likely all of Asia (pp 30). Did this containment of communism policy work in the US's favour?

McNamara claims that way back on November 8, 1961 he was uncomfortable with the decision that allowed additional reinforcements to be sent to South Vietnam and offers some evidence in his defence. As soon as I sent the memo to the White House I started worrying that we had been too hasty in our advice to the president. For the next couple of days I dug deeper into the Vietnam problem. The more I probed the more complex the situation appeared to be and uncertainties of our ability to deal with it by military means became apparent. I realised that seconding Taylor Rostow had been a bad idea (pp 38-39). Highly catastrophic decisions were taken despite personal ignorance.

On the strategies he says: 'The joint chiefs agreed we should prepare plans for US air strikes against North Vietnamese targets and the Ho Chi Minh Trail with the objective of destroying Hanoi's will to fight and its ability to continue to supply the Vietcong. That in conjunction with our later ground effort eventually became the military strategy we followed in subsequent years' (pp 152). How did this and other such strategies fail?

If one agrees with the claims of McNamara then it was the defence establishment which consistently furnished a rosy picture and repeatedly asked for more reinforcement of men and supplies. Civilian administration merely obliged them as implementing the containment policy was considered as critical for the free world. Nevertheless he provides clues to his personal involvement in decision-making that confirms the impression that Vietnam crisis was McNamara's war. Overall he admits that once you had

US soldiers fighting and dying the administration was forced to protect and support them including committing more troops and funds. Consequently the war was escalated. But this fails to explain the severity of the war.

It is obvious that US was not prepared to accept a long war while the Vietnamese were determined to fight until the end. At the battle field, some of the fundamental mistakes of

the American administration had devastating consequences for the US troops. The gradual escalation for example in the hope that each step would prove the last meant only that the US had surrendered the initiative to its rivals. Similarly US strategists simply assigned each pilot 100 air raids, an arbitrary number assumed as near victory figure. As documents now establish US pilots were more concerned with staying alive than hitting their targets. It was a kind of involvement for which neither American society nor its military were prepared.

He admits that the personal understanding and knowledge of senior officials of the White House was weak. Therefore several crisis management teams and networks to mobilise information were established. At the defence department and US administration there were many tiers of information gathering, sharing and decision making viz, White House cabinet, defence establishment, CIA and several Vietnam committees were based in US. In South Vietnam (and in other bases like Thailand or Philippines) ambassador and diplomatic personnel, field leaders of military and informants formed a cluster of decision making. Interestingly McNamara has good words for the CIA and their assessment. In addition to such information routes during his tenure McNamara personally made several week end trips to Vietnam or Hawaii for consultations. In spite of such well organised information and analysis network US's performance was woeful.

He argues that 'Some critics have asserted that the US lacked a military strategy in Vietnam. In fact we had one—but its assumptions were deeply flawed. Beneath Westy's [Westmoreland] strategy lay the implicit assumptions that pacification and bombing would prevent the communists from offsetting losses inflicted by US and South Vietnamese army forces through recruitment in the South amid war and to reinforce from the North in the face of our air attacks' (pp 210). Finally he agrees that 'All these assumptions proved incorrect. We did not force the Vietcong and North Vietnamese army to fight on our terms. We did not wage an effective anti guerrilla war against them. And bombing did not reduce the infiltration of men and supplies into the South below required levels or weaken the North's will to continue the conflict' (p 211).

A close reading of the works of other defence historians, analysts, journalists and McNamara's book itself shows that US administration was not willing to look at the realities but remained inflated with its gains made during the second world war, Korean interventions etc. Finally, he concludes that the best and the brightest Americans led us into tragedy.

The closest the US came to a declaration of war in Vietnam was the Tonkin Gulf Resolution of August 1964. The events sur-

rounding the resolution generated intense controversy that continues to this day. It was an important turning-point in US strategy as two American destroyers, the Maddox and the Turner Joy, claimed to have come under 'unprovoked' attack while sailing off the North Vietnamese coast. Here McNamara's arguments remain illogical. On the Tonkin Gulf incidents and congressional resolution he writes: 'The key questions and my answers are these: [a] Attacks by North Vietnamese patrol boats against US destroyers reportedly occurred on two separate occasions, August 2 and August 4, 1964. Did the attacks actually occur? Answer: The evidence of the first attack is indisputable. The second attack appears probable but not certain' (p 128).

In this reasoning McNamara overlooks vast information now available which convincingly establishes that the first attack took place while the Maddox was in North Vietnamese territorial waters assisting a secret South Vietnamese commando raid and that the second attack simply never took place. He continues: 'At the time—and still more so in later years—some elements of Congress and the public believed the Johnson administration deliberately provoked the attacks in order to justify an escalation of the war and to obtain under a subterfuge congressional authority for that escalation. Does this view have any merit? Answer: None at all' (p 128).

Even here his reasoning is faulty. In fact a few days after the Tonkin incidents were reported an indignant (and misled) Congress almost unanimously [only two senators dissented] passed the Gulf of Tonkin Resolution which gave the president the power to take all necessary measures to prevent further aggression. Until its repeal in 1970 the resolution was treated by US presidents as a blank cheque to do whatever they chose in Vietnam without congressional regulation. Such an analysis even he agrees rather reluctantly.

The fundamental issue of Tonkin Gulf Resolution involved not deception but rather misuse of power bestowed by the resolution.

Congress expected full consultation before expansion of US forces in Vietnam (p 142). However that was not to be. Substantial evidence is now available to prove that Congress was not fully kept informed of the developments in Indochina and public received massive propaganda material of the US administration. For example William Shawcross in an excellent analysis of Nixon administration's manipulation of power demonstrates as to how the Gulf of Tonkin Resolution was used by the US administration for many years and how decisions made in Washington affected the lives of one particular and distant people of which the Congress was not probably aware of [*Sideshow*, The Hogarth Press, 1979].

Did the US administration mismanage only the Vietnam war? It will be a definite 'no' if the fresh material McNamara provides (as

an appendix to this book and known for the first time) on the Cuban Missile Crisis of 1962 that brought Soviet Union, US and Cuba to the verge of war is accurate. But what was not known then, and is not widely recognised today, was how close the world came to the brink of nuclear disaster in 1962 based on "distorted information, misjudgment, and miscalculation" (pp 338-40). He admits that the experience of the Cuban Missile Crisis makes clear that so long as superpowers possess large inventories of nuclear weapons, the world will face the risk of their use! Despite such possible threats, periodical mismanagement and bungling by the US administration, he pleads: "The point I wish to emphasise is this: human beings are fallible. We all make mistakes. In our daily lives, they are costly but we try to learn from them. In conventional war, they cost lives, sometimes thousands of lives. But if mistakes were to affect decisions relating to the use of nuclear forces, they would result in the destruction of whole societies. Thus, the indefinite combination of human fallibility and nuclear weapons carries a high risk of a potential catastrophe" (p 342). This is a remarkable transformation of a war hawk to a peace dove!

Vietnam war was known in US as 'McNamara's war'. Anti-war sentiment was solid in US and elsewhere, and continued to be directed at McNamara personally too. Sometimes, as he claims, it came from very close circles such as an incident of Jackie Kennedy's outburst at him. Despite such sentiments McNamara claims that public support for US intervention in Vietnam was strong and only 'students and misled youth' were protesting against the continuation of the war. He writes: "What disturbed me most during my campus visits was the realisation that opposition to the administration's Vietnam policy increased with the institution's prestige and the educational attainment of its students".

He further writes: "From early 1966 through mid-1967, public support for the administration's Vietnam policy remained surprisingly strong, despite rising US casualties and increasing media scrutiny of the war"; later, he quotes a columnist and writer on public opinion thus: "If there is a movement of opinion in the country it is toward seeking a military solution to what is generally regarded as a frustrating stalemate" (p 152). Everyone knows that western administrations rely much on media and public opinion surveys that are periodically carried out on key issues. However, no one, even at the highest level of administration, had failed to challenge the reliability or relevance of such surveys, where the information base was generally weak and knowledge of media persons on such matters was also questionable.

McNamara was in charge of actually running the Vietnam conflict. He alone had the unique and ultimate responsibility to inform

the president of his doubts or his opposition to continuing it. Why did McNamara abstain from counselling against the war that he now perceives as a 'doomed crusade'? Even his last important memo to the president on May 19, 1967 – one day before he lost his job as defence secretary – 'should have' recommended ending the war. But it did not. At that time he had no excuse. Now, in retrospect, he thinks he had the duty to help Kennedy and Johnson, not least because each was, after all, the president. It is here one cannot accept his pleas for 'understanding'. In other words, his loyalty to his masters was given priority; probably knowing it was wrong, he would do the same thing again! One can assume that he was reeling with power – previously he had held no government position and had no military experience when president Kennedy appointed him – or one can imagine he was just impetuous. Either way, there is no 'lesson' here. There is no solution to this problem of blind loyalty whether implied or imparted.

Post-war books can be broadly classified into three groups. First, written by defence analysts who scrutinise the "military strengths and weaknesses alongside strategies adopted". Second, political personalities or journalists, who prefer to write a memoir and generally opt to "set the record straight" which may include a commentary on the political scene. Third, social science researchers who pay attention to pre- and post-war trauma faced by the people, and the nature of socio-political processes. McNamara's memoir does not fall into any of these categories. As we observed in this review, in sum, this book fails to "set the record straight", complicates basic issues of the war, provides some excuses whereas explanation to the events was expected, and lastly, pleads guilt 'in style'.

Vietnam war was fought by two nations who are geographically apart, profoundly differ in their respective levels of economic development, their culture and their philosophy. It is clear that the mistakes of the US administration in Vietnam reflect fundamental differences between two societies that leaders like McNamara never understood. In the end, it is obvious that US simply could not accept the fact that its global supremacy was challenged by a 'tiny Asian' nation, and consequently war was intensified despite numerous loss of men and resources.

The Vietnam war was the aftermath of Japan's traumatic impact upon Indochina after 1941, France's later effort to restore a depleted colonialism and America's decision to intervene to 'contain' the spread of communism. None of them adequately understood the nationalist spirit of Vietnamese. It was this overriding context that caused the major events in Vietnam after 1943, including its immense sacrifices, and effectively challenge three of the world's superpowers. It is sometimes said that the post-cold war world will be so different from the world of the past that the

lessons of Vietnam will be inapplicable or of no relevance to the 21st century. It is not so. At least three points quoted as lessons by McNamara remain relevant even today which are: "(1) We misjudged them – as we have since – the geopolitical intentions of our adversaries, and we exaggerated the dangers to the US of their actions; (2) We viewed the people and the leaders of South Vietnam in terms of our own experience. We saw in them a thirst for – and a determination to fight for – freedom and democracy. We totally misjudged the political forces within the country; and (3) We failed then – as we have since – to recognise the limitations of modern, high-technology military equipment, forces, and doctrine in confronting unconventional, highly motivated people's movements. We failed as well to adapt our military tactics to the task of winning the hearts and minds of people from a totally different culture" (pp 321-23).

These are lessons to the US administration which constantly throttle many developing nations on issues such as democracy or human rights, still bombing Serbs' hopefully expect them to come over to the negotiating table. More than this key message, there is no new lesson one can gain from this book.

Vietnam, after all, was a war that changed America more than any event in the last century, even ignoring the deaths and problems in Vietnam and across south-east Asia and the world. Cambodia and Laos, the two neighbouring nations, generally referred to as a 'sideshow' to the Vietnam war, had been almost obliterated, with hundreds of thousands dead in the intervening processes. Available evidence provides a horrifying testament to the destruction of small, neutral nations through the violent and corrupt outlook of superpower policy-makers. McNamara is also deceptively silent on the sufferings of Cambodia and Laos.

For 30 years the world had asked Robert McNamara what he had to say about the Vietnam war and his role in it. With this book that wait was over. For McNamara the spread of the fighting and of US bombing are not matters to be discussed; the flood of peasants off the land, fleeing the warfare and then the growing cruelty is not relevant. He has no interest in the collapse of the society in Indochina. Indeed, *In Retrospect* illustrates more forcefully and more conclusively than any of his critics could do that for McNamara Vietnam was a stepping stone in his long career, its people expendable in the great game of large nations. Then there is little doubt McNamara now suffers anguish, although of course he lacks no creature comforts in his declining years. He will die as he lived for more than 30 years – wealthy, pampered, and cared for. Whereas US continues to engage in fallacious military interventions in many parts of the world, and still Vietnam, Cambodia, and Laos suffer from the legacy of that unjust war.

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Communalising the Nation-Space

Notes on Spatial Strategies of Hindutva

Satish Deshpande

In its attempt to understand the spatial strategies of hindutva this essay tries to answer questions such as 'What kinds of places has hindutva successfully transformed into heterotopias?' 'What specific strategies have enabled this success?' 'What kinds of contestation and struggle are these spatial ideologies involved in?' 'How do these ideologies overcome the refractory nature of the materials they deal with?' 'How can one begin to think of defensive and offensive counterstrategies?'

ONE can hardly dispute the fact that hindutva is among the most important sources of social change at work in India today. In this essay I make a preliminary attempt to explore the spatial aspects of this would be hegemonic ideology by identifying the different ways in which it seeks to redefine the nation space, rearticulate the link between an imagined community and its territorial domain.

The argument can be summarised in four basic propositions: (1) Considered as an ideological project, hindutva has an identifiable spatial dimension in the form of a strategy designed to refashion the social space of the Indian nation. (2) Historically, hindutva has attempted mainly to essentialise the nation-space by re-sacralising it, thereby stressing its irreducible and exclusive affinity for Hindus alone. (3) The contemporary spatial strategies of hindutva may be said to be based on three specific ideological constructs (or heterotopias), namely: the site, the locality and the route. (4) These strategies partly complement and partly contradict other contemporary ideologies (notably that of globalisation), so that the overall outcome of their complex interactions is difficult to determine.

The theoretical context for these propositions is summarised in Section I, after which they will be briefly elaborated in the following sections along with some preliminary evidence.

I

Nation, Space, and Nation-Space in Contemporary Social Theory

Perhaps it is only by coincidence that recent social theory has simultaneously rediscovered the concepts of space and nation. Even so, this seems to offer rich theoretical possibilities, especially because the manner and the context in which these concepts have been revived are particularly conducive for cross-cultivation. Contemporary social theory has begun to reconsider both space and nation in ways which attempt to transcend (or at least to sidestep) the traditional dichotomy between the material and the mental. Moreover, questions of power and domination have come to be highlighted in both contexts. The way is thus cleared for exploring the spatial

aspects of the nation – the imagined community considered as a nation-space – and the ways in which social groupings with hegemonic ambitions attempt to reshape and appropriate this space.

Theorists of nationalism have long recognised that a claim to an identifiable territory is a necessary though not a sufficient condition for the emergence of a strong sense of nationness. And though it has also been known that such a physical territory also functions at a meta-physical level as a collective representation, it is only recently that the full implications of these insights have become visible. This is in large measure due to 'the reassertion of space in critical social theory' through the claim that space is not 'natural' but socially produced.¹

Thus, contemporary social theory reminds us that nations inhabit a space that is simultaneously abstract (imagined, mental) and concrete (physical, geographical). These contrary aspects of the nation-space can be linked because of their common existence in, and only in, the social realm. However, it is only when this potential for linkage is realised through active social practices and processes that the nation space can take shape. Nations are emergent phenomena; they become visible only when, in ideological terrain and an identifiable territory can be cross-mapped onto each other to produce a sense of nationness shared by large numbers in society. Even after it has been successfully produced, the sense of nationness remains vulnerable to history and must be continually nurtured, partly through efforts to ensure that ideology and geography do not get out of synch.

However, contemporary social theory also tells us that both space and nation are implicated in power relations. The production of a sense of nationness clearly involves ideological and material contests. In a colonial context, this includes both the dimension of nationalism as anti-imperialism, as well as the more complex internal contestations among different possible nationalisms, each with its own equations vis-à-vis various regions, classes or ethnic groups within the proto-nation. The idea of the nation can thus be suitably inflected to facilitate its use as a

weapon in a broader social struggle for hegemony. Similarly, it is now recognised that social space is not merely an arena in which power relations 'happen', but also one of the means with which power is sought to be exercised. This is what gives meaning to the notion of spatial strategies.

A spatial strategy not only unfolds in space, it is also often about space – its appropriation, deployment or control. Such strategies are among those designed to support and maintain relations of power or of resistance. Considered as ideologies, spatial strategies can be seen as articulating the physical-material and mental-imaginative aspects of social space. In short, successful spatial strategies are able to link, in a durable and ideologically credible way, abstract (imagined) spaces to concrete (physical) places.

SPATIAL STRATEGIES AND IDEOLOGICAL SUBJECTS

In one of his unpublished lectures, Michel Foucault offered some suggestive comments which, despite being fragmentary and inadequate, may be a useful starting point for theorising the ideological practices that link abstract spaces to concrete places in politically productive ways.² Foucault took as his point of departure the assertion that we live not in a homogeneous and empty space,³ but on the contrary, inside a set of relations that delineates sites which are irreducible to one another⁴ [Foucault 1986: 23]. In the process of justifying this assertion, he identified two kinds of sites that are crucial: 'utopias' and 'heterotopias'.

Utopias are "sites with no place" or "fundamentally unreal spaces" (1986: 24). They are, in terms of the previous discussion, abstract spaces with no immediate or necessary reference to any concrete place. They may represent 'society itself in a perfected form' or else 'society turned upside down', but their relationship to concrete, physical places is indeterminate – they point to no particular place or to all possible places without any discrimination. In short, utopias are universalised, abstract spaces that are not marked as referring to any particular place.

Heterotopias, on the other hand, are 'real places – places that do exist' that can be

pointed out on a map, lived in, visited or, in general, empirically experienced in an obvious fashion. But heterotopias are very special kinds of places because (and here I depart from Foucault's formulation) they mediate in a mirror-like fashion between utopias and ideological subjects. In other words, heterotopias enable – more compel, invite – people to see themselves reflected in some utopia. They are places which function as an ideological hinge, linking social subjects (people) with a possible political, moral identity (utopia) that they could assume (inhabit).¹

However, though heterotopias are real physical places, they are not products of nature; considerable ideological labour is necessary in order to transform a given concrete site into a heterotopia. It is true that different places, by virtue of their particular history, physical attributes or geographical location, are more or less suitable raw material for producing a heterotopia. Thus, the unique natural properties of a place do help and may sometimes be a necessary ingredient, but they are never sufficient, always requiring additional efforts that consciously seek to transform a mere place into a culturally meaningful, politically charged space.

One way of understanding spatial strategies is to think of them as ideological practices involved in the construction of heterotopias. In this sense, spatial strategies attempt to tie an imagined space to a real place in such a way that these ties also bind people to particular identities and to the political/practical consequences that they entail.

A concrete example may help, and there can be few better than Ayodhya, the small town in eastern Uttar Pradesh that is also among the most potent heterotopias in our recent history. Hardly an unreal place, Ayodhya has nevertheless acted as a mirror opening into the imagined space – the utopia – of Ramrajya, hindutva, Hindu pride and so on. Seen from another angle, Ayodhya (or, more accurately, the Ram Janmabhoomi/Babri masjid) as a heterotopian site has offered thousands of people (particularly young Hindu males from urban and semi-urban middle class backgrounds) a social identity as inhabitants of the utopia that it projects, namely, the identity of the *kai sevak*.² The transformation of this rural small town from merely another geographically specific place into a heterotopia was the result of a conscious spatial strategy. There was nothing 'natural' about it.

Although historically, several other places have claimed the name, it seems reasonable to assume that this particular Ayodhya has always been roughly where it is today. It has been known for several centuries as the supposed birthplace of a mythological hero, who is also one of the principle deities in the pantheon of Hinduism. That a Hindu temple

was supposed to have been destroyed here by a general representing a Muslim king this too has been known for more than four-and-a-half centuries. Thus, the 'natural' endowments of Ayodhya as a particular physical place have been the same for quite some time, but its successful transformation into a heterotopia is a very recent occurrence. This transformation has been effected by a spatial strategy that has, firstly, strengthened the link between the concrete place and the abstract utopian space of hindutva and, secondly, forged a bond between the utopia and the people for whom it provides a renewed sense of belonging, a bond in which the place as heterotopia acts as the glue. It has to be noted finally that the relationship between the strategy and the place is an instrumental one: the same ends may be pursued by a similar strategic use of other suitable places.

This essay is an attempt to understand the spatial strategies of hindutva that have had a significant impact on contemporary social and political life. It tries to answer questions such as the following: What kinds of places has hindutva successfully transformed into heterotopias? What specific strategies have enabled this success? How do these strategies deal with their rivals – what kinds of contestation and struggle are spatial ideologies involved in? How do these ideologies overcome the refractory nature of the materials – both geographical and human – that they have to deal with? How can one begin to think of defensive and offensive counterstrategies?

II Hindutva and Emergence of Indian Nation-Space

It will be readily appreciated that in order to understand the specific spatial strategies of hindutva today, it is necessary to look into the historical context from which they have emerged.³ From the perspective of this essay, the relevant historical context is that of the interaction among the spatial aspects of colonialism, nationalism and communalism, which was also the process through which India emerged as a nation-space.

The spatial strategies of nationalism involved the attempt to translate the facts of social geography into matters of faith, belief and ultimately received experience. These included conscious efforts to 'historicise' or to anthropomorphise nature, the most obvious manifestation of which is the figure of Mother India. Through insistent and widely disseminated patriotic songs and writings, the physical features of the subcontinent – mountains, rivers, oceans and regions – were transformed into a common national heritage over which every Indian, even if she/he had never seen that particular part of the country, was invited to feel a sense of proprietary pride.

Our national anthem, for example, is a typical nationalist device for converting geography into ideology.

However, crucially, such spatial strategies included those that explicitly or implicitly appealed to shared religious or communitarian sentiment. In other words, there was nothing inherent in nationalist spatial strategies that prevented their use by groups based on religious or regional identities. Indeed, there were areas in which religious groups, especially Hindus, were at a significant advantage, because they could build on the powerful base of sacred geographies. Given the absence of any national community that was supra- or non-religious, attempts to construct an imagined community had to fall back on whatever existed in living memory that could be used to help construct this new and unfamiliar notion. Thus, even self-consciously non-communal nationalists could not afford to ignore the mnemonic aids and powerful long-familiar metaphors offered by the popular sense of history and geography, a sense inevitably infected by religion.⁴

Moreover, the concept as well as the concrete political identity of nationalism was flexible enough to permit communalists to not only claim but also to sincerely believe that theirs was a truly nationalist rather than a sectarian group. Matters were further complicated by the late 19th century religious revivalism, especially within Hinduism, which attempted with partial success to yoke together modernist ideals (science, rationality, technology, progress) and a reformed religious spiritual creed that downplayed the more atavistic and contradictory aspects of religion (untouchability, the subordination of women, superstition or excessive ritualism). With the advent of this new, improved variety of religious identity, it did not seem so self-evident as it had before that one had to choose between religion and spirituality on the one hand, and the ideals of modernism and science on the other.⁵ In the contest between communal and non-communal political formations, the burden of proof (to demonstrate moral or social superiority) was thus unequally distributed, usually falling more heavily on the secular type of grouping. It is in this context that we have to examine the complication of communalism in the process of emergence of the Indian nation-space.⁶

SPATIAL STRATEGIES IN SAVARKAR'S HINDUTVA

Hindutva is not a word but a history', declares Savarkar at the beginning of his self-consciously ideological tract, even as he proceeds to show how this history is closely and crucially intertwined with a geography (p. 211). He is very clear that the term which he did more than anyone else to popularise, and which is enjoying a major revival today – Hindutva or Hindu-ness – is not to be

confused with Hinduism, the latter being a 'sectarian' term, referring to the followers of the Hindu religion proper. Hindutva, on the other hand, includes members of other faiths (like Sikhism, Buddhism, or Jainism), though it cannot be accused of being overgenerous in this regard.

Savarkar invokes the etymology of the word 'Hindu' - derived from the Sanskrit 'Sindhu', the name of the river otherwise known as the Indus, and also the word for ocean. He recounts the process by which Aryan tribes from Central Asia came to settle in the Indus basin, and subsequently spread out into the entire sub-continent while managing to retain their sense of nation-ness and cultural identity, until

At last the great mission which the Sindhus had undertaken of founding a nation and a country, found and reached its geographical limit when the valorous Prince of Ayodhya made triumphant entry in Ceylon and actually brought the whole land from the Himalayas to the seas under one sovereign sway (pp 7-8).

This establishes the true geographical boundaries of the 'Sindhu' nation, from 'Atak to Cuttack', and from the 'Himalayas to the Cape' - or, more classically, from 'Sindhu to Sindhu', or 'river (Indus) to (the two) oceans'. Savarkar takes great pains to stress these boundaries, and especially the versatility of the sanctified word 'Sindhu'. "The reason for this excessive concern for these boundaries soon becomes obvious when his criteria for determining hindutva are announced. These are stated as the three conditions of 'pitrabhoo', 'jati', and 'sanskriti'. The first insists that a 'Hindu' should be born within Hindustan and thus have a legitimate claim to this nation-space as the fatherland."¹⁰ The second makes it obligatory for a Hindu to inherit Hindu 'blood' through natural parents.¹¹ But the most crucial interpretive move is in the third criterion, namely, that of a shared culture or sanskriti. Savarkar very quickly shifts from the common meanings of culture to a very specific one, namely, allegiance to a particular sacred geography. Thus, the final and ultimately all-important criterion for being a Hindu is that one's 'punyabhoo' or holy land should coincide with the 'pitrabhoo' so carefully demarcated earlier.

Savarkar's essentially territorial test for defining a 'Hindu' is thus based on the claim to a sacred geography. Among the three criteria that he proposes, it is clear that 'punyabhoo' takes precedence over 'pitrabhoo' and 'jati'. In fact, it is easily demonstrated that the latter two criteria are neither necessary nor sufficient: the case of a hypothetical American who may become a Hindu (p 54) demonstrates that blood and fatherland are not essential; while the fate of the Christians and Muslims of India (p 72), who are excluded despite their fulfilment of both these criteria, shows that they are certainly not sufficient. Both these instances establish beyond doubt that the

criterion of 'punyabhoo' is both necessary and sufficient, making it in effect the only relevant condition. This conclusion is further reinforced (though it is not in any need of this) by the highly significant exceptions that Savarkar considers - the Sindhis, and emigrant Indians settled abroad. In the case of the former, textual interpretation is invoked to stress that both banks of the Indus are to be included within the borders of Hindustan, thereby conferring membership on the Sindhis. As for emigrants, they are to be considered Hindus no matter where they are because of their holy lands being in Hindustan.

Theorists of human territoriality have suggested that it consists of, and may be used as, three main things, a form of classification, a mode of communication, and a method of enforcing control [Sack 1986:21-26]. Savarkar's definition of Hindutva can be seen as a very successful model of territoriality that includes all three features. As a spatial form of classification, it divides all those living in the Indian subcontinent into two clear camps, those who possess Hindu-ness or Hindutva and those who do not; this classification is spatial because it is based on a geographical definition of the holy lands which are to be considered decisive. Hindutva can also function as a mode of communication since "it requires only a single marker or sign - the boundary", one moreover, which "combines direction in space and a statement about possession or exclusion" [Sack 1986:32]. In the case of Hindutva, this boundary also acts as the means for legitimising power over and control of the nation-space, given its social context of a period of turmoil towards the end of colonialism, when the question of the formation of autonomous states is being considered. The claims put forward by Savarkar amount to the argument that only those marked by Hindutva have the moral-political right to constitute the nation, since their secular and religious-cultural interests are presumed to refer to the same geographical space.¹²

Considered at a more general level, the basic spatial strategy behind Savarkar's notion of Hindutva has for its central theme the redefining of the nation-space as a sacred space: the claim that the nation is, and ought to be, formed in the shape of a 'punyabhoo', a holy land. This serves to invest a geographical space - the actual physical extent of the Indian nation with a religious essence (the unanalysable relation of sacredness) that "outsiders" can never experience or comprehend, and which forever and completely defines 'insiders'.

NEHRUVIAN NATION-SPACE

As recognised by many scholars, the mainstream of the Indian national movement led by the Congress included a broad spectrum

of tendencies that based themselves on implicit or explicit appeals to Hindu religion [Dumont 1980, Chandra 1984:471]. These ranged from the militantly communal stance of a Tilak or a Savarkar to the much more complex but nevertheless recognisably Hindu approach of Gandhi. Indeed, as Nehru notes in his autobiography, the explicitly secular tendency (as different from tendencies that believed in coalitional arrangements across communities, especially Hindu-Muslim unity) within the Congress was a relatively weak one, its main proponent being Nehru himself. Given these conditions, it is difficult to say what the specific course of our post-independence history would have been were it not for two decisive but contingent events.

The assassination of Mahatma Gandhi by Nathuram Godse, and the latter's links with the RSS provided the secular forces with a big stick with which to beat communalists. The stigma of being associated with the Mahatma's killer was so strong that it took more than a decade for the Hindu right to regain sufficient legitimacy to make a mark in national level politics. Similarly, the sudden death of Sardar Vallabhbhai Patel in 1950 left the communal right within the Congress leaderless, and paved the way for the emergence of Nehru as the undisputed leader of the party. Moreover, Nehru's vote-drawing abilities and charisma helped to personalise his power and enabled him to play a critical but also larger-than-life role in the immediate post-independence period.

The period from independence up to the mid-1960s - the 'Nehruvian era' - has to be understood in the light of these events. If this era is now seen as the golden age of secularism, this is mainly because of the successful 'regionalising' of communalism during this period. Nehru and his allies managed to take over the newly created 'national' public sphere - shaping it in their own image as the sphere of state-sponsored socialism, secularism and non-alignment. The strong currents of communalism within the broader Congress movement were thus relegated (at least for the time being) to a more peripheral existence in the regions, especially in the northern heartland and in the west. So, the 'golden age' of secularism did not mean that communal forces were non-existent or even defeated; rather, they had been repressed within the national public sphere and displaced to the regional public sphere.

If the nation-space in Savarkar's Hindutva was based on a sacred geography, the Nehruvian nation-space was shaped by an economic geography. Nehruvian secularism was not really well-thought out, but represented rather a negative category. Insofar as its positive ideals had not been indigenised enough and had their roots in the western model of a secular-modern nation, this conception of secularism could only exist in

the newly created nation-state. It did not strike roots at the regional level. This was in keeping with Nehru's essentially economic understanding of communalism. As Partha Chatterjee has shown (1986: 141-43; see also note 31), Nehru believed that the legal guarantee of equality of citizenship regardless of religion, caste, creed or other social attributes would render communalism obsolete. It was only the colonial state that, by refusing to guarantee these freedoms, was helping to keep communalism alive in order to play off one community against another. A national state would act to remedy this, and

[h]aving assured the protection of religion and culture etc. the major problems that were bound to come up were economic ones which had nothing to do with a person's religion. Class conflicts there might well be but not religious conflicts except insofar as religion itself represented some vested interest [Nehru 1946: 387, quoted in Chatterjee 1986: 141].

The Nehruvian era amply demonstrates the centrality of the economy for nationalism.¹ The major spatial strategy of this era thus foregrounds the economy: the nation is figured primarily as an economic space. It is this economic geography that the post-independence generation has grown up with. Powerfully disseminated through schools and all the state media, the nation becomes a space of production, and is imagined via economic associations. Places are named, so to speak economically: Kodama is mica, Ankleshwar is petroleum, Rourkela is steel, Bhakra Nangal is power, Coimbatore is textiles, and so on. It was these sites of development – the celebrated dams and steel plants – that were the principal heterotopias fashioned by the Nehruvian regime. The citizens of the nation were invited to see themselves reflected in the mirror of technological progress and development, to identify themselves as fellow travellers on the journey towards this common goal.

When compared to the sacred geography of Hindutva, this spatial vision is remarkably inclusive – rather it lacks the differentiating principles which would enable boundaries to be drawn. Given that the nation was visualised as a community of patriotic producers, the Nehruvian nation-space could identify as 'other' only the non-worker (i.e. the shirker) or the non-national – the major axis of exclusion was directed outward across the national borders.¹⁴ By contrast, Hindutva claimed a nation-space where the major axis of exclusion is turned inwards: it is the 'internal' others who arouse anxiety.

The other side of the inclusiveness of the Nehruvian nation-space was an elitism that operated in an universalistic (rather than particularistic) mode. The Nehruvian era created and privileged a pan-Indian elite that could, by and large, afford to cut loose its

regional moorings. Not only did this elite seem to be 'placeless' – it also appeared to be caste-less and class-less – a truly secular modern elite. This elite spoke in the modernist idiom of secular nationalism, scientific technology, and economic development. By adopting this idiom, the elite was able to render invisible its own ascriptive marker. Thus, the fact that this modernist elite was almost exclusively upper caste and middle class, that it came from a very select cultural background and a specific set of regions – all this could become 'transparent' and thus be made to vanish. Consisting of the rising technocracy, the professional-managerial class, intellectuals and top bureaucrats, this was an elite which thought of itself in purely national terms, whose native habitat was the de-territorialised space called New Delhi. As Sudipta Kaviraj has sarcastically observed, one of the consequences of the Nehru era is the situation where "it seems that only those people who are unable to speak any Indian language are the real repositories of Indian nationalism" (Kaviraj 1990: 69).

The Chinese war marked the beginning of the end of the Nehruvian era, and the stress lines were very quickly exposed. The military debacle not only discredited Nehru as a statesman, it also made room for the return of the jingoistic rhetoric of the Hindu right that had characterised the partition era. The long simmering discontent among the displaced power brokers and regional elites came to the surface with Nehru's death, which also coincided with a break in the process of planned development brought about by war, drought and an economic crisis. Indira Gandhi could take control of the Congress only by splitting it, and her reign inevitably marked the advent of the era of electoral arithmetic based on vote banks and an implicit communal logic.

The inclusive spatial sense of Nehruvian developmentalism was overtaken by an anxiety about the vulnerability of the borders of the nation. At the same time, the privileged national sites of developmental projects and the like could no longer claim to be exclusively national. They had to negotiate with the more immediate and localised sense of social space in the form of several 'sons of the soil' movements (especially around public sector jobs), as well as movements projecting assertive regional identities that refused any longer to dissolve easily into the national. As the hegemony of Nehruvianism crumbled, the nation space became increasingly vulnerable to contestations, especially since neither the official notion of secularism nor the particular image of the national community associated with Nehru had strong local roots. As the dream of egalitarian economic development became more and more implausible, new ways of visualising the nation-space began to compete for control of the ideological high ground within civil society.

III

Contemporary Hindutva and its Heterotopias¹⁵

Perhaps the overall spatial character of hindutva is best described in terms of re-essentialisation or an attempt to reverse the spatial logic of Nehruvianism in order to return to Savarkar's vision of the nation-space. This means that hindutva tends to emphasise the particularity of social space, attempting to (re)invest it with a unique cultural specificity. This amounts to an aggressively pursued strategy for the 'Hinduisation' of India. Such a policy has sought (despite its significant unevenness) to reverse – or turn inside out – the Nehruvian nation-space. If Nehru claimed that dams and steel plants were the temples of modern India, hindutva stands him on his head and insists that temples are to contemporary (post-modern) India what steel plants and dams were modern (Nehruvian) India.

If communalism is to be understood as a process of competitive de-secularisation, Achin Vanaik has recently suggested (Vanaik 1993) that its socio-spatial dimension involves an effort to re-sacralise the nation-space. De-secularisation is directly dependent upon the strategic deployment of essentialism. It is in the name of religious essences – an analysable, non-contestable truth that is as evident to the faithful – that the flattening effect of an even-handed secularism is denounced. Against this diabolical and debilitating anonymity, communalism asserts its privileges of non-negotiable, unique, different identities. Where the heterotopia of the steel plant or the hydroelectric project is primarily inclusive (it is unable or unwilling to accord much importance to cultural distinctions), hindutva's new heterotopias are primarily exclusive, designed to serve precisely as markers of irreducible cultural difference.

In a certain sense, hindutva may be seen as exploiting the ideological vulnerability of the 'placeless' universalism of the Nehruvian nation-space. More precisely, this vulnerability consisted in the failure to articulate the abstract space to more personalised concrete places. Heterotopias like the steel plant could not also project a sufficiently intimate relationship with particular individuals. The overall strategy of the Hindu right today thus involves an effort to rekindle a personalised commitment to particular places that a nevertheless embedded within the abstract social space of hindutva. If the Nehruvian nation-space privileged the universal abstract space of secular-modern development, hindutva attempts to elevate as universal the particularised relationship of 'Hindus' to specific concrete places.

Why has hindutva rejuvenated itself during the 1980s and the 1990s in particular? The

of the negative side of the explanation, as suggested in the previous section, is to be found in the erosion of the foundations of Nehruvianism. Perhaps one of the reasons on the positive side has to do with the creation and development of the communications network. Initially established as part of the Nehruvian scheme to spread the message of national development, radio and especially television have undergone radical changes in the decades since Nehru. The dramatic expansion of television broadcasting in the 1980s (with the 1982 Asian Games held in Delhi as the springboard) created for the first time in Indian history, a national network organised around a medium vastly more powerful than either print or radio.¹⁶

Frederik Barth has suggested that culturally defined groups, like ethnic or religious groups, also constitute a 'field of communication' [Barth 1969]. The expansion of television and especially the historic 'Ramayana' teleserial can be said to have achieved this for the Hindu right. Of course, there was nothing predetermined about this, in the sense that it was hardly a conspiracy. On the other hand, the specific consequences of this teleserial, which invited a vast hitherto un-addressed audience to enter into a particular sort of 'narrative contract' [Korten 1992] cannot be exaggerated. In a very concrete sense, the religious teleserials of the 1980s prepared the ground for the Hindutva movement, as its leaders have themselves acknowledged [Rajagopal 1994]. By constructing a new, potent and abstract social-space mediated by the television screen, they made concrete the possibility of reviving Savarkar's 'punyabhoo' model of the nation-space.

These rather cryptic assertions can be best clarified through a more concrete discussion of the specific spatial strategies of hindutva. There are at least three distinct kinds of heterotopias that hindutva has attempted to construct in our recent history, those centred on places, areas, and routes.

PLACES OF ESSENCE: SACRED SITES

The strategy based on the 'site' is most obviously exemplified by the campaign for the 'liberation' of Ram Janmabhoomi. This strategy involves struggles around/for a sacred spot that can be turned into an arena of contest with the 'other'.¹⁷ The very 'unreasonableness' of essentialism becomes a weapon designed to humiliate the other in a game pre-designated to be zero-sum - if 'we' are to win, then 'they' must lose; if we do not win, then they will. The whole point is to seek sites of confrontation where faith meets faith in a fight to the finish. One cannot help feeling that the Janmabhoomi controversy (and the numberless Kashis and Mathurs that are said to be 'waiting') emerged out of a search for an answer to the question: Where can a temple be built only by destroying

a mosque? Within the implacable logic of 'Mandir wahin banayenge', construction has always been subordinated to demolition. This is amply borne out by the present situation, where the campaigns to 'reclaim' mosques in Kashi and Mathura are being heated up while the programme to build the temple at the Babri masjid site in Ayodhya is allowed to go cold.

It is important to emphasise that though the strategy of the site is based on essences, there is nothing essential about the strategy itself: it can be replicated quite easily in other places. This is, of course, proved by the extension of the Ayodhya strategy to other temple towns. But a more important illustration is provided by the flag hoisting controversy at Hubli, which is apparently a secular-nationalist issue. In spatial-strategic terms, however, the logic is the same: the insistence on a particular site; the adamant refusal to negotiate; and the systematic setting up of a zero-sum structure. The Idgah Maidan at Hubli thus represents a transposition of the Ayodhya strategy into a different context, city rather than small town; a localised rather than a generalised urban middle class; south rather than north; a national rather than religious flavour to the issue. The interesting corollary to the issue is that it is muslim religious identity that is relentlessly highlighted while the hindu right tries to cloak itself in the secular colours of patriotism.

AREAS OF INTIMACY: LOCALITIES AND NEIGHBOURHOODS

Unlike the site-based strategy which involves an abstract, universal essence embedded in the site, the spatial strategy based on the 'neighbourhood' emphasises the everyday familiarity of the site in all its spatial concreteness. In other words, the status of Ayodhya as the birthplace of Ram is an abstract and universal one; it is equally sacred for all hindus - those who happen to reside in Ayodhya are not necessarily privileged over those living elsewhere. But the strategy based on the neighbourhood emphasises the intimate relationship of local residents (neighbours) to their surroundings: this strategy privileges those who actually live in the particular space that is to be turned into a heterotopia. The neighbourhood is redefined as a threatened space - a besieged haven - that must be protected against the 'other'. If the 'other' is present in close physical proximity, i.e. if the locality is a mixed hindu-non-hindu one, the threat can be very easily simulated; if the 'other' happens to be absent from the locality, it is nevertheless portrayed as a threatened idyll permanently in danger of invasion.

As is well known, hindu right wing organisations, especially the RSS, have traditionally based themselves on the social geography of the urban middle and lower

middle classes [Basu et al 1993]. And as Tanika Sarkar in her valuable study of the Rashtra Sevika Samiti has found, the women's wing of the RSS, even more than its male counterpart, emphasises the importance of low-key but unrelenting ideological work in the immediate social vicinity of its cadres: the intimate and intensely particular spaces of domesticity and the family [Sarkar 1991]. In keeping with this philosophy, the prominent ideologue and general secretary of the Bhartiya Janata Party, K N Govindacharya seems to be almost obsessed with the locality and neighbourhood as the proper sphere for political negotiation and action:

We need to have more and more interaction, in an open and cordial atmosphere, between all the people, Hindus and Muslims, *residing in a particular locality*. This dialogue must take place between *the people of the locality themselves* directly, not through the self-proclaimed political leaders of one community or the other...

It is at that level that the question of how to live together while respecting the sentiments of others can be meaningfully discussed. *It is at that level* that ways may be found to get over the current competitive assertions of religion, resulting in the Namaz spilling over on the streets, and the Maha-aartis coming up in reaction. A dialogue *at the level of the neighbourhood and the district alone* can provide solutions to such problems. Only by thinking together *at the neighbourhood and the local levels* shall we learn to think in unison, as component parts of the whole Indian nation [Govindacharya 1993:22; emphasis added].¹⁸

The significance of the locality as a heterotopia is not only in terms of what it is able to achieve within its own spatial limits, but rather in the possibilities it creates for inserting such localities into a larger grid of ideological dissemination and political action. Thus, the neighbourhood acts as a sort of modular unit which, though it is crucially dependent on its particular location in social space, can nevertheless provide the ideological context for the production and reproduction of world views as well as properly indoctrinated workers for the hindutva cause. Especially when considered in conjunction with the other two kinds of heterotopias, namely the site and the route, these localities and neighbourhoods are the locations which help make the other two strategies possible. It is localities and neighbourhoods which supply the holy bricks, and the kar sevaks that are then transported to a particular site; they are also the points along the route of a procession or yatra.

ROUTES OF SYNERGY: PROCESSIONS AND PILGRIMAGES

Finally, the strategy based on the model of the 'pilgrimage' attempts to string together and multiply the effect of many particular places by joining them into the 'route' of a

goal-directed journey. This 'dotted line effect' gets the best of two worlds. Each 'dot' along the way remains a small town and yet can participate in something on a 'national' scale. Thus, it takes advantage of the strong sense of involvement and experiential energy that can be generated in a localised setting, but without sacrificing the ideological economies of scale. Most obviously visible in the various yatras undertaken by BJP leaders – Advani's Rath yatra, Joshi's Kanyakumari to Kashmir yatra and more recently the 'jana aadesh' yatra from four different corners of the country. The concept of a yatra enables the invocation of a certain spatial sense of the power and persuasive sweep of an ideology. While this particular tactic is hardly new in Indian politics, the Sangh Parivar has been its most effective exponent in recent times.

One can also add to this the role played by processions in mobilising communal support in urban centres and small towns. The case of the Ganesh Utsav in Hyderabad is a well known example of exploiting the dynamic properties of the procession in creating powerful synergies of an oppositional nature. Processions of this kind simultaneously achieve the ends of uniting one's own side as well as the antagonists – thus ensuring in an almost automatic fashion, the success of political mobilisation [Naidu 1992]. In terms of the kind of people who are needed to create and to sustain such mobile heterotopias, this strategy is a mix of the previous two in that both locals as well as outsiders can be involved in making a yatra or a procession successful.

What it means to characterise the spatial aspects of hindutva as being based on the primacy of the particular should now be somewhat clearer. Each of the strategies outlined above seeks to create particular kinds of heterotopias – spaces which function as ideological mirrors to allow particular political subjects to recognise themselves in the identity that they seem to offer. Such heterotopias are generally dependent on the invocation of particular places – specific physically identifiable sacred spots, localities or neighbourhoods and dots along the route to a goal. Despite this, however, hindutva manages to reap the economies of ideological scale by leveraging these heterotopias to obtain a larger-than-additive synergistic effect.

IV

Contrary Tendencies and Preliminary Prognoses

The above discussion of the spatial strategies of hindutva no doubt seems too neat and smooth because it has not taken account of the countervailing tendencies and the other extraneous forces which form the overall social context within which hindutva must operate. I will mention here only two of the significant

counter-tendencies at work within the broad rubric of hindutva and do little more than mention them.

The first, somewhat paradoxical case is that of the strategy of the site itself. The very success of this strategy, when coupled with the fact that an indefinite number of such sites is believed to exist, undermines the emphasis on particularity. One, two or a few sacred spots may depend on particularity, but when the number swells to a few thousand and nobody is either willing or able to pin a specified limit to this number, then this strategy turns into its opposite.¹⁷ There is little to distinguish it from the invocation of generalised (non-specific) spaces by (say) the rhetoric of globalisation.

The second, and perhaps more important example is that of what might be called 'non-resident hindutva'. The 1993 meet held in Washington (called 'Global Vision 2000') by the VHP provides an obvious instance, where two versions of hindutva, one asserting the 'portability' and the other the 'immoveability' of its essence, collide. To say that they collide may already be an exaggeration today, when the globalised world is witness to more and more such ongoing negotiations between the local and the globalised faces of ethnicity [Appadurai 1991, Anderson 1992].

GLOBALISATION AND HINDUTVA

Among the most powerful competitors of hindutva for the status of major engine of contemporary social change is 'globalisation'. Broadly speaking, globalisation appears to pursue the contrary tendency: it tends to undermine the particularity of places and to subordinate them to a universalised logic. Every specific place is compared to – or commensurated with – a global norm. Edward Said has named the orientalist version of this levelling process as 'moral commensuration'. This is a process whereby western metropolitan places come to have a kind of export value: whatever is good or bad about place at home is shipped out and assigned comparable virtue or vice abroad [Said 1993: 79]. One can, I think, conceive of a contemporary equivalent for globalisation where the movement is usually (but not always) in the reverse direction: non-western (third world) places are compared to some western norm place, and valorised, or given a modified ideological meaning, through this comparison.¹⁸ In effect, this kind of moral commensuration 'equalises' places and seeks to underplay differences rather than to accentuate them.

More generally, theoretical prognoses of the development of capitalism from Marx onwards have pointed to the universalising tendencies of capital. In spatial terms, this expresses itself in the process of deterritorialisation, that is, the uprooting and

enforced portability of all forms of social life that capital takes hold of. Anthony Giddens has suggested an awkward but accurate phrase to summarise this aspect of the impact of globalisation – the disembedding of social relations. This is the process rendered familiar by the literature on the restructuring of capital – flexible accumulation and 'post-Fordism'. Industries turn nomadic in the search for the most profitable location; production processes are broken up and subcontracted globally; innovations in telecommunications enable certain industries (like computer software) to engage in 'space-less' production, i.e. without a single specific spatial location in the conventional sense. (Satellite links enable software engineers located in far-flung corners of the globe to participate simultaneously in production, while the product itself exists only in the cyberspace of electronic storage devices.) The basic outcome of such a conquest of space is a profound indifference towards its specificities. Thus, the spatial consequences of the economic logic of contemporary capitalism include the dilution of nation-specific production into a more anonymous globalised process [Deshpande 1993b].

However, recent research has also demonstrated that the alleged conquest of space is far from complete and is in any case a rather uneven and contradictory process. These researches build on the insight reported more than two decades ago by Deleuze and Guattari:

Civilised modern societies are defined by processes of decoding and deterritorialisation. But what they deterritorialise with one hand, they reterritorialise with the other. [Deleuze and Guattari 1977: 25] (original emphasis)

The process of reterritorialisation that accompanies deterritorialisation takes many forms, but two are especially common. First, there is the simple refusal of archaic territorial entities to go away and indeed an increase in their mass appeal. An excellent example is the nation, which in defiance of marxist (and non-marxist) economic expectations regarding the erosion of national identities, continues to command the often fanatical loyalty of large numbers. The second more complex form of reterritorialisation can be considered to be an integral part of the process of globalisation itself, namely the cultivation and deepening of spatial specificity, but within a framework where this is subordinated to the overall logic of globalisation. An obvious example here is the tourism industry, which fosters and even invents specificity as 'authentic exoticism', but only in order to offer these exotica in a domesticated, pie-packaged form to the global consumers of cultural difference or affluent tourists.¹⁹

This latter tendency has occupied the attention of social researchers trying to account for the striking fact that globalisation is

accompanied by the growth of particularistic cultural identities of all kinds. Across the globe today, what may be termed 'essentialist' cultural identities – based on religion, ethnicity, nationality, language, or region – are enjoying an unprecedented revival even as the processes of globalisation are simultaneously intensified. It has been tempting, therefore, to speculate on a possible causal link between the two processes, leading to the broad thesis that globalisation produces a sort of 'identity anxiety' that individuals and groups seek to redress through the reassertion of particularistic identities. Economic globalisation produces – indeed, even requires – cultural parochialism as its own antidote and precondition. Religion is particularly relevant in this context, as demonstrated by the remarkable revitalisation of Catholic, Protestant, Jewish, Islamic, Hindu and Buddhist fundamentalisms of various kinds in widely differing local milieux [Beyer 1990].

Returning then, to the basic theme of this essay, it is more than plausible to theorise the contemporary use of *hindutva* as a more or less necessary byproduct of the process of globalisation. At the same time (as I have tried to argue above), the two are also mutually contradictory. It seems difficult in such a context to hazard guesses about the future. However, it may be useful to keep in mind these two sets of relations – the one complementary and the other contradictory – rather than any unidimensional conception of their reciprocal involvement. Perhaps this is the limited insight that social theory can offer, even as we await, and try to work towards, the emergence of different, more enabling attentions of the two processes.

Notes

[This paper is part of an ongoing project on the relations among *hindutva*, globalisation, and conceptions of the Indian nation. Different parts and versions of this argument have been presented at the panel on 'Religion, Region and Nation' at the XXth All India Sociological Conference, Mangalore, December 1993; at the international seminar on 'The Third World City: Emerging Scenarios' organised by the Centre for Area Studies, Osmania University, Hyderabad in February 1994, and the annual Sahalarn Studies Conference hosted by the International Centre for Ethnic Studies, Colombo in June 1995. Helpful comments from members of the audience at these venues are gratefully acknowledged.]

- 1 The phrase quoted forms the subtitle of Edward Soja's book (1989); some other works that treat social space in an innovative way include Leitch (1991), Bourdieu (1984), De Certeau (1984), Trian (1977), Sack (1986), and Harvey (1989).
- 2 For different perspectives on these and related issues, see, for example, Anderson (1991), Smith (1986) and Wallerstein and Balibar (1991).
- 3 The particular source from where I am borrowing is the translated text of the notes

which formed the basis of a lecture given by Foucault in 1967. This manuscript was "not reviewed for publication by the author and [is] thus not part of the official corpus of his work." I mention this only to underline the fact that this text does not carry the theoretical authority that other finished works might. Moreover, I am also taking considerable interpretive liberties with it.

- 4 Foucault's use of the mirror metaphor may be helpful in clarifying the relationship between the utopia and the heterotopia.

The mirror is, after all, a utopia, since it is a placeless place. In the mirror, I see myself there where I am not, in an unreal, virtual space that opens up behind the surface. But it is also a heterotopia insofar as the mirror does exist in reality, where it exerts a sort of counteraction on the position that I occupy. ...[I]t makes this place that I occupy at the moment when I look at myself in the glass at once absolutely real, connected with all the space that surrounds it, and absolutely unreal, since in order to be perceived it has to pass through this virtual point which is over there [Foucault 1986:24].

- 5 To say this, however, is not to assume an unbroken continuity with the past, nor to insist on a discontinuous present. Rather, such an attentiveness to the "history of the present" is indispensable when the object of enquiry is ideological, since no ideology ever starts with a clean slate but selectively builds on (or dismantles) already existing formations. Even completely new elements take on their meaning and produce their effects only in conjunction and/or juxtaposition with older elements.
- 6 Jawaharlal Nehru is a good example, as several passages from his *Autobiography* or *The Discovery of India* attest.
- 7 Partha Chatterjee's well-known account, for example, constructs the 'moment of departure' of Indian nationalist discourse in terms of the Bankim model: modern (western) science and technology plus traditional (Indian) dharma and culture [Chatterjee 1986].
- 8 I am deliberately avoiding an extended discussion of the various views on the nature and sources of communalism, and will provide only a minimalist working definition, for the purposes of this essay, communalism involves both (a) the pursuit of political goals through the open or hidden appeal to religious sentiment and/or identities; and (b) the exploitation of this sentiment to exclude other religious groups and to cultivate hostility towards them. Let me also make it clear that though I will discuss only Hindu communalism, this should not be taken to imply that I believe it to be the only kind existing. Finally, because it offers so striking an instance of a conscious spatial strategy, I am restricting myself here to a single work by a single author, 'Swatantraya Veer' V. D. Savarkar and his pamphlet, *Hindutva*. This pamphlet is contained in volume VII 'Hindu Rashtra Darshan' of the *Sampurna Savarkar Wangmaya*, the collected works of Savarkar, published (and partially translated into English from the Marathi) by the Maharashtra Prantik Hindu Sabha in 1964. Unless otherwise specified,

all subsequent quotations and page references are from the English translation in this edition [Savarkar 1964].

- 9 "The word Sindhu in Sanskrit does not only mean the Indus but also the sea – *samudrarashma* which girdles the southern peninsula – so that this one word Sindhu points out almost all the frontiers of our land at a single stroke [Savarkar 1964:20].
- 10 It may be interesting – though this must be examined further keeping in mind the vagaries of translation and the semantic context of the Marathi original, something which I have been unable to do as yet – that Savarkar appears to consistently prefer the term 'fatherland' to 'motherland' despite the continued (though sporadic) mention of the latter word.
- 11 Unlike in the case of 'purahoon' and 'matrahita', Savarkar seems to have used some interpretive licence here (and this is probably not a matter of translation) for he uses the word 'blood' to mean 'jati' usually translated as caste. His argument is that 'Hindus' are all of one caste and (therefore) of one blood because of the frequency of anuloma and pratiloma (i.e. inter-caste) marriages over the centuries and even millennia. It is interesting to compare Savarkar's criteria with Schneider's comments on the parallels between kinship by blood and marriage versus nationality by birth and naturalisation [Schneider 1976:215-16].
- 12 While this is something that needs to be taken up in greater detail as a separate discussion, it may be worthwhile to note in passing that these spatial strategies raise doubts about the viability of Partha Chatterjee's distinction between the 'inner' and the 'outer' realms. He has suggested that this distinction, and its transposition into the spiritual/material dichotomy, was the characteristic feature of Indian nationalism. This enabled Indian nationalist discourse to acknowledge the undeniable dominance of the west in the outer/material realm, while simultaneously reserving the inner/spiritual domain as its '*sovereign territory*' [Chatterjee 1993:6, emphasis added; see also Chatterjee 1986].
- 13 However, such an analysis cannot accommodate Savarkar's spatial strategies, which do not necessarily restrict the sphere of nationalism or spirituality to the 'inner' realm. Moreover, this directly contradicts important nationalist-communist initiatives (which I have been unable to discuss here) like that of B. G. Tilak, who politicised the 'Ganesh Utsav' and transformed it from the household festival (which it traditionally was) into a public affair involving ten days of collective celebrations climaxed by an immersion procession [see Cohn (1987:125-26) for a brief discussion of Tilak, and Devji (1994) for a different view on the spatial dynamics of gender and Muslim religious identity in colonial India; see also Section III].
- 14 I have discussed this theme at length elsewhere; see Deshpande (1993a) for the centrality of the ideology of economic development for Indian nationalism.
- 15 See Deshpande (1993b) for an extended treatment of this and related themes concerning the principal ideological models of the economy in 20th century India.
- 16 Let me clarify at the outset that, unlike in the previous section where I was referring to

the term that Savarkar employed (which is why I had retained his capitalisation of 'Hindutva'), in this section I am using the lower-case term 'hindutva' in a contemporary and rather broad sense as an abbreviation for both the general ideology associated with, and the socio-political movement led by, the neo-Hindu right-wing grouping crystallised around the so-called 'Sangh parivar'. [Compare Basu et al (1993:1, fn), who use the term hindutva "not in the sense of Hinduism, but to indicate the contemporary communal organisations and movements that use this banner".] This is obviously an unprecise definition in that it does not recognise the many distinct (and sometimes contrary) tendencies contained within the same overall phenomenon. However, I believe that this rough definition (like that of communalism above) will suffice for the purposes of this essay, especially since the argument is still at an exploratory stage.

Moreover, when speaking of the overall spatial character and the particular spatial strategies adopted by 'hindutva', I am speaking of the ideological effects pertaining to social space that are being produced through the logic of hindutva as a socio-political force operating in the contemporary context. I do not mean to imply, when referring to these ideological effects, that they are necessarily intended or consciously strategised by identifiable individuals or groups – but I do not rule out this possibility either. In short, while the coherence of hindutva is to be sought in terms of effects rather than intentions, the co-presence of both is a matter for empirical investigation rather than theoretical prejudice.

- 6 For suggestive discussions of this crucial episode in the cultural-politics of contemporary India, see Rajadhyaksha (1990) and Rajagopal (1993).
- 7 Arvind Rajagopal has suggested that the theme of a birthplace has special spatial and psychological significance: "There is a promise here of regaining a primordial oneness with the self, of reconciling the divisions within the self in the unity of the self-evident location" [Rajagopal 1994:1662].
- 8 Unfortunately, I have as yet been unable to gain access to a copy of Govindacharya's book and so have relied on extensive extracts published in *Blitz* magazine of December 3, 1993, as an anniversary issue commemorating the destruction of the Babri masjid. These quotations are from this extract.
- 9 Vishwa Hindu Parishad and other like-minded organisations have often claimed such figures – sometimes in the thousands – of allegedly desecrated Hindu temples awaiting 'liberation'.
- 10 As an example, one can cite a well known series of advertisements for the Tata group of companies which is built around the strategy of comparing places and things Indian to their global counterparts: Bombay is compared to Beijing or New York, an Indian steel plant is compared to a German one, and so on. This is the opposite of the essentialisation that is an integral part of the spatial strategy of hindutva.
- 11 For an overview of this literature, see Harvey (1989), especially part II, Chapters 7–11, 'The political-economic transformation of late 20th century capitalism'.

- 22 It is, of course, one of the better known ironies of the late 20th century that it is precisely in the former socialist states that parochial nationalism has taken its most virulent form. One must remember, however, that the *Communist Manifesto* acknowledges (by implication) the longevity of the nation-form when it visualises each national working class tackling its own bourgeoisie, before it is possible for the workers of the world to unite. See also Anderson (1992) for a brief discussion of some of the contradictory tendencies fostered by globalisation.
- 23 For a rich variety of perspectives on this set of issues, see the articles in the volume edited by Mike Featherstone (1990), especially those by Robertson, Wallerstein, Smith, Arnason, Hannerz, Appadurai, and Beyer.

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Industrialisation, Liberalisation and Two Way Flows of Foreign Direct Investments

Case of India

Nagesh Kumar

The Indian government's attitude towards foreign investments has evolved over the post-independence period in four distinct phases. The period from independence up to the late 1960s was marked by a gradual liberalisation of attitude. The period from the late 1960s through to the 1970s was characterised by a more selective stance. The 1980s were marked by a certain liberalisation of policy. In 1991 India liberalised its policy regime further with respect to both inward and outward FDI as a part of reforms undertaken to increase the international competitiveness of Indian enterprises. This paper analyses the evolution of India's FDI position in these four phases of government policy and levels of industrialisation and development.

INTRODUCTION

AT the time of its independence in 1947 India was a host to a significant stock of foreign direct investment (FDI) largely owed to her erstwhile colonial master the UK. Soon after the independence, India embarked on a strategy of industrialisation with active governmental intervention. Domestic enterprises accumulated considerable capability in the process of industrialisation which has influenced not only the pattern of inward FDI in the country in subsequent period but has also led to investments made by Indian enterprises abroad. The changes in government policy have also had an important bearing on the FDI position of India. The Indian government's attitude towards foreign investments has evolved over the post independence period in four distinct phases. The period from independence up to the late 1960s was marked by a gradual liberalisation of attitude. The period from the late 1960s through to the 1970s was characterised by a more selective stance. The 1980s were marked by a certain liberalisation of policy. In 1991 India liberalised its policy regime further with respect to both inward and outward FDI as a part of reforms undertaken to increase the international competitiveness of Indian enterprises.

This paper analyses the evolution of India's FDI position in these four phases of government policy and levels of industrialisation and development. The theory posits that the pattern of a country's FDI, both inward and outward, changes with the structural transformation of the economy [Dunning 1981, 1994; Ozawa 1992]. This is because the structural transformation affects the competitive advantages of foreign investors relative to those of local firms (ownership or 'O' advantages), relative competitiveness of location bound resources and capability of the country (location or 'L' advantages) and the propensity of foreign and local firms to utilise the ownership advantages internally rather than through

market (internalisation or 'I' advantages). With country's development and government interventions the configuration of these advantages changes which gets reflected on the FDI position of the country. A country's FDI position is expected to evolve through a sequence of four or five stages according to Dunning's investment development path (IDP) theory.

The first stage is characterised by low levels of development and underdeveloped infrastructure. In this stage the little inward FDI that the country receives is concentrated in extractive or primary resources because 'L' advantages are insufficient. There is hardly any outward FDI because 'O' advantages of domestic enterprises have not been developed. Government intervention in this stage focuses on building up infrastructure and development of human resources. In the second stage, development of local markets and other 'L' advantages in the form of protection of local industry brings in import substituting manufacturing FDI. Domestic enterprises develop some 'O' advantages as they accumulate certain technological capability in the process of production using and adapting technologies available elsewhere. Government policies also encourage accumulation of technological capability. These 'O' advantages would lead to outward FDI at this stage. The outward FDI is expected to be of market-seeking or trade related type, made generally in neighbouring countries at a lower level of development in terms of 'O' advantages. There may be some strategic asset-seeking investments in more advanced countries. In the third stage, both inward and outward FDI activity move towards a higher level of sophistication. The 'O' advantages of domestic enterprises are strengthened and they acquire technological capability to produce standardised goods. On the one hand, this will erode the competitiveness of 'O' advantages of foreign investors in standardised goods sectors. This coupled with rising incomes and wages, and enlarged market will direct inward FDI to more technology-intensive

manufacturing, generation of higher value added locally, and towards efficiency-seeking or export platform production. It will also lead to expansion of outward FDI by domestic enterprises. In the final stage the accumulation of acquired assets by domestic enterprises reaches a level that outward FDI flows are evenly balanced with the inward FDI flows.

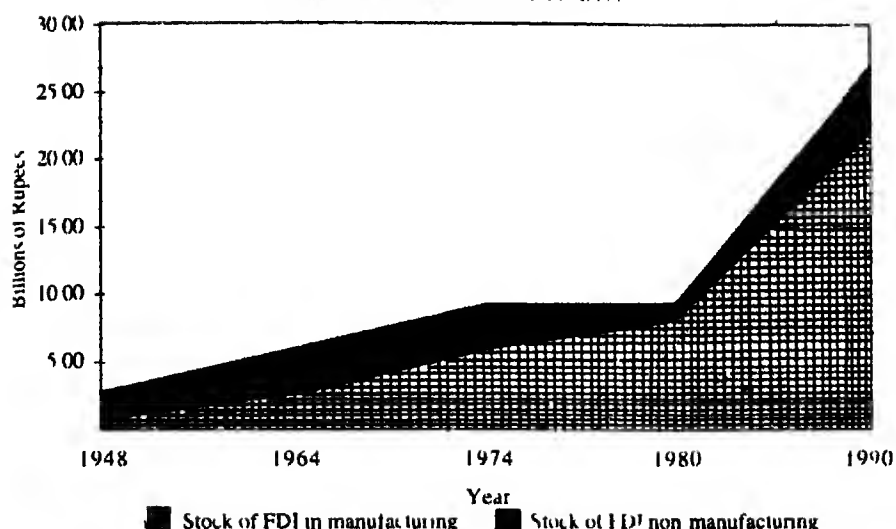
In Ozawa's scheme the four stages of development of FDI position of a country are respectively factor driven, 'investment driven', 'innovation driven' and 'wealth driven' stages and roughly correspond to those of Dunning. It would be useful to keep these theoretical prepositions in the background for the analysis of this paper.

1948-67 CREATING LOCATIONAL ADVANTAGES WITH IMPORT PROTECTION

In the mid-1948, when the first survey of India's international assets and liabilities was undertaken by the Reserve Bank of India (RBI), the stock of foreign investment in the country stood at Rs 2,560 million, largely from India's erstwhile colonial master, the UK. The sectoral pattern of FDI was quite typical of stage one of IDP. The bulk of the FDI stock was of natural resource seeking and of trading type and had concentrated in raw materials, extractive, or service sectors. Tea plantations and jute accounted for a little over a quarter of total FDI which together contributed half of India's exports, about 32 per cent was in trading and other services, 9 per cent in petroleum, and only about 20 per cent in manufacturing other than jute [Kidron 1965: 3].

Soon after independence, India embarked on a strategy of import substituting industrialisation in the framework of development planning. With the Second Five-Year Plan which was launched in the mid-1950s, the Indian industrialisation strategy focused on development of local capability in heavy industries including the machinery manufacturing sector. The scope of import substitution extended literally to almost everything that could be manufactured in the

FIGURE 1 STOCK OF INWARD FDI IN INDIA



country [see Bhagwati and Desai 1970 for more details]. The domestic industry was accorded considerable protection in the form of high tariffs and quantitative restrictions on imports. In order to channel country's scarce investible resources (the savings rate was just over 10 per cent in 1950) according to Plan priorities, an industrial approval (licensing) system was put into place in the country that regulated all industrial investments beyond a certain minimum. A number of key industries were earmarked for further development in the public sector either in view of their strategic nature or anticipated lack of initiative in the private sector because of large capital requirements. As a part of the development plans large investments were made in human resources creating activities such as expansion of educational, especially the technical and engineering, facilities and creation of a scientific and technological infrastructure in the form of a network of national and regional laboratories in the country. The government also made investments in development of institutional infrastructure for industrial development such as term lending and capital markets development. As the domestic base of 'created' assets viz technology skills, entrepreneurship was quite limited, the attitude towards FDI was increasingly receptive.

The foreign investment policy statement made by the prime minister in April 1949 considered foreign investment necessary in supplementing Indian capital and for securing 'scientific, technical and industrial knowledge and capital equipment'. It was, therefore, encouraged on mutually advantageous terms though the majority local ownership was preferred. Foreign investors were assured of no restrictions on the remittances of profits and dividends, fair compensation in the event of acquisition, and were promised a 'national treatment'. The foreign exchange crisis of 1957-58 led to further liberalisation in the

government's attitude towards FDI. In a bid to attract foreign investment to finance foreign exchange component of projects, a host of incentives and concessions were extended. The Indian investment centre, with offices in major investor countries, was set up in 1961 to promote foreign investments in India. Anticipating the foreign exchange bottleneck to continue and affect the Third Five Year Plan projects, the government issued a list of industries in 1961 taking into account the gaps in capacity in relation to plan targets where foreign investments were to be welcomed. These included some of the industries earlier reserved for the public sector such as drugs, aluminium, heavy electrical equipment, fertilisers, synthetic rubber.

Inward FDI The protection accorded to local manufacture acted as an important locational advantage encouraging market seeking FDI. A large number of foreign enterprises serving Indian market through exports started establishing manufacturing affiliates in the country. This - late 1950s and early 1960s - was the period when western multinational enterprises started showing real interest in India. In the early 1950s their response was only lukewarm except in the case of one-shot investment in oil refineries [Kidron 1965: 102, 157]. Most foreign drug companies exporting to India also set up their manufacturing subsidiaries in India during this period. Between 1948 and 1964 the FDI stock in the country more than doubled to Rs 5,655 million from 2,560 million (Table 1). Creation of locational advantages led to a sharp jump in the share of manufacturing in the FDI stock to over 40 per cent from around 20 per cent at the time of independence. Within manufacturing sector, consumer goods industries such as food and beverages (13.2 per cent), medicines and pharmaceutical (10.9 per cent), textile products (7.2 per cent), and intermediate and capital goods such as metal and metal products

(14.4 per cent), electrical goods (7.9 per cent), chemicals and allied products (16 per cent), machinery and machine tools (6.9 per cent) and transport equipment (6.5 per cent) accounted for bulk of FDI stock. As Indian enterprises had not accumulated adequate ownership advantages, outward FDI was negligible in the period.

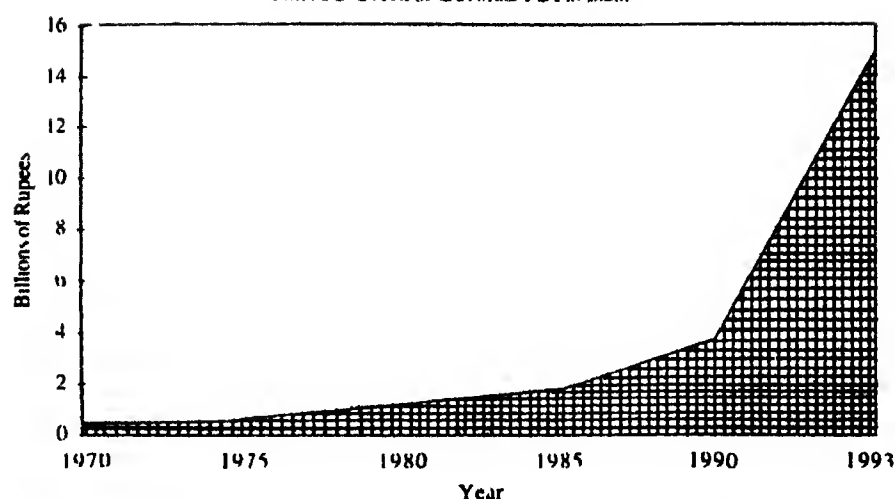
To sum up the above discussion, India during this period was getting itself equipped with the locational advantages and internalisation advantages necessary to make a transition to stage two of the IDP.

1968-79: PROTECTING THE DOMESTIC BASE OF CREATED ASSETS

Investments made in machinery fabrication facilities, manpower development, scientific and technological infrastructure made in the previous period had led to development of certain 'created' assets in the country. For instance, certain capabilities for process and product adaptations had been built up in the country. A number of local design engineering and project management consultants had accumulated considerable expertise while acting as subcontractors for western prime consultants. A considerable plant fabrication capability had been built up in the country by the 1960s. The share of capital goods industry in industrial value added had increased from under 5 per cent in 1950 to nearly 25 per cent by 1970. The share of imported machinery and equipment as a proportion of gross domestic capital formation had gone down from 69 per cent in 1950 to under 25 per cent by 1968-69. However, locally available skills and capabilities were needing some sort of infant industry protection as these were not able to stand competition from more established industrialised country sources. Constraints on local supply of capital and entrepreneurship had begun to ease somewhat. On the other hand, outflow on account of remittances of dividends, profits, royalties and technical fees etc. abroad on account of servicing of FDI and technology imports from the earlier period had grown sharply and had become a significant proportion of the foreign exchange account of the country.

All these factors together prompted the government to streamline the procedures for foreign collaboration approvals and adopt a more restrictive attitude toward FDI. A new agency called the Foreign Investment Board (FIB) was created within the government in 1968 to deal with all cases involving foreign investment or collaboration with up to 40 per cent foreign equity. Those with more than 40 per cent foreign ownership were to be screened by a Cabinet Committee. Restrictions were put on proposals of foreign direct investments unaccompanied by technology transfer. The government listed industries in which FDI was not considered

FIGURE 2 STOCK OF OUTWARD FDI IN INDIA



desirable in view of local capabilities. The permissible range of royalty payments and duration of technology transfer agreements with parent companies were also specified for different items. The guidelines evolved for foreign collaborations required exclusive use of Indian consultancy services wherever available. If foreign consultants were required, the Indian consultants had to be retained as prime consultants. Restrictions were imposed on renewals of foreign collaboration agreements. A new Patents Act was enacted in 1970 which abolished 'product' patents in foods, chemicals, and drugs and reduced the life of process patents from 16 to 7 years (14 years in other cases). From 1973 onwards the further activities of foreign companies (along with those of local large industrial houses) were restricted to a select group of core or high priority industries. In the same year a new Foreign Exchange

Regulation Act (FFRA) came into force which required all foreign companies operating in India as branches of companies incorporated abroad to register themselves as Indian companies with up to 40 per cent foreign equity. The Indian companies were also directed to dilute their foreign equity to a maximum of 40 per cent and exceptions were made only for companies operating in high priority or high technology sectors, tea plantations or those producing predominantly for exports. In 1976, a Technical Evaluation Committee with representation from various scientific agencies was set up to assist the FIB in screening foreign collaboration proposals. The committee was expected to provide a professional input into the decision whether foreign collaboration or FDI proposal under evaluation was justifiable on the grounds of bringing technology not available locally to the country.

The government policy encouraged outward investments by Indian companies as means of promoting exports of Indian capital goods, technology and consultancy services. A systematic treatment of overseas investments, however, started only since 1974 when an Interministerial Committee on Joint Ventures Abroad was created within the ministry of commerce to approve proposals from Indian companies. The guidelines for approval were formulated in 1978 which required the Indian participation to be in accordance with the host country regulations. The guidelines encouraged the joint venture form of operation with local enterprises and required that Indian equity participation be made by way of capitalisation of export of indigenous plant, machinery, capital goods and some times even know-how to the joint venture from India. In view of scarcity of capital resources in the country cash remittances of capital to overseas ventures were discouraged but could be allowed in exceptional cases.

The above policies for developing and protecting local expertise built up ownership advantages of local enterprises which in turn got reflected not only on the pattern of inward FDI but also led to significant outward FDI from India as will be seen below. This period marked the completion of India's transition to stage two of IDP.

Inward FDI The restrictions placed on FDI during the period led to a stagnation of FDI inflows. For instance, FDI stock increased between 1974 and 1980 by just Rs. 163 million (Table 1). The increase in overall stock of FDI, however, tends to mask the reorganisation that took place in the pattern of FDI in the country during this period. One striking trend was liquidation of FDI stock

TABLE 1 SECTORAL DISTRIBUTION OF THE STOCK OF FDI IN INDIA

(Rs. million)

Industry Group	Mid 1948	March 1964		March 1974		March 1990		March 1990		Approvals	
	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent
I Plantations	25.0	1059	18.7	1072	11.7	385	4.1	2560	9.5	na	na
II Mining	na	47	0.9	64	0.8	78	0.8	80	0.3	na	na
III Petroleum	9.0	1433	25.3	1379	14.7	368	3.9	30	0.1	43290*	32.89
IV Manufacturing	20.0	2293	40.5	6286	68.4	8116	86.9	22980	84.9	67400	51.21
Food and beverages	na	302	13.2	521	8.3	391	4.8	1620	7.0	15720	11.94
Textiles	na	166	7.2	356	5.7	320	3.9	920	4.0	2300	1.75
Machinery and machine tools	na	157	6.8	421	6.7	710	8.8	3540	15.4	4460	3.39
Transport equipment	na	150	6.5	321	5.1	515	6.3	2820	12.3	4710	3.58
Metal and metal products	na	331	14.4	867	13.9	1187	14.6	1410	6.1	13210	10.04
Electrical goods	na	182	7.9	681	10.9	975	12.0	2950	12.8	12830	9.75
Chemical and allied products	na	601	26.2	2037	32.6	3018	37.2	7690	33.4	9470	7.20
Miscellaneous	na	404	17.6	1050	16.7	1000	12.3	2030	8.8	4700	3.57
V Services	32.0	823	14.6	398	4.4	385	4.1	1400	5.2	18380	13.97
Total	2560	5655	100.0	9160	100.0	9332	100.0	27050	100.0	131610	100.0

Notes: Percentages given in the manufacturing sub-sectors represent the break-up of FDI in manufacturing.

* includes power generation.

Sources: Compiled from RBI, India's International Investment Position, *Reserve Bank of India Bulletin*, July 1975, March 1978, December 1984 and April 1985, and RBI, India's Foreign Liabilities and Assets as on March 31, 1990, *Reserve Bank of India Bulletin*, August 1993, pp 1031-51 and the India Ministry of Industry.

TABLE 2 INVESTMENT MADE BY INDIAN ENTERPRISES IN OVERSEAS SUBSIDIARIES AND JOINT VENTURES BY YEAR OF APPROVAL

(Rs. million)

Region	<1970		1970-75		1976-80		1981-85		1986-90		1991-95		Total	
	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity
South east and East Asia	3	62 319	13	57 972	27	323 17	8	32 616	27	466 504	67	1 055 949	145	2578 53
Singapore					9	25 147	4	20 406	6	274 884	32	689 711	51	1010 148
Malaysia	2	59 884	5	14 173	5	60 702	3	6 21	8	90 113	17	566 358	40	797 44
Thailand	1	2 435	2	12 072	4	120 841			8	92 252	6	25 822	21	253 422
Hong Kong			1	0 26	3	0 307			4	9 046	9	90 289	17	99 902
Others			5	31 462	6	116 173	1	6 0	1	0 209	3	263 769	16	417 618
South Asia	1	0 23	1	0 699	7	95 143	14	31 141	8	96 884	29	845 813	60	1069 91
Sri Lanka	1	0 23	1	0 699	3	52 303	8	12 243	4	35 658	12	675 921	29	776 054
Nepal					4	42 84	6	19 898	3	31 146	9	137 555	22	231 439
Bangladesh									1	30 08	7	16 837	8	46 917
Maldives											1	15 5	1	15 5
Pacific Islands					1	1 403	2	0 728			1	1 398	4	3 529
Fiji													1	1 403
Solomon Island					1	1 403							1	0 529
Tonga							1	0 529					1	0 199
Vanuatu							1	1 199			1	1 398	1	1 398
Africa	3	77 997	2	186 61	10	94 317	13	210 61	7	16 506	27	916 874	62	1502 914
Mauritius									2	7 089	12	782 711	14	789 8
Kenya	1	55 545	1	186 196	4	31 549	2	4 123	1	1 404	3	6 954	12	285 771
Senegal							1	142 18					1	142 18
Egypt							3	13 523			3	68 292	6	81 815
Others	2	22 452	1	0 414	6	62 768	7	50 784	4	8 013	9	58 917	29	203 348
Middle East			3	2 9	5	9 65	7	21 574	6	345 85	31	4556 043	52	4936 017
HALE			2	0 9	4	6 657	2	12 639	2	1 75	22	3763 028	2	3284 974
Israel											1	677 164	1	677 164
Saudi Arabia			1	2 0	1	2 993	2	5 538			3	590 65	7	601 181
Jordan									2	265 07			2	265 070
Others							3	3 397	2	79 03	5	25 201	10	107 628
Eastern and Central Europe					1	19 4			14	662 521	53	794 036	68	1475 947
Russia									8	94 942	25	466 257	33	561 199
Kazakhstan									2	523 500	1	5 013	3	528 513
Uzbekistan									1	12 000	9	152 452	10	164 452
Turkmenistan									1	28 600	3	7 844	4	36 444
Others					1	19 4			2	3 479	15	162 47	18	185 339
Latin America									2	2 701	4	230 75	6	233 451
Mexico											2	162 278	2	162 278
Panama									2	2 701	2	64 472	4	71 173
Developing countries	7	140 546	19	248 181	51	543 083	44	296 669	64	1590 966	212	8980 863	397	11800 398
Western Europe	7	52 609	1	0 359	11	33 439	13	10 698	14	248 135	73	1547 686	119	1892 926
UK	1	0 033	1	0 259	11	33 439	10	7 664	8	240 682	36	698 882	67	981 059
Ireland											2	172 35	2	172 35
Netherlands									2	2 654	6	137 588	8	150 242
Germany	3	10 403					1	0 35	1	2 3	8	109 06	13	122 113
Switzerland	3	42 173					1	0 162			2	78 32	6	120 655
Others							1	2 522	3	2 499	19	341 486	23	346 507
North America			1	0 037	3	4 426	7	31 086	13	190 647	55	915 688	79	1141 884
USA			1	0 037	3	4 426	7	31 086	13	190 67	53	876 079	77	1102 275
Canada											2	39 609	2	39 609
Japan and Australia			1	0 72							4	206 327	5	207 047
Japan			1	0 72							2	201 027	2	201 01
Australia											2	5 317	3	6 037
Industrialised Countries	7	52 609	3	1 116	14	37 865	20	41 784	27	438 782	133	2669 701	203	3241 857
Grand Total	14	193 155	22	249 297	65	580 948	64	336 453	91	2029 748	344	11650 564	600	15042 165

Source: Own computations on the basis of unpublished data from Ministry of Commerce, Government of India

in non-manufacturing sector largely due to take-overs by government of certain activities: of general insurance companies in 1971 and of petroleum sector between 1974 and 1976. On the other hand virtually all fresh inflows were directed to manufacturing sector. As a result the share of manufacturing in the FDI stock went up from 40.5 per cent in 1964 to 86.9 per cent in 1980. Within manufacturing sector, new inflows were directed to technology-intensive sectors such as electrical goods, machinery and machine tools, and chemical and allied products (in particular, chemicals, and medicines and pharmaceuticals). These three broad sectors accounted for nearly 58 per cent of total FDI in manufacturing in 1980 contrast to 41 per cent in 1964. The shares of metals and metal products, and transport equipment, showed a decline over the 1964-74 period, but have picked up during 1974-80. The rise in importance of technology-intensive products in the FDI stock has been at the expense of traditional consumer goods industries such as food and beverages, textile products and other chemical products.

As domestic enterprises accumulated their created ownership advantages, the interindustry pattern of shares of foreign enterprises (henceforth foreign shares) changed. Accumulation of local capability in certain industries diminished the competitive edge of foreign enterprises. We have elsewhere computed foreign shares in 54 Indian manufacturing industries in 1980-81 and examined changes over the preceding period [Kumar 1994a, chapter 2]. In certain branches the foreign shares declined because of increasing public sector participation, e.g.

non-ferrous basic metals, fertilisers, heavy organic chemicals, petrochemicals, basic drugs, heavy electrical and non-electrical machinery. In a number of sectors, e.g. jute and cotton textiles, paper, cement, edible and hydrogenated oils, etc., the foreign shares depleted because of loss of ownership advantages of foreign enterprises *vis-a-vis* local enterprises as the latter accumulated capability in these sectors. Foreign shares continued to remain high in a number of industries producing consumer goods sold under brand names, such as processed foods, cigarettes, toiletries, and leather goods. This could be explained in terms of continued dominance of their ownership advantages in the form of well known international brand names.

To gain further insights into the role of ownership, internalisation and locational advantages and policy factors influencing them, determinants of interindustry variation in foreign shares and intensity of licensing collaborations across 49 branches of Indian manufacturing industry were analysed in 1980-81 [see Kumar 1987a, 1994a: chapter 3, for more details]. The foreign share and licensing were regressed on intensity of industry in variables proxying different ownership and locational advantages. In tune with the hypotheses, the foreign shares were found to be concentrated in advertising and skill intensive industries. Licensing appeared a dominant mode in industries intensive in use of knowledge embodied in capital goods. Access to sources of capital did not appear to be a source of competitive edge for MNEs in Indian market as it was significant for neither FDI nor licensing. It was explained in terms of the fact of development of local

capital markets and term financing institutions in India. The intensity of local R and D was negatively related with foreign shares which was interpreted in terms of the preponderance of Indian R and D activity in the areas of relative less complexity and maturity. The government policy factors came up with expected results. Protection appeared to have served as a potent locational advantage favouring local production over market servicing by exports by MNEs. Consumer goods industries appeared to have lower concentration of foreign shares, other things remaining same, apparently because of entry regulations which discouraged FDI in industries where local capabilities were available. The high priority industries in industrial policy attracted both FDI and licensing.

Outward FDI: The import substituting industrialisation followed by India had created a reasonably diversified industrial base in the country with substantial machinery manufacturing capability by early 1970s. Considerable learning and technological capability accumulation had taken place in Indian enterprises as protection policies restricted technology imports. Indian enterprises learnt to do trouble shooting, adapt the processes and products imported originally from their western counterparts to Indian conditions, substitute imported raw materials by locally available ones, and made them more rugged to withstand frequent power failures [see Desai 1984; and Lall 1987, among others, for analyses of acquisition of technological capability by Indian enterprises]. Indian chemical and pharmaceutical enterprises developed indigenous processes for manufacture of

TABLE 3 INVESTMENT MADE BY INDIAN ENTERPRISES IN OVERSEAS SUBSIDIARIES AND JOINT VENTURES BY YEAR OF APPROVAL

(Rs million)

Region	<1970		1970-75		1976-80		1981-85		1986-90		1991-93		Total	
	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity	No	Indian Equity
Extractive			1	0.8	2	33.835	1	0.313			1	3117.6	5	3152.548
Light engineering	4	31.765	4	7.816	13	162.155	7	32.882	7	59.915	30	1189.852	65	1484.385
Textiles	3	64.995	5	39.137	5	61.545			3	30.038	11	214.261	27	409.976
Chemicals and pharmaceuticals					5	31.254	11	162.093	13	463.851	34	1848.727	63	2505.625
Food products					1	0.574	5	13.448	3	21.269	6	68.575	15	103.865
Leather and rubber			1	2.0	1	0.7	2	11.591	7	488.166	6	514.161	17	1016.618
Others	1	46.786	6	197.754	4	104.217	5	32.216	4	44.948	32	1284.037	52	1709.958
Manufacturing total	8	143.546	16	246.707	29	360.444	30	252.23	37	1108.187	119	5119.31	239	7230.427
Hotels and restaurants			2	7.57	7	84.096	4	29.71	10	144.578	11	104.804	34	363.945
Engineering services			1	0.26	1	2.6	1	0.59	2	69.302	18	212.695	23	285.447
Trading	1	5.1	1	0.359	10	11.239	4	23.752	12	103.717	78	992.262	106	1136.429
Consultancy	1	0.403	1	0.414	4	29.153	6	2.505	7	138.326	9	121.208	28	292.009
Others	4	44.106			12	59.581	18	29.353	23	465.638	108	1982.683	165	2581.36
Services total	6	49.609	5	1.79	34	186.669	33	85.910	54	921.561	224	3413.652	356	4659.105
Grand total	14	193.155	22	249.297	65	580.948	64	338.453	91	2029.748	344	11650.564	601	15042.165

Source: Own computations on the basis of unpublished data from Ministry of Commerce, Government of India.

known chemical compounds and bulk drugs as product patents had been abolished. The increasing technological capability of Indian enterprises had got reflected in terms of rising Indian exports of manufactures in particular of chemical and engineering goods. The share of chemical and engineering goods in India's total exports nearly doubled from 7.9 per cent to 15.5 per cent over 1969-70 to 1980-81 [Kumar 1987b]. By the beginning of 1980s, India had emerged as a significant exporter among developing countries of capital goods including turnkey plants, consultancy services, licensing of know-how [Lall, 1982, 1983; Kumar 1987c]. The 1970s also marked the emergence of outward FDI by Indian enterprises in a significant manner. After taking off in early 1970s, the outward FDI grew at a faster pace in the second half of 1970s. According to Lall (1983) India had emerged as the third largest exporter of 'industrial' FDI among developing countries after Hong Kong and Singapore by about 1980. Therefore, Indian enterprises by mid 1970 had acquired 'created' ownership advantages in the form of technology adaptations, capital goods fabrication capability, human resources etc. that are prerequisites for outward investments. Bulk of Indian FDI during this period went

to developing countries in Africa, South-East Asia and South Asia. In these countries, the ethnic and cultural links of Indian enterprises also served as ownership advantages.

Table 2 provides the number and magnitude of investments made by Indian enterprises in their wholly owned subsidiaries and joint ventures made by the year of government approval on the basis of firmwise unpublished data collected from the Indian ministry of commerce. This data set include only those investments which are either in operation or are under implementation and exclude the abandoned ones. The latter is an important limitation in that it tends to underplay the scale of operation especially during the earlier period. The figures for more recent years can be expected to be closer to actual approvals as potential failures may not yet be apparent. Keeping in mind the above limitation of the data set available to us it would appear that in the second half of 1970s the outward FDI from India showed a considerable growth. In a five-year period 64 new investments were made with a total Indian investment of Rs 581 million in contrast to just 36 ventures existing in 1975 with a cumulative investment of Rs 442 million. These figures tend to underestimate the scale of outward investment activity as the

abandoned ventures are not included as noted above and quite a few ventures set up during the period did fail.

It is clear from Table 2 that bulk of Indian FDI (80 per cent in number and 95 per cent in terms in value) made in the 1970s went to other developing countries. In fact much of Indian FDI was concentrated in Malaysia, Indonesia and Singapore within South-east Asia and Kenya (and Nigeria) in Africa, and Sri Lanka and Nepal in South Asia. Most of these countries were at a lower stage of development in terms of created ownership assets than India as predicted by IDP. Table 3 provides the industrial composition of Indian outward FDI. Bulk 173 per cent in value terms) of Indian FDI made during the 1970s were in the manufacturing sector. The most prominent branches of industry were light engineering, textiles and chemicals and pharmaceuticals. Among the service sectors hotels and restaurants and consultancy were the most prominent.

It would appear from this pattern that Indian outward FDI made in this period was designed to exploit abroad the created assets of Indian enterprises in form of adapted, and sometimes scaled down, processes and products, human resources, equipment, fabrication capabilities etc. Hence these were

TABLE 3. INDIAN OUTWARD FDI BY REGION AND SECTOR

(Rs million)

Region of Destination	Extra live Total	Manufacturing							Services						Total
		Light Engineering	Textiles	Chemicals and Pharmaceuticals	Food Products	Leather and Rubber	Others	Manufacturing Subtotal	Hotels and Restaurants	Engineering Services	Trading	Consultancy	Finance and Others	Services Subtotal	
Southern and East Asia		712 757 (27.6)	169 036 (6.56)	228 666 (8.87)		17 632 (0.68)	760 894 (10.1)	1388 984 (53.87)	10 974 (0.43)	0.26 (0.01)	404 225 (15.7)	52 924 (2.05)	771 163 (28.0)	1189 546 (46.13)	2578.53 (100)
South Asia	33 835 (3.16)	7 595 (0.71)	29 51 (1.76)	101 928 (9.53)	30 364 (2.8)	8 491 (0.79)	709 721 (16.3)	887 609 (82.96)	61 267 (5.72)	0.59 (0.06)	4 575 (0.43)		82 034 (7.67)	148 466 (11.388)	1069.91 (100)
Pacific Islands				3 529 (100)				3 529 (100)							3 529 (100)
Africa		65 062 (4.3)	123 398 (8.71)	150 348 (10.0)	3 203 (0.2)	188 569 (12.5)	229 547 (15.3)	1060 127 (70.54)	44 055 (2.27)	2 726 (0.18)	39 717 (2.64)	79 926 (1.99)	336 333 (22.4)	412 787 (129.46)	1502.91 (100)
Middle East	3118.4 (63.18)	33 186 (0.67)	45 396 (0.92)	1511 844 (30.6)	13 918 (0.28)	2.0 (0.04)	31 563 (0.11)	1637 907 (33.18)	2 993 (1.65)	5 194 (0.11)	5 483 (0.11)	81 317 (1.65)	84 723 (1.72)	179 71 (3.64)	4936.02 (100)
Eastern and Central Europe		219 192 (14.9)		46 99 (1.18)	23 416 (1.59)	497.6 (3.7)	241 753 (16.38)	1028 953 (69.71)	206.01 (1.36)		125.8 (8.52)	10 588 (0.72)	104.61 (7.1)	447.008 (30.29)	1475.95 (100)
Latin America		1 773 (0.76)					160.0 (68.54)	161 773 (169.3)			2 278 (0.98)		69.4 (29.73)	71 678 (30.70)	233.451 (100)
Developing countries total	3152.24 (26.71)	1039 565 (8.81)	367.34 (3.11)	2043 305 (17.32)	70 903 (0.60)	1014.29 (8.60)	1631.68 (13.83)	6168 882 (52.28)	315 299 (2.67)	8.77 (0.07)	582 108 (14.93)	174 755 (1.48)	1398 263 (11.85)	2479.195 (21.01)	11800.3 (100)
Western Europe	0 313 (0.02)	332 489 (17.6)	23 371 (1.23)	229 467 (12.1)	32 662 (1.72)	2.3 (0.12)	69 399 (3.67)	689 688 (36.43)	7 735 (0.4)	64 652 (7.42)	406.8 (21.5)	25 946 (1.37)	697 792 (36.86)	1202 925 (63.55)	1892.93 (100)
North America		112 331 (9.84)	19 265 (1.69)	227 566 (19.93)	0.3 (0.03)		7 082 (0.62)	366 544 (32.10)	37 091 (3.25)	212 025 (18.57)	147 521 (12.92)	91 308 (8.00)	287 395 (25.17)	775.34 (67.9)	1375.34 (100)
Japan and Australia				5 317 (2.57)				5 317 (2.57)	3.82 (1.84)				197.91 (95.59)	201.73 (97.43)	207.047 (100)
Industrialised countries total	0 313 (0.01)	444 82 (13.72)	42 636 (1.32)	462.35 (14.26)	32 962 (1.02)	2.3 (0.07)	76 481 (2.35)	1061 549 (32.75)	48 646 (1.50)	276 677 (8.53)	554 321 (17.10)	117 254 (3.62)	1183.097 (36.49)	2179.995 (67.25)	3241.86 (100.0)
Grand total	3152.55 (20.96)	1484 385 (9.86)	409 976 (2.72)	2505.63 (16.7)	103 865 (0.69)	1016.6 (16.76)	1709.96 (11.37)	7230 416 (48.1)	363 945 (2.42)	285 447 (1.90)	1136.43 (7.56)	292.009 (1.94)	2381.36 (15.8)	4659.19 (29.6)	15042.2 (100)

Source: Own computations on the basis of unpublished data from Ministry of Commerce, Government of India.

concentrated in countries at lower stage of IDP and in relatively lower technology requiring and maturing industries. In the case of India's inward FDI, the knowledge embodied in capital goods or machinery was found to be having low internalisation advantages as performance guarantees given by equipment manufacturers are usually adequate to take care of possible buyer's uncertainties. In the case of Indian enterprises operating abroad buyer's uncertainty may persist despite guarantees because of lack of an established reputation. The source of internalisation advantages could be the lack of entrepreneurship and absorptive capacity in the host countries to set up manufacturing projects based on technology and equipment imported from Indian enterprises on arm's length basis. Rajiv Lall [1986] in a survey of 17 Indian enterprises investing abroad conducted in the course of 1982 found the 'managerial and technical expertise as embodied in Indian personnel' deputed abroad to be the main source of competitive advantage of Indian enterprises. His quantitative analysis of the decision to invest abroad for a sample of 162 Indian enterprises including 24 foreign investors for the year 1977-79 revealed the firm size to be an important determinant of outward investment. Impediments to exports appeared to provide an incentive for outward FDI suggesting the market defensive nature of Indian investments. Dasgupta and Siddharthan [1985] and Agarwal [1985] found an interdependence between Indian exports and outward FDIs in the late 1970s and early 1980s and found them to be concentrated in sectors comprising largely standardised goods and with relatively low skill and technological content.

1980s: 'HALTING REFORMS' FOR IMPROVING INTERNATIONAL COMPETITIVENESS

Towards the end of the 1970s India's failure to step up significantly the volume and proportion of her manufactured exports in the background of the second oil price shock began to worry the policy-makers. It led to the realisation that international competitiveness of Indian goods had suffered from growing technological obsolescence and inferior product quality, limited range, and high cost which in turn were due to the highly protected local market. Another limiting factor for Indian manufactured exports lay in the fact that marketing channels in the industrialised countries were substantially dominated by MNEs. The government intended to deal with the situation by (i) putting emphasis on the modernisation of plants and equipment through liberalised imports of capital goods and technology, (ii) exposing the Indian industry to competition by gradually reducing the import restrictions and tariffs, and (iii) assigning a

greater role to MNEs in the promotion of manufactured exports by encouraging them to set up export-oriented units. This strategy was reflected in the policy pronouncements that were made in the 1980s. The industrial policy statement of 1980 and 1982, for instance, announced a liberalisation of industrial licensing (approval) rules, a host of incentives, and exemption from foreign equity restrictions under FERA to 100 per cent export-oriented units. It was decided to set up four more export processing zones (EPZ) in addition to the two existing ones, namely, those at Kandla (set up in 1965) and at Santacruz (set up in 1972) to attract MNEs to set up export-oriented units. The trade policies in this period gradually liberalised the imports of raw materials and capital goods by gradually expanding the list of items on the open general licence (OGL). Between 1984-85, 150 items and 200 types of capital goods were added to OGL list. Tariffs on imports of capital goods were also slashed. Imports of designs and drawings and capital goods were permitted under a liberalised technical development fund scheme.

The liberalisation of industrial and trade policies was accompanied by an increasingly receptive attitude towards FDIs and foreign licensing collaborations. Policy guidelines were issued to streamline the foreign collaboration approvals. The rules concerning payments of royalties and lump sum technical fees were also relaxed. Tax rates on royalties were reduced from 40 per cent to 30 per cent in 1986. A degree of flexibility was introduced in the policy concerning foreign equity participation, and exceptions from the general ceiling of 40 per cent on foreign equity were allowed on the merits of individual investment proposals. The approvals for opening liaison offices by foreign companies in India were liberalised and procedures for outward remittances of royalty, technical fees and dividends, etc., were streamlined. New procedures were introduced enabling direct application by a foreign investor even before choosing an Indian partner. A 'fast channel' was set up in 1988 for expediting clearances of FDI proposals from major investing

countries, viz, Japan, Germany, the US and the UK.

The focus of policies in this period, therefore, was on sharpening the international competitiveness of Indian enterprises by exposing them to increased domestic and international competition. Bhagwati [1993] has termed these policy changes as halting reforms because these were not comprehensive in their scope and did not go far enough to make a significant impact.

Inward FDI: The liberalisation of industrial, trade and foreign collaboration policies in the period improved investment climate and helped the country attract increasing inflows of FDI. The restrictions put on FDI imposed during the 1970s had virtually neutralised the internalisation incentives for potential foreign investors in the country. As a result of easing these restrictions, the stock of FDI nearly tripled over the decade of 1980s (Table 1 and Figure 1). The liberalisation also eased the near total restriction on FDI flows to technology intensive manufacturing and manufacturing's share in total FDI stock in 1990 actually declined slightly. The share of

TABLE 6: FDI APPROVALS BY FOREIGN EQUITY OWNERSHIP

Foreign Ownership (Per Cent)	Number of Approvals	Amount (Millions of Rs)	Percentage
Year 1991			
0-26	57	1058.9	22.47
26-50	119	1713.1	36.35
50-74	24	1893.5	40.18
75-100	3	47.4	1.01
Year 1992			
0-26	185	7298.1	19.10
26-50	290	9869.5	25.83
50-74	173	12374.1	32.29
75-100	45	8664.6	22.68
Year 1993			
0-26	276	22735.8	25.66
26-50	259	14055.3	15.86
50-74	151	34476.8	38.92
75-100	99	17350.1	19.58

Source: India, Ministry of Industry (Secretariat for Industrial Approvals).

TABLE 5: SUMMARY OF FOREIGN COLLABORATION APPROVALS, 1948-1993

Period	Average Number of Collaborations Approved Per Year	Those with Foreign Equity		Average Foreign Investment Involved Per Year (Rs Million)
		Average Number Per Year	Proportion in Total	
1948-58	50	na	na	na
1959-66	297	108*	36.36	na
1967-79	242	39	16.11	53.62
1980-88	744	170	22.80	930.84
1989-90	635	194	30.55	2,224.95
1991-93	1,315	589	44.76	44,280.40

Note: * On the basis of 1961-66.
Source: Kumar (1994a), Table 1.4).

services and plantations increased over the period. Among the branches of manufacturing food and beverages, machinery and machine tools, and transport equipment improved their share. The share of metal products and chemicals declined during this period. This period also witnessed further diversification of sources of FDI to the country with the emergence of Japan as the fourth largest source of FDI in India after UK, US, and Germany.

Outward FDI The initial enthusiasm shown by Indian enterprises in international operations in the late 1970s waned slightly in the early 1980s when the magnitude of FDI declined to 338 million from 581 million in the previous period although an equal number of investments were made (Table 2). In the second half of the 1980s, the overseas investment activity picked up again to 91 ventures abroad with a total Indian investment of Rs 2,030 million. Around the mid-1980s the geographical pattern of Indian FDI abroad had also registered a shift coinciding the increase in the magnitudes that took place. Till the mid-1980s India's FDI tended to concentrate in developing countries. Since then however the share of industrialised countries has gone up steadily. In the second half of 1980s, industrialised countries hosted 27 of the 91 Indian ventures with 21.6 per cent of investments. In continuation of the trend observed in the 1970s African countries were most prominent hosts of India's outward FDI in the early 1980s accounting for 62.22 per cent of all investments made during that period. South-east and South Asian, and West Asian countries accounted for much of the rest of India's FDI outflow. In the late 1980s, the Eastern and Central European countries which had been important markets for Indian exports emerged as important hosts of Indian FDI with 14 ventures accounting for 32.6 per cent of Indian FDI in the period. The South-east Asian countries hosted another 23 per cent of FDI of the period in 27 ventures. The West Asia was another region which attracted considerable (17 per cent) investment in the period. African countries received a negligible share of FDI in the late 1980s. Among the industrialised countries the US and Western Europe accounted for all the FDI made by Indian enterprises in the 1980s. Therefore, the geographical spread of Indian outward FDI expanded during the late 1980s with inclusion of countries at a higher stage of IDP than Indian, viz, industrialised countries, Eastern and Central European countries and some more South-east and East Asian countries.

The increasing geographical diversification of Indian FDI in the late 1980s coincided with sectoral diversification to cover more services and trading activities as compared to near total domination of manufacturing sector till the mid-1980s. This is because India's FDI

in countries more industrialised than herself has been of a different type than that in developing countries at a lower stage of IDP. The shift in terms of sectoral composition also came about in mid-1980s since when the share of manufacturing in total FDI outflow declined from nearly 75 per cent in the early 1980s to about 55 per cent in the late 1980s (Table 3). The fact that bulk (nearly 70 per cent) of FDI outflows to industrialised countries are in services and not in manufacturing is clear from Table 4 which shows the sectoral breakup of Indian FDI hosted by different regions. The share of services is also considerable in South-east and East Asian countries (46.13 per cent) a region constituting countries at a higher place in IDP than India. This is because the ownership advantages of Indian enterprises for overseas production which usually comprised the process of product adaptations, managerial and technical manpower and equipment fabrication facilities etc. which have been effective in countries at a lower stage of development fade before the ownership advantages of enterprises in industrialised countries and increasingly in the South-east and East Asian countries. Then what explains the growing Indian FDI in industrialised countries in services?

A significant proportion of service FDI was in trading which usually took the form of a subsidiary set up in major export markets of the firm to support the export activity. These subsidiaries are meant to create a marketing network in the markets and also serve as exporter's listening posts to get market information. As international competitiveness is increasingly determined by the non-price factors such as access to information and market presence, these investments can be seen as strategic investments made by Indian enterprises in improving their international competitiveness. Obviously such subsidiaries will be set up in major markets and those that are growing. Besides Indian enterprises have also developed ownership advantages in certain services that are intensive in use of human resources because of a vast pool of trained manpower available in India. These services include engineering and construction consultancy and software, finance, and hotels and restaurants.

Even within the manufacturing sector, there appears to be a shift in the focus of Indian enterprises in the 1980s. Chemical and pharmaceutical industry emerged in the first half of 1980s as the most important industry accounting for 47.8 per cent of all FDI. In the second half of the 1980s, chemical and pharmaceutical industry occupied the second place with 22 per cent of FDI after leather and rubber products with a slightly higher share. This reflects the increasing technological capability of Indian enterprises

in the chemical and pharmaceutical sector. A number of dynamic Indian chemical and pharmaceutical companies, eg, Ranbaxy, Lupin, Dr Reddy's Labs have built up ownership advantages in the form of cheaper indigenous processes of production of off the patent bulk drugs, increasingly known brand names and cheaper formulation. In the ethical pharmaceutical sector market presence is an important factor for market penetration. This prompts Indian pharmaceutical enterprises to make outward investments in developing countries. The emergence of leather products sector in late 1980s is on account of a large leather project in Central Europe presumably to protect their market in former Soviet Union.

Therefore the decade of 1980s was marked by important changes in the policy regime existing in the country geared to improve the international competitiveness of Indian enterprises. The policy changes eased the restrictions on FDI inflows that were neutralising the internalisation advantages for most deals for transfer of technology between Indian and foreign enterprises. Increasing emphasis on international competitiveness made Indian enterprises to make strategic asset seeking type of investments in trading and other services in industrialised countries.

1990s: STRUCTURAL ADJUSTMENT AND GLOBALISATION

In the financial year 1990-91 India entered a period of severe balance of payments crisis and political uncertainty. A rapid increase in India's external debt coupled with the political uncertainty led international credit rating agencies to lower India's rating both for short and long-term borrowing. This made borrowing in international commercial markets difficult and also led to a outflow of foreign currency deposits kept in India by non-resident Indians. The situation was made worse by the Gulf war insofar as it led to rise in petroleum prices and caused virtual stoppage of remittances from Indian workers in the Gulf. These developments brought the country almost to the verge of default in respect of external payments liability which could only be averted by borrowing from IMF under standby arrangement and certain emergency measures taken by the government to restrict imports. In June 1991 a new government headed by P V Narasimha Rao came into power following the mid-term elections. This government initiated a programme of macro-economic stabilisation and structural adjustment supported by the IMF and the World Bank. As a part of this programme Indian rupee was devalued and a New Industrial Policy (NIP) was announced on July 24, 1991 in the parliament.

The NIP and subsequent policy amendments have liberalised the industrial

policy regime in the country especially as it applies to FDI beyond recognition. The industrial approval system in all industries has been abolished except for 18 strategic or environmentally sensitive industries. In 34 high priority industries FDI up to 51 per cent is approved automatically if certain norms are satisfied. FDI proposals do not necessarily have to be accompanied by technology transfer agreements. Trading companies engaged primarily in export activities are also allowed up to 51 per cent foreign equity. To attract MNEs in the energy sector 100 per cent foreign equity was permitted in the power generation. International companies were allowed to explore non-associated natural gas and develop gasfields including laying down pipelines and setting up liquefied petroleum gas projects. A new package for 100 per cent export-oriented projects and companies in export processing zones was announced. A foreign investment promotion board (FIPB) authorised to provide a single window clearance has been set up in the prime minister's office to invite and facilitate investment in India by international companies. The existing companies are also allowed to raise foreign equity levels to 51 per cent for proposed expansion in priority industries. The use of foreign brand names for goods manufactured by domestic industry which was restricted has also been liberalised. India became a signatory to the convention of the multilateral investment guarantee agency (MIGA) for protection of foreign investments. The Foreign Exchange Regulation Act of 1973 has been amended and restrictions placed on foreign companies by the FERA have been lifted. Companies with more than 40 per cent of foreign equity are now treated on par with fully Indian owned companies. New sectors such as mining, banking, telecommunications, highways construction and management have been thrown open to private including foreign owned companies. These relaxations and reforms of policies have been accompanied by active courting of foreign investors at the highest levels. The international trade policy regime has been considerably liberalised too with lower tariffs on most types of importables and sharp pruning of negative list for imports. The rupee was made convertible first on trade and finally on current account.

As a part of this reform the government also removed some of the restrictions on Indian outward FDI. The modified guidelines for Indian direct investment in joint ventures and wholly owned subsidiaries abroad issued in October 1992 provide for an automatic approval for proposals where total value of Indian investment does not exceed US \$ 2 million of which up to US \$ 5 00 000 could be in cash and the rest by capitalisation of Indian exports of plant machinery equipment know-how, or other services and goods. The

approval for other proposals including external borrowing use of export receipts blocked abroad, etc. will be made within 90 days after a due consideration with respect to the track record of Indian party in terms of external orientation and financial viability of proposed investments etc. Another modification in the guidelines has been with respect of export of second-hand or reconditioned machinery which is now allowed but was prohibited earlier.

Inward FDI The comparable figures for FDI inflows for the early 1990s are not yet available. However some trends can be discerned from the figures of approvals of FDI in the 1991-93 period. The liberalisation of the policy regime seems to have led to considerable improvement in the investment climate in the country. For instance the FDI approvals over the three years totalled Rs 131 billion in contrast to the total stock of FDI existing in March 1990 valued at Rs 27 billion (Table 1). The approvals, however have been slow in materialising into actual inflows and are still much lower than FDI inflows received by other developing countries such as China. The share of manufacturing in these approvals has gone down to 51.2 per cent largely because of opening of new areas such as power generation, petroleum refining, a number of services which have claimed a large chunk of approved FDI. Within manufacturing sector the processed food and beverages sector has claimed the largest chunk of FDI accounting for 23.3 per cent of approved FDI in manufacturing. It appears that created assets of foreign enterprises in a consumer goods industry such as food processing in the form of internationally well known brand names have considerable appeal in the local markets. Medicinal and metal products, electrical goods and chemicals and pharmaceuticals are other important sectors.

Another noticeable trend in the recent period is with respect to the organisational structure. The liberalisation of policy has removed the policy barriers that were neutralising the internalisation advantages of foreign investors to the country. Table 5 shows that the proportion of foreign collaborations that are internalised through FDI in total approved has gone up from just over 16 per cent in the 1970s to over 44 per cent during the early 1990s. Therefore the balance between FDI and licensing is shifting in favour of FDI. Furthermore majority foreign ownership which had become restricted to certain exceptional cases during the 1970s because of regulations is becoming more popular again. Table 6 shows that majority of approvals over the past three years have been in the 50-74 per cent range. A number of MNEs have taken advantage of new rules to increase their stake in their existing affiliates in the country.

One of the objectives of the current reforms of policies is to remove impediments for export-oriented manufacture in general and to attract MNEs to locate efficiency-seeking FDI in the country. These investments could help India in expanding manufactured exports by using her as export platform. The majority of the recent approvals of FDI, however, aim to explore India's sizeable and expanding domestic market. The efficiency seeking FDI have yet to start flowing to the country in a considerable manner. It may be too early to expect such FDI to start flooding the country. Yet in an era of stiff competition among developing countries to attract export-oriented FDI, liberalisation of policies alone may not be enough to win the race (see Kumar 1994b, for empirical evidence). More active negotiations and bargaining with MNEs may often be required. India should use her bargaining advantages such as large domestic markets, abundant supply of trained and low wage labour, vast pool of technical professionals, well developed capital markets, etc. more effectively to attract a greater proportion of efficiency-seeking FDI. We have elsewhere elaborated the imperative of attracting export-oriented FDI for India and have outlined steps involved in such a strategy (Kumar 1994a, Postscript).

Outward FDI The 1991-93 period has also witnessed the liberalisation of restrictions to remit cash abroad for making outward FDI. The removal of these restrictions as well as improved transparency of policy regime perhaps explains a record 345 outward investments being approved with a projected Indian equity of Rs 11 65 billion. Thus 57.3 per cent of 600 ventures abroad at the end of 1993 accounting for 77.5 per cent of total Indian outward FDI have been committed between 1991 and 1993 (Table 2). The liberalisation of FDI codes seems to have made a more dramatic difference to the outward than to inward FDI.

West Asia accounts for a big chunk (39 per cent) of India's FDI in the period. However bulk (26 per cent) of it is on account of a single large natural resource (petroleum exploration) seeking project in UAE. The emergence of Israel as a host to a fertiliser project has also contributed to it. The South East Asia hosts 67 ventures with a 14 per cent share of all FDI abroad. African countries hosted 27 projects with 7.86 per cent of FDI. India's contiguous neighbours in South Asia which had been trailing behind South East Asia and Africa in terms of their importance as hosts of Indian FDI attracted 29 ventures with a 7.2 per cent of total investments. Indian investments in this region had been restricted to Nepal and Sri Lanka. Since mid-1980s, however, Bangladesh and more recently Maldives have played hosts to Indian enterprises. East and Central European countries have retained their place

as significant hosts of Indian FDI with 53 ventures and 6.81 per cent of FDI. Among the manufacturing sectors, chemicals and pharmaceuticals continue to dominate as in the 1980s (Table 3). It is followed by light engineering which has been a traditionally important sector for Indian FDI.

The trend of emergence of industrialised countries as significant hosts of Indian FDI which was visible in late 1980s gathered momentum during the 1991-93 period. 133 of the 345 ventures representing nearly 23 per cent of India's FDI during that period were set up in the industrialised countries. Western European (mainly EC member states) countries have hosted the bulk (nearly 58 per cent) of Indian FDI in industrialised world in the early 1990s. The formation of single European market in the EC protected from the outside world by common external tariffs has prompted MNEs worldwide to make market-defensive FDI in one of the member states [see Kumar 1994c, for an analysis of response of MNEs from different regions to the European integration]. Indian FDI appears to have followed the rush for FDI in the EC countries by setting up trading subsidiaries to protect and strengthen their presence in the EC market. A considerable proportion of Indian FDI in North America has been in the engineering and consultancy services (Table 4). These FDI have something to do with the growing internationalisation of Indian software industry. In the software industry in fact the country is fast emerging as a global player. This has attracted considerable investments by world's largest information technology enterprises to locate software development centres in India. A number of Indian software enterprises have also set up affiliates in the US not only to market their own product but also to benefit from the agglomeration economies and spillovers from more established firms in the silicon valley. The latter are, to some extent, examples of strategic asset-seeking investments.

CONCLUDING REMARKS

The above analysis has examined the trends and patterns in FDI inflows into India over the post-independence period as well as the emergence of Indian enterprises as direct investors abroad in the background of changing policy regime. The sectoral pattern of FDI in India reveals a shift in favour of more technology and skill-intensive industries as the country industrialised itself. The Indian government policies appear to have played an important role in shaping this pattern by affecting the relative configuration of ownership, internalisation and locational advantages of foreign investors in the country. Indian investments have been made over the years in a large number of countries all over the world. However, a clear divergence is

seen between India's FDI in countries below India in the levels of economic development and in those above it. In the former, the ownership advantages of Indian enterprises in the form of technology and product adaptations, human resources, experience of operating in a developing country environment and ethnic links have led to investments in manufacturing. In industrialised countries and increasingly in South-East and East Asian newly industrialising countries these ownership advantages cannot provide competitive edge to Indian enterprises vis-à-vis host country enterprises. In these countries Indian FDI largely represent strategic investments made in trading subsidiaries to provide a marketing backup to Indian exports or those in human resource-intensive services where Indian enterprises have accumulated some advantages and capability. Over the years Indian outward FDI appears to have grown in terms of their skill content as in terms of geographical and sectoral coverage.

In terms of the IDP framework, India moved to the second stage some time in the 1970s when local enterprises had accumulated certain created assets to be able to operate abroad. The current reforms are geared to sharpen the competitiveness of country's enterprises and to improve its place in the international division of labour and move to the third stage of IDP. Export platform production (or efficiency-seeking FDI) by MNEs could be an important mean of expanding manufactured exports of a country. The recent liberalisation of policy regime has not yet succeeded in attracting export-oriented FDI in a considerable manner. In the current environment of intense competition among developing countries to attract such FDI, just the liberalisation of policies may not be adequate. More effective use of India's bargaining advantages with respect to MNEs such as her large domestic market, abundant supply of skilled manpower and technical professionals at low wages, etc., is desirable to attract a greater magnitude of export-oriented FDI, as we have argued elsewhere.

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Hindu Men, Monogamy and Uniform Civil Code

Flavia Agnes

The Hindu Marriage Act, 1955 transformed a Hindu marriage from an ancient and vedic 'sanskara' or sacrament to a modern and dissoluble contract. It also introduced for the first time the principle of monogamy. Little attempt has been made however to rectify numerous lacunae in the act which provide ample scope for a Hindu man to escape both from the criminal consequences of a bigamous marriage and from the economic responsibility towards the second wife.

I

Debate Circumvents Basic Issue

THE recent Supreme Court directive in the Sarla Mudgal case¹ has strengthened the arms of the Hinduva forces whose main political plank in the forthcoming elections will be the uniform civil code. The media publicity following the judgment seems to have sidetracked the basic issue i.e. bigamy by Hindu men. Hence the various presumptions made by the judgment have remained unaddressed, some of which are listed below:

- (i) Hindu marriages are monogamous in nature
- (ii) The judiciary has consistently and systematically upheld the principle of monogamy among Hindus by penalising the errant husbands
- (iii) The only breach of monogamy among Hindus is by conversion to Islam. To quote from the judgment: 'there is an open inducement to a Hindu husband who wants to enter into a second marriage to become a Muslim'
- (iv) A uniform civil code will plug this loophole and ameliorate the sufferings of Hindu women
- (v) All the four petitions which the judgment dealt with were filed by women whose husbands had converted to Islam and remarried and
- (vi) Both the judges who heard the matter advocated enforcement of a uniform civil code on a priority basis as the only remedy to conversion and bigamy by Hindu men

Until 1955, Hindu marriages were polygamous and hence Hindu men did not attract the penal provision of §494 IPC. The Hindu Marriage Act of 1955 for the first time laid down the principle of monogamy. To what extent has this principle been accepted by the Hindu society? The rhetoric of a uniform civil code does not concern itself with this issue. An indication of the status of Hindu marriages in the post 1955 period came to us in 1974 in the report of the Committee on the Status of Women *Towards Equality*. As per this report, the rate of polygamous marriages among Hindus, Muslims and tribals for the period 1951-60

is as follows: Hindus - 5.06 per cent, Muslims - 4.31 per cent and Tribals - 17.98 per cent.

No thought or effort was directed to rectify the lacunae of the act which transformed a Hindu marriage from an ancient and vedic 'sanskara' or sacrament to a modern and dissoluble contract. The contract was not required to be registered and all customary forms as well as 'shastric' rituals were acknowledged by the act as valid forms of solemnising it (see Appendix for the various legal provisions on this issue).

Since the act recognised all customary forms of marriage and divorce, the uniformity among Hindus was a legal fiction created by the act. The ambiguity of the act provided ample scope for a Hindu man to escape both from the criminal consequences of a bigamous marriage and from the economic responsibility towards the second wife. Prior to the act, since polygamy was validated by the ancient Hindu law and customs, women in bigamous marriages had a right of residence and maintenance. By introducing monogamy, women in bigamous relationships lost their right to maintenance, legitimacy and respectability.

II

Apex Court Sets Seal on Monogamy

The loopholes created by the act are only a preliminary concern of this article. The major thrust is to counter the presumptions the judiciary has strictly upheld: the principle of monogamy among Hindus, conversion to Islam is the only avenue left for Hindu men to commit bigamy and a uniform civil code will plug this loophole. An analysis of the cases reported in law journals will establish that bigamy of the Hindu male persists with the active benevolence of the Supreme Court.

A decade after the enactment of the code which was hailed as modern, progressive and pro-women, the Supreme Court decided the first case under the new act, which set the seal upon monogamy of the Hindu male. The appeal was against a conviction from the Barabhai High Court in the case of Bhaurao Lokhande. The first wife pleaded that the second marriage was performed in the gandharva form prevalent in the region, which is customarily known as a 'pat' marriage. The

ceremonies of performing pat were described in detail: 'A carpet was spread, and the bride and groom sat on two separate pats (low wooden stools) besides each other. A copper (tambya) pitcher on which betel leaves and coconut were kept was brought and there was chanting of hymns and the couple exchanged garlands, then they struck each other's forehead. The father or the maternal uncle of the bride facilitates the striking of the forehead. This ceremony completes a gandharva marriage.'

One witness who had attended two other marriages in the gandharva form testified: 'Formerly a brahmin priest from the neighbouring Kasara or Dhardana came and chanted the mangal ashtak. The presence of a thakur, a brahmin and a barber was required. But in recent times, it was becoming difficult and expensive to secure the presence of a brahmin and a thakur from the neighbouring community and the community performed the ceremony only with the help of the barber.'

The first wife pleaded that a person going through any form of marriage during the lifetime of his wife would be guilty of the offence and all the ceremonies of a Hindu marriage need not be strictly proved. The trial court convicted the husband and the second wife. This was upheld by the sessions court and the high court. At the final appeal, the Supreme Court acquitted the husband and held that the marriage was not performed in accordance with the requirements of the law and hence it was not solemnised.

Regarding the gandharva form, the court relied upon Mulla's *Hindu Law* (12th edn) which stipulated: 'The gandharva marriage is the voluntary union of a youth and a damsel which springs from desire and sensual inclination. It has been erroneously described as a euphemism for concubinage. This view is based on a total misconception of the leading texts of the Smritis. The essential marriage ceremonies are as much a requisite part of this form of marriage as of any other unless it is shown that some modification of those ceremonies has been introduced by custom in any particular community or caste.'

The court laid down that the two essential ceremonies for a valid Hindu marriage are: (i) invocation before the sacred, i.e., 'vivaha

'homa' and (ii) seven steps round the fire by the groom and the bride, i.e., 'saptapadi'. The court further explained. It was contended that in the gandharva form of marriage prevalent in the community, the custom performance of certain ceremonies with the help of a brahmin has been abdicated. This does not mean that the ceremonies of 'homa' and 'saptapadi' have been abrogated and that the ceremonies performed between the husband and second wife are sufficient to hold the marriage valid. The bare fact of a man and a woman living as husband and wife does not give them the status of husband and wife even though they hold themselves out before society as husband and wife and the society accepts them as such.

In the following year the apex court decided another case that of Kanwal Ram. The parties belonged to a village in Himachal Pradesh among whom a customary form of marriage called 'prana' is recognised. The custom does not include saptapadi. The essential ceremonies include offering suhag to the bride at her residence by a relative of the bridegroom, relative of the bride bringing the bride to the groom's house (prana), coins put in a pot, pooja and katha (reading of holy scriptures), bride picking up the pot and taking it to the family hearth, obsequance to the elders and feasting. The first wife admitted that pooja at the entrance and bowing at the hearth are essential ceremonies. The witnesses who were examined stated that suhag and prana was performed. But did not mention the other ceremonies. Prior to the prosecution for bigamy, the wife had filed a petition for restitution of conjugal rights. In reply, the second wife had stated that Kanwal Ram had married her after his first marriage was dissolved.

The husband was convicted by the judicial commissioner of Himachal Pradesh. But in appeal the Supreme Court acquitted him on the ground that conviction based on a statement of the accused that he had sexual relationship with the alleged bride and admission that the marriage was performed after the first marriage was dissolved had not been testified. The court also ruled that an admission from the second wife cannot be relied upon as evidence against Kanwal Ram and further it cannot even be relied upon against the second wife. Relying upon *Bhaurao* the court held that to prove a second marriage, essential ceremonies constituting it must be proved.

The third leading case was in 1971. The wife relied upon husband's admission in maintenance proceedings where he had stated that due to the wife's conduct he was compelled to remarry. The priest who performed the second marriage did not elaborate on the ceremonies, but merely stated that the marriage had been solemnised according to Hindu rites. The wife pleaded that the performance of essential ceremonies must be presumed.

The trial court convicted the husband and second wife to one year of rigorous imprisonment and a fine of Rs 500 each of which was to be paid to the first wife. In appeal the sessions court upheld the conviction. The conviction was set aside by the Calcutta High Court.

The Supreme Court confirmed the acquittal and held. There is no dispute about the second marriage having been performed during the subsistence of the first marriage. But relying upon *Kanwal Ram* the court held that admission by the husband in proceedings for maintenance is not sufficient, further reaffirming the decision in *Bhaurao* held that proof of solemnisation of second marriage in accordance with essential religious rites is a must for conviction. The court further ruled that the sole responsibility of proving the offence with the clinching proof is upon the complainant i.e. the first wife.

Two more cases were decided by the Supreme Court in 1979. In *Langari Obulamma*, the parties belonged to the reddy community of Railseelma. The prosecution contended that the essential ceremony was putting a yarn thread and not performance of saptapadi and homa. One of the witnesses stated. Among kapus, each community performs the marriage according to their own custom. The kapus have only yarn thread instead of mang thitram. I do not know what is the custom (acharam) of the parties. There was no custom of agni gundam (going round the sacred fire). I do not know whether this is true of a secret marriage.

In appeal the Supreme Court upheld the acquittal on the ground that there was no evidence of any custom amongst redrys which outweighed the written text of law. The prosecution relied upon a decision of Andhra Pradesh High Court in *Dalgouti Raghava Reddy* which had held that among the redry community of Telangana saptapadi and homa were not essential for a valid marriage. But the court ruled that since this case concerned redrys not of Telangana but Railseelma, the same rule could not apply.

In the same year the Supreme Court also decided the case of *Gopal Lal*. The parties belonged to telhi caste of Rajasthan. The husband remarried according to the local custom of 'nata' marriage. Two essential ceremonies of a nata marriage. Husband takes a pitcher of water which is placed on the bride's head and the bride wears the 'chura' (bangles) presented by the husband. The lower courts held that the second marriage was performed according to the custom of nata marriage prevalent in the telhi community and convicted the husband to two years rigorous imprisonment and a fine of Rs 2,000. The Supreme Court, at long last, recognised the validity of a local custom and the proof of the same having been performed. But the court reduced the sentence to one year.

iii Unsurmountable Obstacles

A discernible pattern emerges in conviction by the lower judiciary and leniency by the apex court which rescued the errant husbands by prescribing rigid standards for proving bigamy which rendered it impossible for even the high courts to convict the husbands as the following rules laid down by the Supreme Court became binding upon them.

- (i) Proof of performance of homa and saptapadi is essential for conviction of a Hindu man for bigamy.
- (ii) Performance of valid ceremonies cannot be inferred by leading the evidence of a purohit or an officiating priest.
- (iii) If a custom to the contrary is to be relied upon it must be validated by a law text.
- (iv) Admission by the husband in matrimonial proceedings i.e. divorce, maintenance, restitution of conjugal rights, etc. is not sufficient to prove bigamy.
- (v) Admission by the second wife is not sufficient.
- (vi) Husband and second wife living together as a domestic unit and the community accepting them as such is not sufficient.

The Supreme Court ground down the customs and rituals of a pluralistic society into an absurd notion of uniformity by enforcing upon them rituals which were traditionally confined only to higher castes of specific regions. If a community observed a custom which is contrary to the shastric ritual, the custom had to be privileged enough to attract the attention of a legal scholar, who would then have the good sense to mention it in a law text and further it should have remained static down the ages. In a vast country and within a dynamic society this would amount to the proverbial needle in a haystack and confine societies which are rapidly changing under the pressures of modernisation to fossilised forms totally removed from their contemporary lifestyles. The *Bhaurao* judgment is a case in point.

IV The High Courts Follow the Trail

The high courts not only followed the trail, but in their zeal advanced the logic to absurd ends, erasing all hopes of justice and fairness in criminal prosecutions. Ceremonies performed in a temple, registration with the caste or temple authorities or even with a civil registrar fell short of the degree of clinching proof which the wife was expected to produce. The paternity of the child of a second marriage if proved could only amount to its bastardisation and not proof of bigamy by its father. The complainant wife could also lay herself open to the risk of invalidating her existing marriage.

Following is a random sampling of some reported judgments during the intervening period of 30 years from *Bhaurao* in 1965 to *Savla Mudgal* in 1995. The vivid description of the marriage ceremonies of various communities at the risk of being repetitive is deliberate. The case law is relied upon not only to expose the hollowness of the provision of monogamy but as a study of a society rich in its diverse culture—a diversity which could be comprehended neither by our legislators nor by our judiciary and also to highlight the adverse implications to women of sweeping it with a brush of uniformity.

1965 Jammu and Kashmir Hindu law does not penalise concubinage. The second marriage was performed in the village Dundal. The only evidence available was that people had assembled at the village and a priest officiated at the marriage. The priest had not stated that he had performed the requisite ceremonies. The first wife pleaded that the performance of valid ceremonies ought to be presumed since the presence of the priest was proved.

The sessions court convicted the husband with simple imprisonment of five months and a fine of Rs 25 which was confirmed by the sessions court. The high court acquitted the husband on the ground that all the ceremonies of a valid marriage were not proved. The court clarified: If the conviction is based on insufficient evidence there would be no difference between concubinage and a lawful marriage. The legislature has made no provision to punish a person who keeps a concubine during the subsistence of the valid marriage. Since there was no evidence that the parties were governed by any custom which dispensed with *saptapadi* and *homa*, these two ceremonies need to be proved.

1969 Assam and Nagaland Marriage among Ahoms. The husband married the first wife as per Hindu rites and subsequently remarried in the *saklong* form as per the custom of the Ahoms. Since the husband had admitted the second marriage, the prosecution did not lead elaborate evidence regarding the essential ceremonies.

The court referred to Gait's *History of Assam* where a *saklong* marriage is described as follows: The bride is brought into the courtyard and after walking seven times round the groom is made to sit by his side. One end of the cloth is tied around the neck of the bride, the other fastened to the bridegroom's waist. They walk to a corner, where nine vessels full of water are placed on plantain leaves. The master of the ceremonies reads from the *saklong* pathi. Three cups containing milk, honey and rice, fruitfully are produced which the bride and groom have to smell. Some uncooked rice is brought in a basket into which, after the couple has exchanged knives, rings are

plunged each finds the other's ring and wears it. The exchange of knives and rings is the binding part of the ceremony. The couple then pays homage to the bride's parents.

Since the prosecution had not proved the performance of these rituals, the court acquitted the husband and held: Mere admission of second marriage by the husband is not adequate.

1970 Mysore Invalidity of first marriage. The first marriage was solemnised at the renowned Tirupathi temple according to Hindu rites. The second marriage was performed at Jalapet. During the proceedings the first wife could not prove the performance of *homa* and *saptapadi*. So she relied upon proceedings for maintenance filed by her after her desertion. In his reply to her application the husband admitted both the first and the second marriage.

The trial court convicted the husband with rigorous imprisonment of six months which was confirmed by the sessions court. But the high court held that the proceedings for maintenance are summary in nature meant to prevent vagrancy and hence the degree of proof is not as high as in a prosecution for bigamy. When a woman initiates proceedings for bigamy against her husband she cannot rely upon the presumption of a valid marriage which is laid down under S 50 of the Evidence Act and has to prove the validity of her marriage by proving the performance of essential ceremonies.

During cross examination, the purohit who had performed the ceremonies admitted that he was a teacher by profession for the last 18 years. He had not studied the Sanskrit texts and he did not know the existence of various forms of marriage under the Hindu law. The court held that because of his ignorance *saptapadi* was not performed. The other witnesses who were examined did not know the meaning of *saptapadi*. The court held that since the validity of the first marriage was not proved, the second marriage does not amount to bigamy.

1972 Kerala Ceremonies of Nairs. The witness merely stated that the marriage was performed according to the custom and practices of the community. The trial court convicted the husband with eight months rigorous imprisonment and a fine of Rs 100 which was confirmed by the sessions court. While acquitting the husband, the high court relied upon the acts passed by independent states of Cochin and Travancore in the last century. S 3 of the Travancore Nayar Act of 1888 stipulates that a conjugal union as per social custom and usage solemnised by the presentation of cloth to the female by the male is a valid marriage for all legal purposes. S 4 of the Cochin Nayar Act stipulated that a valid marriage may be solemnised by the presentation of cloth to the female by the male or in any other customary form.

Since the second wife was from Cochin, the court held that the mere fact that some

ceremonies were performed at the Guruvayoor temple will not make it a valid marriage recognised by the community. Unless it can be proved that cloth was openly presented by the male to the female it cannot be said that a valid conjugal union has taken place.

1973 Bombay First marriage performed as per Neo Buddhist rites is invalid. The first wife pleaded that the community had embraced Buddhism under the leadership of Ambedkar and she had been married as per the Buddhist rites of the community. She stated that she had embraced Buddhism after marriage but she could not prove that her husband had also converted to Buddhism. She described the marriage ceremonies as follows: In the *mandap* the bride and groom sat facing each other on two sides of a table and recited an oath in the name of Buddha and exchanged garlands and clothes. It was a simple ceremony where two consenting parties took an oath to be husband and wife. This was followed by a *feast*. There was no invocation by the fire or *saptapadi*.

On her behalf it was argued that since under the Hindu Marriage Act the term Hindu includes Buddhist the Buddhist rites should be recognised as valid. Since thousands of marriages were being performed in this form the courts should lean in favour of recognising these marriages as valid to avoid social mischief (harm).

The comments of Justice Masadkar of Bombay High Court while acquitting the husband need to be quoted in detail. The concept of marriage under the Hindu law has not undergone any radical change by the enactment of the Hindu Marriage Act. In fact the basic structure of that concept has not been touched and it remains a *sanskrit* or a sacrament. To a Hindu marriage is not a matter of agreement or contract but a spiritual union of two souls. Holy invocation before the fire and *saptapadi* are its minimum requirement.

The argument that exodus from Hinduism to Buddhism should be taken note of and Buddhist rites should be held as part of Hindu rites for the purpose of marriage cannot be accepted. Only because such marriages are taking place due to some social or religious convulsions the courts cannot be asked to hold that this custom should be treated as a rule having the force of custom or usage. A custom should be continuously and uniformly observed for a long time and should obtain the force of law among Hindus in any local area, tribe, community or group. The rule must be hardened into law by continuous and uniform observation. Since the wife herself has stated that the custom is in practice only for the last 10-15 years, the custom cannot meet the requirement of law.

It thousands of marriages are taking place in this or in any other form, an appeal lies to the legislature and not to the court of law. It is not the function of the courts to make the law or lay down social policies, but apply the law as legislated. The form of marriage that was followed is not according to any known custom or rituals sanctioned by the Hindu law. Since there was no proof of conversion and since homa and saptapadi had not been performed, the marriage between the first wife and her husband is not valid.

However, since it is mentioned in *Customs and Customary Law in British India* by S. Roy that consent is an essential element of the marriage tie between two Buddhists and no ceremony is requisite if it was proved that either party was Buddhist it might have been possible to hold the marriage was valid.

1974 Gujarat: Proof of registration under the caste panchayat of Luhana community insufficient ¹³ The first wife proved bigamy of the husband by producing a registration certificate (*Nondh*) which contained the signature of the husband, the second wife and an officer beared of Luhana Mahajan Vandi. Based on this, the trial court convicted the husband. In appeal, the sessions court acquitted the husband on the ground that mere registration of the marriage with a caste panchayat or admission by second wife is not sufficient. The high court affirmed the order of acquittal on the ground that no one had deposed that registration of marriage was the only requirement of marriage of the Luhana community.

1975 Calcutta High Court: Registration of marriage under the Special Marriage Act insufficient ¹⁴ (Section 16 of the Special Marriage Act, 1954, an optional secular marriage act provides for a subsequent registration of a marriage solemnised under any religious rites. Once the marriage is registered under this act, the parties are bound by the provisions of the secular law regarding marriage and divorce and the provisions of the Hindu Marriage Act do not apply to them. Registration under the act is sufficient proof of the validity of marriage.) After performing a bigamous marriage under Hindu rites, the husband registered the marriage under S. 16 of the Special Marriage Act. During the trial, the first wife relied upon the certificate issued by the registrar under this act to prove bigamy. Relying upon it, the trial court framed charges.

The second wife appealed to the high court which quashed the charges on the ground that the certificate cannot be a proof of the marriage performed in other form prior to the registration. It only records a declaration by the parties that they have gone through another form of marriage before the registration. Such declaration cannot be a proof of performance of saptapadi and homa.

1985 Bombay High Court: Invalidity of first marriage ¹⁵ During proceedings for

bigamy, the husband admitted that the second marriage was performed during the subsistence of the first marriage according to the ceremonies and the customary rites. The trial court convicted the husband and the second wife to three months rigorous imprisonment and a fine of Rs. 300. In appeal, the sessions court acquitted them on the ground that the first marriage cannot be held to be proved merely by the admission of the husband. To establish a valid first marriage, the prosecution should prove its solemnisation. Since the validity of the first marriage was not proved, there can be no conviction for bigamy.

Relying upon *Kanwal Ram*, the high court confirmed the sessions court order that the first marriage cannot be proved by an admission. The prosecution pointed out that in *Kanwal Ram*, the Supreme Court ruling regarding strict proof was confined to the second marriage. But the high court held that since a strict proof of the validity of the second marriage is required, it is not understandable as to why such a strict proof is not required for the first marriage also. It is necessary for the complainant to prove all the essential requirements of a valid second marriage, then by the same standard and reasoning it is also necessary to prove all the essential requirements of a valid first marriage.

1989 Andhra Pradesh: Ceremonies of marriage among the Kamas ¹⁶ The first marriage was solemnised according to Hindu rites at Enuputhi. Subsequently the husband remarried. Evidence of persons who had attended the second marriage was relied upon who stated that the second marriage was performed by putting jeelakarra and bellam on the couple's heads, chanting of mantras and tying a mangal sutra. Thereafter, the husband went through another marriage ceremony with the second wife according to Muslim rites. The husband and second wife lived with the husband's parents, worshipped Hindu deities, celebrated Hindu festivals and were known by Hindu names. The second wife wore *mangalsutram*, *metlu* and *tilakam*, symbols of marriage among Kama women.

The trial court convicted the husband and the second wife. In appeal, the sessions court held that since the first marriage was not proved, the second marriage does not constitute bigamy. The marriage under Muslim rites was in fact the first valid marriage. In appeal, the high court affirmed the acquittal but on totally different grounds.

(i) **The first marriage is valid.** Relying upon the husband's admission to the marriage prior to the filing of the complaint, the court ruled that the first marriage was valid. The court held there is a clear distinction with regard to the mode of proof for the first and second marriages. It is well-settled that the first marriage need not be proved with the

same degree of proof as the second marriage. Apart from the presumption under S. 50, Evidence Act, the admissions and other surrounding circumstantial evidence that has been brought in to prove that they are husband and wife is sufficient. It is very difficult to prove all the ceremonies or remember all the events of a marriage which was solemnised 20 or 30 years ago as against the proof of a recent marriage which took place one or two years prior to the date of giving evidence. The court suggested that the standard of proof regarding the validity of first marriage should be lowered.

(ii) **Second marriage as per Muslim law is not valid.** Under Muslim law, there should be a proposal made by or on behalf of one party to the marriage and acceptance by the other in the absence of which the marriage will be void. The marriage under Muslim law is also not valid as the conversion was not real and bona fide and was only for convenience. Hence even if the formalities have been complied with during the performance of the marriage under Muslim law, it cannot be treated as a valid marriage. Since the parties continued to remain Hindus, the marriage would have to be proved under Hindu law and not Muslim law.

(iii) **Saptapadi and homa not proved in second marriage and hence no conviction for bigamy under Hindu law.** In Kama community, homa is not necessary, but saptapadi is essential and it has to be proved by cogent evidence. One witness stated that touching of feet by each other is a saptapadi and it is a custom in the Kama community. The court refused this statement and commented that the meaning of saptapadi is totally different. Since there was no proof of saptapadi during the first and the second marriage, the court held that there cannot be conviction. The court also recommended that suitable amendment to the mode of proof of the second marriage. If second marriages are being performed in secrecy knowing fully well that it is an offence and the courts insist on strict proof, it amounts to encouraging perjury, the court commented.

1990 Karnataka: Ceremonies of Lingayat invalidation of first marriage ¹⁷ The first wife was employed as telecommunication office assistant with divisional engineer, Telegraphs at Hubli. Her father was a retired principal of a training college. The first marriage was through a proposal where cash and gold articles were given to the groom as per his demands. The marriage was performed in Hubli, as per the Lingayat Jangam custom on July 3, 1983. The wife described the ceremonies as follows: After applying turmeric paste to the bride, 'suigi' was performed, the couple bowed before the gods and the bridegroom was tied with basinga. The bride was made to sit on a black woollen carpet and was gifted to the

groom. Then the groom tied the mangalsutra around her neck. Rice was showered on their heads. Then mantras were chanted and garlands were exchanged. The priest testified that Gouri puja was performed and the couple worshipped 'pandhagurugalu', which was followed by Ganapati puja. Thereafter the wife returned to her natal home and on an auspicious day the husband had to come and fetch her. On July 8, 1983, he married another woman from the same community in Birur Chikmagalur district. The second wife was a lecturer at the junior college at Tatkate. Thereafter he wrote letters to the first wife admitting the second marriage and asking her forgiveness for the mistake he had committed. The wife relied upon these letters and the photographs taken during both the marriage ceremonies.

The trial court convicted the husband to six months rigorous imprisonment and Rs 500 for each offence i.e. going through a fraudulent marriage ceremony and cheating. The sessions court reduced the sentence to one day and increased the fine to Rs 10,000 for each offence. In appeal, the husband's advocate did not dispute the celebration of the two marriages but only contended that they were not performed as per the valid ceremonies of Lingayat community according to which, after completion of all items, the saptapadi must be performed. While setting aside the conviction, the high court held: 'Since saptapadi was not performed in both the marriage and since in the complaint it was not specifically stated that in Hobli saptapadi was not in vogue, neither marriage was valid. The court also ruled that the first wife was not the aggrieved party. It was the second wife who ought to have lodged the complaint. Since the second wife or her father has not filed any complaint, there cannot be any conviction.'

1992 Allahabad - Ceremonies of Raudas community ¹⁸ The Raudas belonging to Raudas community recognised polygamous marriages which are known as 'Ghar Bethan'. The two essential ceremonies of the marriage are placing of bangles on the bride's hand by the husband and a wedding feast. The second wife also had an earlier marriage subsisting. Although the wedding feast could not be proved, the trial court convicted the accused. The sessions court upheld the conviction but reduced the sentence. In appeal, the high court acquitted the husband and held: 'The second marriage was void since both the parties had an earlier spouse. In addition, the ceremony of holding a feast was not completed. Even if the earlier spouses were excluded, the second marriage would still not be valid as an essential requirement of the said marriage had not been performed.'

1994 Allahabad - Arya Samaj rites ¹⁹ The husband was convicted by the trial court but acquitted by the sessions court. In appeal, it

was argued that the second marriage was performed according to Arya Samaj rites for which three and a half round of sacred fire were sufficient to complete a valid marriage. But the high court held that according to sanskar vidhi, after the patikrama round the sacred fire, the bride and the bridegroom have to take seven steps and each step should be taken after pronouncement of a specific mantra by the groom. The court held that the ceremonies of Arya Samaj wedding remain the same as any other Hindu wedding. Since there were no pleadings regarding customary rites and saptapadi was not proved, the second marriage was not valid and hence there can be no conviction for bigamy.

1995 Madras - Proof of paternity of the child of subsequent marriage irrelevant ²⁰

During prosecution, the husband and second wife specifically pleaded that there was no marriage at all between them and that the second wife was a virgin. The first wife produced a birth certificate to prove that a son was born to second wife and her husband. She pleaded that parentage of the child is material to decide the factum of the second marriage and applied for a paternity test.

While dismissing the application, the high court held that the wife had to prove that the essential ceremonies were performed in both the marriages and asked how a paternity test of the child would prove the same. The court further held that this was only an attempt to put a slur on the chastity of the second wife and undermine her dignity.

V

Illusory Nature of a Hindu Marriage

A reading of the judgments brings home the point that a Hindu marriage is an illusory legal occurrence, the validity of which is constantly suspect. In their evidence, the

witnesses have used terms and idioms which can only be interpreted within a specific cultural context. Perhaps a magistrate who is familiar with customs and traditions of the local area, is able to relate these idioms to people's lives. Hence one can observe convictions at the level of trial courts. But for the higher judiciary, presiding over the citadels of justice in their ivory towers, these terms can only mean 'technicalities' which do not in any way relate to the cultural realities of the people whose lives and legitimacy they determine. If the ceremonies of a marriage performed at the renowned temple of Tirupati could not stand the scrutiny of the courts, what will be the validity of marriages performed at informal spaces, i.e. courtyard of a Hindu home in the rural area or a marriage hall in the urban area.

The courts have upheld the ancient brahminical rituals of homa, saptapadi and kanyadan which are derogative to women, against more egalitarian and secular forms. The imposition of a uniform norm where none existed has caused further confusion. It needs to be mentioned that to many of the communities, whose ceremonies are discussed above, the Hindu code did not bring any progress as the communities already recognised divorce and remarriage of women prior to the code. The marriages were neither sacramental, a union of souls or a bond between a man and woman to the exclusion of everyone else. These concepts imposed either by a foreign Christian doctrine or by an upper class brahminical tradition do not have much relevance to these cultures.

The artificial imposition of monogamy has not been able to regulate customary practices of polygamy and simultaneous marriages. As can be observed, the marriages discussed in the case law have been performed in full public view with the participation of the

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community. The pat and nata were accepted tokens of remarriage of divorcees and widows in the western region. The point in question is not whether there have been convictions for bigamy but whether a norm of monogamy which is far removed from the customs of the community can be effectively imposed.

The Bombay High Court judgment regarding neo-Buddhist rites indicates the ostrich-like attitude of courts which reflect not only gender bias but also class and caste biases. Refusal to validate the forms of ceremonies of dalits and imposing upon them the shastric ceremonies of homa and saptapadi is adding insult to an age-old injury. Ironically, Ambedkar, the arch supporter of Hindu law reform, seems to have made no provision for the validation of the marriages of the community whom he led out of the Hindu fold in 1956. How can the rituals practised by them meet the standard of an ancient immemorial custom having the force of law?

The ceremonies of Arya Samaj marriages are another controversial issue. One of the judgments cited above has held that the Arya Samajis are Hindus and hence the marriage can only be solemnised by homa and saptapadi. But in *vivah kanyasulk* (roughly translated marriage shops) which we mushroomed in all metropolitan cities, such marriages are routinely performed by unscrupulous lawyers and are related to affidavit marriages. The formalities can be completed within an hour at a premium. Neither a notice nor any documentary proof of age, marital status or domicile is required. The marriages have a pretension of being performed according to *Arya Samaj* rites which dispenses with homa and saptapadi. Only a Hindu can avail of this quickie marriage. But infidels need not be daunted. A priest is available at hand to issue a certificate of conversion.

These marriages of convenience will not stand the test of legal scrutiny in proceedings of bigamy. Through a stroke of luck, civil courts still apply the presumption of validity under S 50 of the Indian Evidence Act which lays down that a valid ceremony will be presumed if a couple lives together as husband and wife and the community accepts them as such. But as the reported judgments are binding on the lower judiciary, there can never be conviction based on proof of such marriages.

The legal position can be summarised as follows. A Hindu husband can live in a polygamous marriage with impunity so long as he does not perform either one of the ceremonies of homa or saptapadi. Since most communities do not even consider these formalities as essential, non-performance of these ceremonies does not pose any obstacle on the path of a Hindu husband desirous of committing bigamy. If in the case of a second marriage, both spouses have an earlier valid

marriage subsisting, then in any case the second marriage will be void and will not attract the provisions of S 494 IPC.

While the Hindu male is granted a clear advantage, the disadvantage is suffered by two sets of women. The first wife stands the risk of invalidating her own marriage in a prosecution for bigamy. If she cannot prove the valid ceremonies of her marriage, the court will validate the second marriage and thus she will not only lose out in the bigamy proceedings but will lose her economic rights in matrimonial proceedings.

A notion still prevails amongst Hindus that a bigamous marriage can be contracted if the first wife consents to it. Since only a first wife can initiate the complaint, the belief is not without any legal base. With the consent of the first wife, the husband need not fear conviction for bigamy. But since the consent of the wife will not validate the second marriage, the husband will be redeemed of all economic liabilities of the second marriage.

The disadvantages suffered by the second wife have not received any attention by the advocates of monogamy. When a woman approaches the court for maintenance, a routine ploy adopted by husbands is to question the validity of her marriage by stating that he either has an earlier marriage subsisting or that the woman is a concubine or in popular parlance a mistress or keep. Then it is left to her to prove the validity of her marriage both in terms of ceremonies as well as its monogamous character. If the husband can prove that he has an earlier marriage subsisting, the second wife will have no legal recourse left.

I am constrained by the scope of this article from venturing into an elaborate discussion about the attitude of judges in maintenance proceedings. But the fact that out of the 40 cases of maintenance reported in Volume I of *Divorce and Matrimonial Cases (DMC)* 1994, in 36 per cent of the cases husbands raised the plea of validity of their marriages is suffice to establish the point that the defence is used widely by Hindu husbands to deny the maintenance to wives. In 16 per cent of the reported cases, the courts upheld the plea and denied women the maintenance.

Contrary to popular belief that the four petitions were filed by women whose husbands were converted, one of the petitions was filed by the second wife, whose husband induced her to convert and marry him and subsequently due to pressure from the first wife reconverted to Hinduism and lived with the first wife. The woman has a two-year-old son out of this marriage.

While the Supreme Court eulogised a uniform code as a remedy for all ills, it has not commented upon the status of this child. Does a court have the power to declare a valid marriage contracted under Muslim law between Muslims as invalid? At para 18 Justice Kuldeep Singh makes a curiously

ambiguous comment. The marriage solemnised by a Hindu husband after embracing Islam may not strictly be void under the Hindu Marriage Act because he is no longer a Hindu. The review petition which is admitted seeks to clarify this legal position of the child and if not other.

The second judge on the bench in the controversial case Justice Sathar has made a valuable suggestion. No religion permits deliberate distortions. The government should consider the feasibility of appointing a committee to draft a conversion of Religion Act immediately to check the abuse of religion by any person. The law may provide that every citizen who changes his religious faith must marry his mother-in-law unless he divorces his first wife. The provision should be made applicable to every person whether Hindu, Muslim, Christian, Sikh, Jain or Buddhist. Such a move could effectively deal with the problem of conversion and bigamy which the judgments seek to avert.

It also needs to be pointed out that while Justice Sathar recommended the enforcement of a uniform civil code, it should be pursued with caution, for it would be possible only when sentiments and emotions have to be cooled and tempered by intellect and advocated several intermediate measures as stepping stones towards the uniform code.

But our is a secular democratic republic. Freedom of religion is the core of our culture. Even the slightest deviation shakes the social fabric. While a unified code is imperative, the first step should be to promote the personal law of the minorities to develop religious and cultural unity.

This note of caution seems to have been totally drowned in the media campaign for the enforcement of a uniform code on a priority basis. It is wishful thinking (or a political ploy) to advocate a uniform code as a means of curbing polygamous tendencies of men. If codified Hindu law worsened the situation of Hindu women, what is the basis upon which a uniformity is being advocated for lesser mortals?

[I would like to acknowledge the contribution of Sumyati in researching this article.]

Appendix

THE HINDU MARRIAGE ACT 1955

§ 2 Applicability of the Act

- (1) This act applies—
(a) To any person who is a Hindu by religion in any of its forms or developments, including a Virashaiva, a Lingayat or a follower of Brahmo, Prarthana or Arya Samaj;
(b) To any person who is a Buddhist, Jain or Sikh by religion; and
(c) to any other person domiciled in the territories to which this act extends who is not a Muslim, Christian, Parsi or Jew by religion.

S 5 Conditions of a Hindu Marriage

A marriage may be solemnised between any two Hindus if the following conditions are fulfilled namely

(1) neither party has a spouse living at the time of the marriage

S 7 Ceremonies for a Hindu Marriage

(1) A Hindu marriage may be solemnised in accordance with customary rites and ceremonies of either party thereto

(2) Where such rites and ceremonies include the sapta padi (that is the taking of seven steps by the bridegroom and the bride jointly before the sacred fire) the marriage becomes complete and binding when the seventh step is taken

S 8 Registration of Hindu Marriages

For the purpose of facilitating the proof of Hindu marriages, the state government may make rules providing the parties to any such marriage may have particulars relating to their marriage entered in such manner and subject to such conditions as may be prescribed in a Hindu Marriage Register kept for the purpose

S 11 Void Marriages

Any marriage solemnised after the commencement of this act shall be null and void and if it contravenes clauses (1) of S 5

S 17 Punishment for Bigamy

Any marriage between two Hindus solemnised after the commencement of this act is void

if at the date of such marriage either party had a husband or wife living and the provisions of S 494 and 495 of the Indian Penal Code shall apply accordingly

INDIAN PENAL CODE

Chapter XX Of Offences Relating to Marriage

S 494 Marrying again during lifetime of husband or wife Whoever having a husband or wife living marries in any case in which such marriage is void by reason of its taking place during the life of such husband or wife shall be punished with imprisonment of either description for a term which may extend to seven years and shall also be liable to fine

THE INDIAN EVIDENCE ACT 1872

S 50 Opinion on relationship when relevant When the Court has to form an opinion as to the relationship of one person to another the opinion expressed by conduct, as to the existence of such relationship of any person who as a member of the family or otherwise has special means of knowledge on the subject is a relevant fact Provided that such opinion shall be sufficient to prove in marriage proceedings under the Indian Divorce Act 1869 or in prosecutions under section 494 495 497 or 498 of the Indian Penal Code 1860

Notes

- 1 Saria Mudgal v Union of India and Ors (1995) 3 SCC 635
- 2 Bhaurao Shankar Lokhande v St of Maharashtra AIR 1965 SC 1566
- 3 Kanwal Ram and Ors v The H P Administration AIR 1966 SC 614
- 4 Priya Bala Ghosh v Suresh Chandra Ghosh AIR 1971 SC 1153
- 5 Gopal Lal v State of Rajasthan AIR 1979 SC 713
- 6 Lingari Obulamama v I Venkata Reddy and Ors AIR 1979 SC 848
- 7 In Re Dolgontu Raghava Reddy AIR 1968 Andh Pra 117
- 8 Phankari v State AIR 1965 J and K 105
- 9 Boloram v Mt Suriya AIR 1969 A and N 90
- 10 Vanajakshamma v P Gopala Krishna AIR 1970 Mys 305
- 11 Govindan Nair v State of Kerala 1972 Cri LJ 122 (Ker)
- 12 Shakuntala v Nilkanth 1973 Mah LJ 310
- 13 Mukta Jesing v Vallabhadas 1974 Cri LJ 121 (Guj)
- 14 Baby Kar v Ram Rati 1975 Cri LJ 836 (Cal)
- 15 Godawari v State of Maharashtra 1985 Cri LJ 1472 (Bom)
- 16 Chandia Manikamma v Sudarsana Rao I (1989) DMC 109 (AP)
- 17 Ravanasiddaswamy v Public Prosecutor 1990 Cri LJ 1001 (Kant)
- 18 Rajkumar v Kalawati 1992 Cri LJ 1373 (All)
- 19 Umila v The State of UP 1994 Cri LJ 2910 (All)
- 20 Gomathi v Vijayaraghavan 1995 Cri LJ 81 (Mad)
- 21 Supra (1) at para 45

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National Accounts Statistics of India-5

Capital Stock, Capital-Output Ratios and Factor Incomes

EPW Research Foundation

THIS set of statistics, the fifth in this series, presents the CSO estimates on (a) capital stock by type of institution and by industry of use as well as the implied crude estimates of average and incremental capital output ratios for different sectors of the economy and (b) key national accounts statements on factor incomes and property incomes by economic activity.

I Capital Stock and Capital Output Ratios

Capital stock of a country is broadly defined as that part of national wealth which is reproducible. It consists of all resources which contribute to the production of goods and services. The United Nations Statistical Office (UNSO) defined national wealth as 'total of various kinds of net tangible and intangible non-financial assets of residents plus financial claims on non-residents less financial liabilities to non-residents' [CSO 1989]. Tangible assets have been further classified into (i) reproducible tangible assets (i.e. capital stock) comprising fixed assets and stocks of goods and (ii) non-reproducible tangible assets like land, timber tracts and historical monuments. The reproducible fixed tangible assets (i.e. fixed assets for the production of goods and services) commonly known as 'fixed capital stock' comprise assets in the form of residential buildings, non-residential buildings, dams, irrigation and flood control projects, other construction works, transport equipment, machinery and equipment, breeding stock, draught animals, lumpy cattle and the like, and capital expenditure on land improvement, plantations, orchard developments and afforestation. It also includes uncompleted construction assets. The stocks include the inventories of goods in the producing industries, with trade and other industries and stocks of goods with government agencies. However, durable consumer goods including gold and silver in the hands of households which are not used for further production of goods and services, as well as fixed assets mainly meant for defence purposes such as warships, fighter aircrafts, transport vehicles and war materials do not

form part of the fixed capital stock as these are assumed to have been consumed as soon as they are purchased. However, the construction works undertaken by the households including building and capital expenditure on residential dwellings for defence personnel, border roads, ordnance factories, etc., form part of the fixed capital stock.

In the national accounts literature, an overwhelming emphasis has been placed on flow accounts of production, consumption and accumulation. In the Keynesian literature or even in Harrod-Domar and other neo-classical growth models, the focus was on investment and not on capital stock, though the theoretical concept of capital as such has received considerable attention in various stages of the evolution of economic theory. Subsequently, even as the concept of capital stock came to be used in production functions of Cobb-Douglas variety, the UN SNA (1968) sought to integrate flow accounts with a system of national balance sheet wherein also estimates of net tangible assets (or capital stock) appeared only as a balancing item. No doubt, the concept of capital stock appears prominently in the SNA elsewhere in the context of the estimation of the consumption of fixed capital (CFC) at its current replacement cost which is required at various stages of national accounts estimation. Even in the Indian context, some systematic estimation of capital stock came to be evolved because 'the estimates of CFC were grossly underestimated' [CSO 1988a: 5 and Chaturvedi and Bagchi 1984].

Methodology and Data Sources

Until the release of the New Series on National Accounts Statistics in February 1988, official estimates of net capital stock by industry of use or by type of institution were not available, but a number of scholars undertook such estimates using the usual method of carrying forward some historical bench-mark estimates by official estimates of net capital formation. In the 1960s, the RBI published detailed estimates of tangible wealth. But the absence of regular series of net capital stock was acutely felt in regard to the estimation of consumption of fixed capital (CFC); the methodology of CFC

estimation differed from sector to sector, and in respect of private and public sector corporates, it depended on depreciations permitted under income tax law. When the Raj Working Group on Savings [RBI 1982] recommended the perpetual inventory method (PIM) for preparing the estimates of CFC for all the sectors, the CSO's National Accounts Division (NAD) had already begun the work in that direction. As early as in 1981 the estimates of fixed capital stock by industry of use were prepared by NAD which were compiled by carrying forward the bench-mark estimates of net fixed capital stock (NFCS) at the end of the year 1949-50 made by Mukherjee and Sastri (1959) with the help of the official estimates of net fixed capital formation (NFCF) as available in the NAS. Subsequently, in pursuance of the recommendations of the Advisory Committee and of the Working Group on Savings, the NAD prepared firm estimates of capital stock using the Perpetual Inventory Method (PIM) by constructing life tables of various types of assets; the estimates of stock of inventories also have been worked out in order to arrive at the estimates of total capital stock which includes NFCS as well as stock of inventories.

Perpetual Inventory Method (PIM) is the most common method used for making the estimates of written-down replacement cost for fixed capital stock. Figures of the written-down replacement value of the stock of fixed assets on a given date are based on figures of GFCF classified according to type of fixed assets and year of acquisition, accumulated over a period to cover the acquisition of all fixed assets. The period should be long enough so that the fixed assets acquired before that period would have been retired. Conceptually, the cost of acquisition of each class (same type and same year of acquisition) of fixed assets is adjusted to current gross replacement cost by an index of the average change in prices from the year of acquisition to the date in question, and allowance valued at current replacement cost for accumulated depreciation between the two dates is deducted in order to arrive at its written-down current replacement cost. In practice, the perpetual inventory may be built year-by-year at the constant prices of a given

base year. Net capital formation during a year, adjusted to constant prices for a class of fixed assets is added to the written down value of its accumulated net capital formation as of the beginning of the given year at constant prices. The resulting constant price value of the net capital stock as of the beginning of the next year is converted to current replacement cost as of the later date. Once the perpetual inventory is built, it is to be maintained year by year by the same means as one outlined above [CSO 1989].

PIM necessitates the availability of reliable estimates of the average life of various types of fixed assets in different industries. The CSO has provided a list of assumed average life for each type of assets [CSO 1988] on the basis of the past studies as well as discussions held with the officials of the Directorate General of Technical Development, Ministry of Industries, the Railway Board and other agencies. The life profile of fixed assets so constructed ranges from 8 years for tongas, rickshaws and carts, 9 years for agricultural machinery, 20-25 years for manufacturing machinery and electricity generators, to 80 years for pucca buildings and 100 years for irrigation works and improvement of land. In the case of roads and canals, no depreciation is provided as it is felt that the current expenditures on their repairs and maintenance are perceived to be sufficient to maintain such assets intact [CSO 1988b].

NAS provides estimates for NICS, CFC and stock of inventories for each of the institutional sectors/sub-sectors and for industries within the institutional sectors in the Indian economy (Tables 19 to 21A and 21B). When the estimates of CFC were thus revised in the 1980-81 series based on the estimated net fixed capital stock and assumed life table of assets, the provision of CFC turned out to be nearly 50 per cent higher than in the previous series [CSO 1988a].

In addition to presenting the basic data on net fixed capital stock (NICS) and net capital stock (NCS), we have also worked out crude annual series of average capital output ratios (ACORs) representing capital stock to NDP and fixed capital stock to NDP ratios, the latter even by industries for each year. This has been done by measuring the average of beginning and year end capital stock as a ratio of the year's NDP. Incremental capital-output ratios (ICORs) have also been worked out at the aggregate level. Many attempts have been made by official agencies as well as scholars from time to time to estimate ACORs and ICORs for the Indian economy using different methods [Gupta 1988]. In order to obviate the fluctuating nature of the ratio essentially due to fluctuations in rates of growth of the economy, ICORs have

been worked out for groups of years such as five year plan periods [Planning Commission 1992] or by using regression specifications where estimated investment is regressed on value added originating in different sectors [Gupta 1988].

By their very nature, trends in capital-output ratios subsume a variety of factors: capital intensity of production, technological levels, changes in the composition of investment and output (say, in favour of engineering industries and from engineering to chemical industries), rising real costs in certain sectors like irrigation and mineral development where the easier opportunities had been exhausted first and various forms of inefficiencies in resource use including time and cost overruns and absence of synchronisation in inter-linked projects [Planning Commission 1992].

Quality and Limitations of Database

The steps involved in the estimates of capital stock are indeed mind boggling with the need to classify myriad types of assets, arrive at their life profile and use appropriate price deflators, all of which involve some subjective judgments and the process of averaging. Also, there is no way of gathering information on the nature of capital stock classified by technology. Accidental damages to capital stock and technological obsolescence are often not reported and this might result in overestimation of capital stock [RBI 1982: 111]. The revaluation and depreciation adjustments in a highly inflationary situation also continue to be arbitrary [Gothoskar 1983]. The replacement cost arrived at from various price series can be taken as only approximations to market values. Serious problems arise in accounting for quality changes [CSO 1989].

Brief Results

The capital output ratios, average as well as incremental, for the economy as a whole separately for the total capital stock and fixed capital stock and also separately for institutional categories, have been calculated for each year from 1981-82 to 1993-94. As can be seen, changes in ACORs for the economy as a whole (at constant prices) are somewhat indistinct over the years, whereas ICORs exhibit vast fluctuations. The latter fluctuations are significantly more in real terms than in nominal terms. Secondly, reflecting relatively higher prices of capital goods than the general level of prices, the ACORs based on nominal estimates are slightly higher (average of 3.17 for the latest five-year period) than those based on real numbers (average of 2.91). Thirdly, because of the significant capital-intensive

nature of public sector activities and other characteristics subsumed in the ratios as mentioned above, the ACORs for the public sector are significantly higher than those for the private sector as a whole. This is understandable because, fourthly, the highest level of ACORs ranging from 20 to 24 is to be found in electricity and the Railways, the public sector monopolies (Table 22). Amongst the commodity producing sectors, the lowest ACOR of about 1.25 (also a decline from about 1.40 in the mid 1980s) has been in respect of agriculture but the relatively low ratio of about 2.50 shown under the manufacturing sector is because the data include both registered and unregistered manufacturing. Finally, a preponderant part of the capital stock held in the form of inventories is with the trade followed by the manufacturing sector (Tables 21A and 21B).

II

Factor and Property Incomes

Factor Income

The estimates of factor incomes at current prices, introduced initially by the CSO in 1976, were a useful source of data to study the relative shares of the factors of production in the domestic product from different sectors of the economy. However, when the 1980-81 series of NAS was introduced, the estimates of factor incomes for the whole economy (i.e. except for the public sector) were not included due to non-availability of certain basic data. Subsequently, the CSO filled this gap by reintroducing the estimates of relative shares of factor incomes and property incomes in the net domestic product for all the years since 1980-81 [CSO 1994]. The categories under which factor incomes are normally measured are (i) compensation of employees, (ii) rent, (iii) interest and (iv) profits and dividends. The basic concept recommended in the SNA originates from the production account of industries in which factor incomes appear under the distribution of domestic product and this distribution is done only between (a) compensation of employees, and (b) operating surplus, with the latter covering both entrepreneurial profits and dividends as well as property incomes, namely interest and rent. However, an important complication arises in the Indian context (which is true of many other economies) because of the existence of unincorporated enterprises and household industries which either do not maintain accounts or are wholly managed by self-employed workers, in which case the factor incomes generated cannot always be separated between income from labour and

other factors. It has, therefore become necessary in such cases to introduce the additional item of 'mixed-income of self-employed' to take complete account of the factor incomes generated. Besides, in the treatment of rent in the Indian NAS, there are differences from the ones recommended in the UN SNA. In the Indian NAS, the rent paid by an industry for structures, machinery and equipment and other goods, is treated as a factor payment and not as a payment for a commodity-type service as recommended in the SNA. This treatment is primarily guided by the non-availability of separate data on rent received/paid on structures, machinery and equipment as distinct from those on land. Secondly, in the Indian NAS no imputation for rent has been made for using own building, machinery and equipment except for residential buildings.

The estimates of factor incomes have been prepared by institutional sectors and by industry of origin. The traditional institutional categories of public sector, private corporate sector including co-operatives and household and private unincorporated enterprises are broadly classified into organised and unorganised sectors. Likewise, the economic activities under various sectors are divided into organised and unorganised sectors depending upon the organisational set up or the data base available for the estimation of the domestic products. As usual, household and private unincorporated enterprises are treated as a residual. The private corporate sector has been merged with the private organised sector.

The estimates of factor income presented here as (i) compensation of employees, (ii) operating surplus and (iii) mixed income of self-employed are prepared by distributing the estimates of net domestic product (NDP) in the above categories.

Property Income

In the estimates of factor income, the components of property income, namely, rent and interest were contained in operating surplus. However, separate estimates of property incomes and imputed banking charges (IBC) by different institutional sectors and classified by industry of origin have been provided by the CSO. The benchmark estimates of rent have been moved to other years using estimate of working force and the implicit price index of rent of residential building. As said earlier, in the NAS, no imputation for rent has been made for using own building, machinery and equipment except for residential buildings. The benchmark estimates of interest have been moved to other years

with the help of specially prepared index of interest using the interest rate along with outstanding credit for various activities.

The imputed banking service charges are estimated as the excess of interest/dividend received by the banking sector over the amount of interest/dividend paid by it. The imputed bank income is considered as charges paid by different sectors to the banking sector. To determine the service charges for each of the sectors, the imputed income is allocated to the relevant activities on the basis of institutionwise deposits with the banks and the institutionwise loan disbursement by the banks. The IBC thus determined have been allocated to various sectors as their intermediate consumption and thereby reducing the value added of the sector by that amount. Thus duplication of value added from the banking sector is avoided. At present in the NAS, no deduction is being made, towards the IBC in respect of the unorganised sectors like agriculture, forestry, etc. on the assumption that these are taken care of in the existing estimation procedure of value added. Thus in the organised sectors, the value added gets reduced to the extent the IBC has been allocated as intermediate consumption in that sector.

Limitations of Database

The mixed income of self-employed covers total income of own account workers as well as the profits and dividends generated in the unincorporated enterprises. Although the additional item of 'mixed income of self-employed' to take complete account of the factor incomes generated has been introduced, it is not a clear functional classification of incomes generated, but such a separate category for an economy like India with large number of unincorporated enterprises is unavoidable.

The benchmark estimates of compensation of employees are required to be moved to other years with a combined indicator of persons employed and wage index. However, on examination of data it is noted that the estimates of working force of hired worker which is directly related to compensation of employees is not available on a comparable basis at two points of time to project the hired worker over a period of time. As a result, the estimates of working force based on population census, etc., have been used. This procedure is based on the assumption that the proportion of hired worker to own account worker remains the same throughout the study and so does the trend in compensation of employees, mixed income of self-employed and NDP will be more or less the same since the share of rent and interest is comparatively low.

Trends in Factor Incomes

First, it is found that the share of the organised sector in total NDP registered an improvement from 30 per cent in 1980-81 to 36.5 per cent in 1986-87 but stagnated thereafter until the mid 1980s was attributable to the public sector with the organised private sector showing no rise at all. Secondly, within the organised sector, the share of compensation of employees in the sector's NDP has steadily fallen from 74.2 per cent in 1980-81 to 67.4 per cent in 1992-93 with a corresponding rise in the operating surplus, whereas in the NDP originating in the unorganised sectors the proportions of both compensation of employees and the mixed incomes of the self-employed have remained unchanged at about 21 per cent and 79 per cent respectively (Table 23). Thirdly, in the distribution of property incomes, the proportion of interest has risen significantly in all the sectors, while that of rent has fallen. But it should be noted that in the Indian SNA, rent estimate is partial as explained earlier. Finally, with the stepping up of interest rates in organised banking, imputed banking charges (IBC) has shown a significant rise as percentage of property income as well as value added (Tables 24 and 25).

[This note, along with the compilation of the statistical tables has been undertaken by Pinamita Debnath Bhargava, Shree M. Indira and V. P. Prashant.]

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- (Other references are as presented in earlier parts of this series)

Table 19: Net Capital Stock by Type of Institution

Year (As of March (1))	Amount in Rupees Crore										Fiscal Year	Average Capital Output Ratio				Incremental Capital Output Ratio				
	Net Capital Stock											Net Fixed Capital Stock to Output				Net Fixed Capital Stock to Output				
	Total											Total				Total				
	Public Sector											Public Sector				Public Sector				
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
At 1980-81 prices																				
1981	338104	144193	193911	157784	295422	129607	166815	143589	42682	15586	14195	1980-81	207	753	368	258	670	333	200	173
1982	357752	153945	203907	161107	309037	136503	172559	145599	45710	17442	15308	1981-82	305	727	376	263	645	327	286	205
1983	376655	164177	212178	162600	324054	146019	174035	146522	46410	18458	15778	1982-83	296	729	376	254	649	306	487	390
1984	394106	174113	219993	167107	338293	153260	182333	148613	48555	18753	18004	1983-84	299	715	376	256	638	305	168	138
1985	411845	185116	226735	165589	355405	163073	185522	150255	48440	20077	18326	1984-85	302	691	358	258	615	304	323	275
1986	434159	196393	237766	172233	368546	173933	193911	151719	48533	21463	20524	1985-86	300	666	350	258	594	302	383	271
1987	455271	208518	246753	174437	385754	186375	204405	152406	48533	22140	21631	1986-87	306	655	350	260	588	299	341	279
1988	474616	217930	256686	179463	403298	196715	206553	156290	48533	22140	21631	1987-88	288	636	336	244	566	277	333	307
1989	500402	228352	271950	186633	421776	207381	214395	160728	48533	22140	21631	1988-89	283	600	332	239	545	270	168	129
1990	524133	239511	284622	194690	441073	215552	223521	165736	83070	21959	61101	1989-90	283	608	329	238	552	266	233	194
1991	553492	251112	302280	204684	463379	228166	235213	172044	90013	22946	67067	1990-91	286	591	349	248	539	280	333	269
1992	576066	260564	307230	207230	484224	235589	245635	172804	91842	21975	69867	1991-92	296	594	345	249	544	275	1464	1366
1993	601108	269971	311137	209957	504116	246896	257220	176693	96992	23075	73917	1992-93	296	594	345	249	544	275	327	272
1994	627046	280187	312859	208213	524927	255705	269222	171064	98119	24482	73637	1993-94	296	594	345	249	544	275	279	268
At current prices																				
1981	338104	144193	193911	157784	295422	129607	166815	143589	42682	15586	14195	1980-81	290	655	371	253	586	327	082	071
1982	407455	171569	235886	189352	355126	152842	202384	172539	52329	18727	15613	1981-82	312	644	405	273	577	361	113	082
1983	483141	205237	277904	220553	424024	184636	239388	202674	59117	20601	17879	1982-83	310	646	400	272	583	354	144	115
1984	557652	236103	317549	250512	486778	21928	272850	228053	66874	22175	22459	1983-84	319	643	412	281	583	364	090	076
1985	634993	274660	360333	281577	559776	249353	310423	257459	75217	23307	24118	1984-85	332	644	427	292	586	377	123	108
1986	742775	329450	413325	316945	653998	300769	353229	288465	88777	29681	28530	1985-86	345	630	446	304	576	392	147	111
1987	844190	374950	469240	356183	745374	344108	401266	324396	98816	30842	31787	1986-87	345	630	446	303	570	392	145	123
1988	948379	423420	524959	400760	840110	392062	448048	364453	108269	31358	36307	1987-88	343	618	445	286	553	362	121	113
1989	1085556	487306	597750	450084	956278	454131	502147	403291	129278	33675	46793	1988-89	324	595	416	286	553	362	100	081
1990	1242040	567666	674374	499686	1091169	529242	561927	445373	130871	38424	54213	1989-90	321	597	405	282	556	348	117	102
1991	1416756	641907	774849	569662	123624	598006	640618	503040	178132	43901	66572	1990-91	312	593	389	274	553	332	124	104
1992	1662881	759354	904527	646126	1458167	712207	745960	566547	204714	47147	79797	1991-92	315	580	393	276	543	333	106	100
1993	1878976	865549	10427	697847	1640807	810677	830130	605629	238169	54872	92018	1992-93	319	587	391	279	540	340	121	104
1994	2089051	960285	1128766	760065	1829405	897107	932314	659062	259546	63094	101003	1993-94	316	587	391	279	540	340	110	100

* Average of beginning and year-end capital stock as ratio of the year's Net Domestic Product (NDP) at factor cost for respective sectors
(-) means data are not available

Table 20: Net Fixed Capital Stock (NFCs) by Industry of Use at 1980-81 Prices

Year End (As on March 31)	Agriculture Forestry and Fishing	Mining and Quarrying	Manufac- turing	Electri- city Gas and Water Supply	Constr- uction	Trade Hotels Restau- rants	Transport Storage and Communication				Finance Insurance		Community Social and Personal Services			Total NFCs
							Total	Patways	Transport by other means and Storage	Commun- ication	Real Estate and Business Activities	Banking Insurance	Total	Public Adm and Defence	Other Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1950-51	2887	146	3919	114	164	656	4270	2833	962	485	54066	142	3849	2771	1078	96061
1951-52	29848	220	4720	276	169	703	4512	2997	1034	506	54428	168	4198	3057	1141	99106
1952-53	30597	242	5343	406	169	734	4744	3143	1074	527	54807	185	4558	3340	1218	101600
1953-54	31498	274	6001	517	194	763	4949	3312	1088	559	55239	201	5037	3747	1290	104486
1954-55	32266	331	6617	880	315	791	5324	3625	1104	595	55681	214	5622	4245	1377	107827
1955-56	33127	364	7480	1268	466	830	5907	4114	1164	629	56150	209	6515	4976	1539	112107
1956-57	33966	364	8874	1726	608	897	6672	4799	1302	661	56677	220	7358	5661	1697	117142
1957-58	34745	377	10594	2154	601	980	7464	5452	1423	689	57227	258	8231	6325	1906	122473
1958-59	35431	401	11616	2485	624	1049	8399	6222	1581	726	57824	278	9071	6990	2081	127060
1959-60	35908	431	12789	2778	607	1135	9475	6871	1846	769	58501	301	10018	7736	2282	131693
1960-61	36661	556	14319	3111	551	1169	10521	7527	2198	835	59189	329	11159	8617	2542	137556
1961-62	37434	691	15148	3775	508	1244	12511	9008	2525	895	59899	345	12344	9119	2815	142937
1962-63	38286	862	16432	4519	407	1382	13511	9008	3156	997	60607	370	13576	10132	3044	149482
1963-64	39258	1080	17725	5426	1097	1548	15569	10041	426	1102	61464	391	14946	11642	3304	156655
1964-65	40361	1366	19202	6280	119	1672	16401	11909	433	1159	62189	409	16302	12795	3507	164136
1965-66	41519	1444	21133	7265	1291	1893	17641	12366	433	1159	62972	449	17709	14030	3679	172131
1966-67	42611	1611	23133	8134	1377	1991	18664	12366	4216	1252	63722	491	18924	15074	3850	179367
1967-68	43927	1754	24845	9044	1417	2179	19452	12742	4764	1346	64590	572	20075	16038	4037	186313
1968-69	45169	1829	26087	9890	1506	2256	19039	12996	4609	1434	65445	613	21116	16880	4238	192409
1969-70	46585	2024	27438	10786	1560	2521	19587	13207	4852	1528	66333	648	22181	17757	4424	199015
1970-71	47830	2092	28693	11689	1566	3104	20256	13493	5289	1574	67078	688	23215	18742	4474	205523
1971-72	49140	2242	29619	12533	1586	3717	20900	13562	5665	1673	69114	743	24627	20080	4547	212268
1972-73	50516	2341	30912	13962	1604	4167	21765	13786	6189	1790	68811	777	26461	21222	4749	220539
1973-74	51786	2517	32043	14633	1627	4701	22554	13980	6700	1874	69811	854	28179	23258	4921	227921
1974-75	52797	2660	33560	15304	1610	5368	23362	14116	7258	1978	70839	887	29167	24085	5078	234667
1975-76	53988	3028	36463	16488	1614	5709	24205	14254	7538	2113	71965	924	30997	24896	5201	243557
1976-77	55815	3728	38153	17899	1704	6068	24968	14411	8251	2274	73105	975	31185	25899	5355	252673
1977-78	57631	4424	40125	19477	1817	6438	25774	14500	8711	244	74490	1026	32337	27527	5580	262367
1978-79	59819	4804	43058	21177	1877	6796	26777	14578	9087	262	75890	1087	34025	28200	5825	274681
1979-80	62044	5227	44913	22586	1997	7146	26742	14663	9377	276	77399	1137	35692	29639	6053	283992
1980-81	64251	5766	46944	24222	2158	7405	27517	14730	9699	287	79176	1218	37643	3155	6341	295422
1981-82	66179	6650	49904	26734	2375	7915	28457	14866	10271	3119	81011	1328	39813	3400	6679	309042
1982-83	68776	8505	52480	29234	2555	8426	29557	14578	9087	3374	82917	1376	42017	3699	7030	324054
1983-84	69458	8915	56150	31555	2773	8901	31707	14663	9377	3677	84502	1414	44651	4041	7330	339297
1984-85	70827	11089	59785	33664	2970	9427	32707	14730	9377	3777	86494	1414	46343	4340	7698	353305
1985-86	72344	12627	63664	36241	3070	9941	34707	14866	10271	3855	88755	1455	48343	4580	8092	368846
1986-87	74127	14127	67065	39812	3377	10475	36707	14908	10777	4054	90541	1549	50343	4737	8570	385784
1987-88	75879	15238	71333	41333	3577	10944	38107	15008	11250	4255	92343	1615	52343	4970	9015	405298
1988-89	77560	16116	75877	43670	3757	11625	39707	15288	11517	4455	94122	1655	54343	5180	9432	421776
1989-90	79277	17455	80855	46077	3957	12311	41307	15576	11717	4655	96122	1705	56343	5400	9802	441073
1990-91	80852	18344	86665	48577	4157	13076	43107	15776	11917	4855	98122	1755	58343	5650	10178	463379
1991-92	80131	19468	92177	50577	4357	13976	44907	15999	12117	5055	100308	1805	60343	5900	11155	484224
1992-93	81769	20194	97340	52577	4557	14552	46707	16099	12317	5255	102308	1855	62343	6150	11582	504116
1993-94	82666	20532	102219	54577	4757	15152	48507	16319	12517	5455	104308	1905	64343	6355	12083	524927

Table 21A: Net Capital Stock by Industry of Use as on March 31 at 1980-81 Prices

Ruppes (1982)

Item	1981	1982	1983	1984	1985	1986	1987	1988
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 Agriculture etc.	64251	68044	69176	72212	73741	75656	77304	78331
2 Mining and Quarrying	5766	6022	6505	6977	7082	7280	7453	7831
3 Manufacturing	46944	67960	8506	10882	11089	12622	14123	16349
4 Elect gas and water supply	24422	29672	32480	33381	33725	34901	36464	37818
5 Construction	2158	1142	1250	1406	1533	1679	1837	1983
6 Trade hotels and restaurants	7495	12649	20142	26304	28256	30723	32971	35519
7 Transport storage and communication	27517	1197	28714	29532	32202	33921	3602	36948
7.1 Railways	14836	348	15184	15288	15811	16041	16046	16830
7.2 Transport by other means	9373	699	10072	10395	12037	13160	12796	14744
7.3 Storage	436	2	438	463	511	527	533	558
7.4 Communication	2872	148	4030	3772	3846	4193	4367	4806
8 Financing - insurance real estate and business services	79176	8209	81011	82977	84572	86500	88375	90531
8.1 Banking and insurance	1238	16	1254	1360	1467	1565	1665	176
9 Community social and personal services	37693	536	3229	3915	4051	4633	4872	5204
9.1 Public admin and defence	31152	416	31768	33561	37187	39131	40650	43192
10 Total (1 to 9)	295422	42671	338093	309042	30481	395523	379220	385784
1988	1989	1990	1991	1992	1993	1994	1995	1996
(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
1 Agriculture, etc.	74879	5279	80158	76260	5362	81622	77472	5539
2 Mining and Quarrying	15238	2391	17629	16316	2602	18918	17698	2819
3 Manufacturing	71533	29105	100638	75877	33725	109002	80853	35126
4 Elect. gas and water supply	43327	2728	46055	46780	2629	49409	49933	2761
5 Construction	3529	2213	5742	3671	2156	5829	4052	2131
6 Trade, hotels and restaurants	10949	27298	38247	11622	40272	41554	12396	32173
7 Transport, storage and communication	36993	1389	38382	38934	1483	40417	41112	1595
7.1 Railways	16813	307	17120	17171	324	17495	17382	347
7.2 Transport by other means	14537	836	15403	15328	939	16367	16648	960
7.3 Storage	579	11	590	601	6	607	620	7
7.4 Communication	5054	215	5269	5734	214	5948	6462	281
8 Financing, insurance, real estate and business services	93130	203	91333	96122	191	96313	94622	212
8.1 Banking and insurance	3217	175	3392	4158	163	4321	5050	167
9 Community social and personal services	53720	712	54432	56192	746	59338	58170	704
9.1 Public admin and defence	44705	574	45279	46650	585	47235	48058	518
10 Total (1 to 9)	403298	11318	474616	421776	78526	500302	441308	83060

Table 21B: Net Capital Stock by Industry of Use as on March 31 at Current Prices

Item	1981		1982		1983		1984		1985		1986		1987	
	NFCS	Inven- tory	NCS	NFCS	Inven- tory	NCS	NFCS	Inven- tory	NCS	NFCS	Inven- tory	NCS	NFCS	Inven- tory
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1. Agriculture etc	64251	3793	68044	73285	4277	77562	83887	4806	88695	94138	5513	99651	106388	6601
2. Mining and Quarrying	5766	1155	6921	7448	1498	8946	10704	1826	12130	12930	2084	15014	15597	2404
3. Manufacturing	46944	20916	67860	57138	24389	81527	68092	27404	95496	78217	40640	108777	90222	33792
4. Electricity, gas and water supply	24422	1250	25672	29473	1582	31055	35561	1825	37386	41466	2047	43513	48400	2405
5. Construction	2158	1142	3300	2770	1806	4576	3419	2140	5559	3903	2230	6133	4432	2611
6. Trade, hotels and restaurants	7495	12649	20144	9171	18235	27406	11230	19644	30874	12845	23223	36068	14867	26168
7. Transport, storage and communication	27517	1197	28714	33477	1521	34998	40135	1658	41793	44474	1776	46250	51555	1984
7.1 Railways	14836	348	15184	18306	392	18698	22511	364	22875	24755	551	25106	28382	348
7.2 Transport by other means	9373	699	10072	11150	938	12088	12748	1084	13832	13964	1201	15165	16373	1324
7.3 Storage	436	2	438	551	4	555	672	6	678	794	13	807	911	21
7.4 Communication	2872	148	3020	3470	187	3657	4204	204	4408	4961	211	5172	5889	291
8. Financing, insurance, real estate and business services	79176	33	79220	97934	52	97986	117716	65	117781	136216	85	136301	156271	137
8.1 Banking and insurance	1238	16	1254	1566	33	1599	1977	45	2022	2441	63	2474	2975	113
9. Community, social and personal services	37693	536	38229	44430	617	45037	53680	694	54374	62589	743	63332	72044	781
9.1 Public admin and defence	31352	416	31768	36706	465	37171	44180	524	44704	51709	572	52281	59357	646
10. Total (1 to 9)	295422	42671	338104	355126	53977	409103	424024	60064	484088	486778	68261	555039	559776	76893
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1. Agriculture, etc	154671	9127	163798	172551	9968	182519	194063	12513	206576	224096	14191	238287	249142	19405
2. Mining and Quarrying	27732	3405	31137	32740	3826	36566	39527	4263	43790	49999	4951	50950	54900	5733
3. Manufacturing	134021	42407	176428	155201	52767	207968	180164	62172	242336	268850	71912	278762	251368	78669
4. Electricity, gas and water supply	80957	3737	84694	95945	4117	100062	113560	4644	118204	131418	4935	136353	161876	5706
5. Construction	5884	4556	10440	6799	5003	11802	8228	5248	13476	9554	5816	15370	10975	6741
6. Trade, hotels and restaurants	21938	41429	63367	25287	49454	74741	29189	57347	86536	33501	70632	104133	39752	85698
7. Transport, storage and communication	74583	2172	76755	87482	2561	90043	103171	3023	106194	116525	3725	120250	134912	4045
7.1 Railways	37817	481	38298	43520	547	44067	50201	629	50830	54893	684	55577	60477	702
7.2 Transport by other means	25476	1336	26812	30127	1644	31771	35924	1872	37796	41400	2389	47359	49150	2858
7.3 Storage	1351	17	1368	1506	9	1515	1667	13	1680	1826	33	1859	2046	54
7.4 Communication	9939	338	10277	12329	361	12690	15379	509	15888	18406	619	19025	23239	431
8. Financing, insurance, real estate and business services	228240	318	228598	252033	323	252356	276233	384	276617	305094	433	305527	359530	509
8.1 Banking and insurance	6031	275	6306	8358	275	8633	11067	302	11369	14830	340	15170	20728	401
9. Community, social and personal services	112044	1118	113162	128240	1259	129499	147681	1277	148958	166029	1537	167566	195712	1708
9.1 Public admin and defence	92366	900	93266	105711	987	106498	121828	938	122766	136662	1119	137781	161155	1253
10. Total (1 to 9)	840110	108269	948379	956278	129278	1085556	1091816	150871	1342687	1239066	178132	1417198	1458167	204714
1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1. Agriculture, etc	154671	9127	163798	172551	9968	182519	194063	12513	206576	224096	14191	238287	249142	19405
2. Mining and Quarrying	27732	3405	31137	32740	3826	36566	39527	4263	43790	49999	4951	50950	54900	5733
3. Manufacturing	134021	42407	176428	155201	52767	207968	180164	62172	242336	268850	71912	278762	251368	78669
4. Electricity, gas and water supply	80957	3737	84694	95945	4117	100062	113560	4644	118204	131418	4935	136353	161876	5706
5. Construction	5884	4556	10440	6799	5003	11802	8228	5248	13476	9554	5816	15370	10975	6741
6. Trade, hotels and restaurants	21938	41429	63367	25287	49454	74741	29189	57347	86536	33501	70632	104133	39752	85698
7. Transport, storage and communication	74583	2172	76755	87482	2561	90043	103171	3023	106194	116525	3725	120250	134912	4045
7.1 Railways	37817	481	38298	43520	547	44067	50201	629	50830	54893	684	55577	60477	702
7.2 Transport by other means	25476	1336	26812	30127	1644	31771	35924	1872	37796	41400	2389	47359	49150	2858
7.3 Storage	1351	17	1368	1506	9	1515	1667	13	1680	1826	33	1859	2046	54
7.4 Communication	9939	338	10277	12329	361	12690	15379	509	15888	18406	619	19025	23239	431
8. Financing, insurance, real estate and business services	228240	318	228598	252033	323	252356	276233	384	276617	305094	433	305527	359530	509
8.1 Banking and insurance	6031	275	6306	8358	275	8633	11067	302	11369	14830	340	15170	20728	401
9. Community, social and personal services	112044	1118	113162	128240	1259	129499	147681	1277	148958	166029	1537	167566	195712	1708
9.1 Public admin and defence	92366	900	93266	105711	987	106498	121828	938	122766	136662	1119	137781	161155	1253
10. Total (1 to 9)	840110	108269	948379	956278	129278	1085556	1091816	150871	1342687	1239066	178132	1417198	1458167	204714
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1. Agriculture, etc	154671	9127	163798	172551	9968	182519	194063	12513	206576	224096	14191	238287	249142	19405
2. Mining and Quarrying	27732	3405	31137	32740	3826	36566	39527	4263	43790	49999	4951	50950	54900	5733
3. Manufacturing	134021	42407	176428	155201	52767	207968	180164	62172	242336	268850	71912	278762	251368	78669
4. Electricity, gas and water supply	80957	3737	84694	95945	4117	100062	113560	4644	118204	131418	4935	136353	161876	5706
5. Construction	5884	4556	10440	6799	5003	11802	8228	5248	13476	9554	5816	15370	10975	6741
6. Trade, hotels and restaurants	21938	41429	63367	25287	49454	74741	29189	57347	86536	33501	70632	104133	39752	85698
7. Transport, storage and communication	74583	2172	76755	87482	2561	90043	103171	3023	106194	116525	3725	120250	134912	4045
7.1 Railways	37817	481	38298	43520	547	44067	50201	629	50830	54893	684	55577	60477	702
7.2 Transport by other means	25476	1336	26812	30127	1644	31771	35924	1872	37796	41400	2389	47359	49150	2858
7.3 Storage	1351	17	1368	1506	9	1515	1667	13	1680	1826	33	1859	2046	54
7.4 Communication	9939	338	10277	12329	361	12690	15379	509	15888	18406	619	19025	23239	431
8. Financing, insurance, real estate and business services	228240	318	228598	252033	323	252356	276233	384	276617	305094	433	305527	359530	509
8.1 Banking and insurance	6031	275	6306	8358	275	8633	11067	302	11369	14830	340	15170	20728	401
9. Community, social and personal services	112044	1118	113162	128240	1259	129499	147681	1277	148958	166029	1537	167566	195712	1708
9.1 Public admin and defence	92366	900	93266	105711	987	106498	121828	938	122766	136662	1119	137781	161155	1253
10. Total (1 to 9)	840110	108269	948379	956278	129278	1085556	1091816	150871	1342687	1239066	178132	1417198	1458167	204714

Table 22: Average Net Fixed Capital to Output Ratios (ACORs) by Industry of Use at 1980-81 Prices

Year-End (As on March 31)	Agriculture, Forestry and Fishing	Mining and Quarrying	Manufac- turing	Electri- city, Gas and Water Supply	Constr- uction	Trade, Hotels, Restau- rants	Transport, Storage, and Communication	Finance, Insurance, Real Estate and Business Activities	Community, Social and Personal Services	Total Public Admin and Defence	Total NFCs to NDP					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1950-51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1951-52	1.25	0.37	0.91	1.50	0.11	0.18	5.74	18.65	1.98	4.67	17.71	0.31	1.11	3.10	0.42	2.35
1952-53	1.24	0.46	1.03	2.58	0.12	0.19	5.88	19.81	2.02	4.65	16.96	0.30	1.19	3.37	0.43	2.35
1953-54	1.19	0.50	1.08	3.27	0.13	0.19	5.90	19.92	1.99	4.68	16.81	0.34	1.26	3.59	0.45	2.27
1954-55	1.19	0.57	1.12	4.85	0.16	0.18	5.91	19.38	1.93	4.65	16.25	0.33	1.36	3.85	0.46	2.25
1955-56	1.23	0.64	1.16	7.07	0.20	0.18	6.05	18.51	1.94	4.53	15.61	0.29	1.50	4.30	0.49	2.27
1956-57	1.20	0.64	1.26	9.66	0.25	0.18	6.23	19.02	1.95	4.39	15.49	0.30	1.66	4.65	0.53	2.25
1957-58	1.29	0.61	1.47	11.15	0.33	0.19	6.68	20.00	2.05	4.56	14.94	0.30	1.78	4.83	0.57	2.39
1958-59	1.19	0.62	1.60	11.89	0.30	0.20	7.11	24.08	2.06	4.37	14.64	0.31	1.90	5.03	0.62	2.31
1959-60	1.23	0.63	1.66	11.59	0.29	0.20	7.47	24.76	2.23	4.29	14.15	0.31	2.01	5.25	0.65	2.35
1960-61	1.17	0.65	1.71	12.31	0.30	0.19	7.82	25.80	2.46	4.39	14.02	0.33	2.13	5.48	0.69	2.28
1961-62	1.19	0.78	1.71	12.92	0.33	0.19	8.25	28.10	2.73	4.23	13.49	0.31	2.27	5.72	0.74	2.31
1962-63	1.25	0.88	1.71	14.29	0.33	0.20	8.56	27.99	3.00	4.08	13.14	0.31	2.34	5.59	0.78	2.37
1963-64	1.25	1.08	1.69	14.50	0.33	0.20	9.10	30.38	3.24	3.98	12.83	0.32	2.42	5.55	0.81	2.36
1964-65	1.17	1.37	1.71	16.30	0.35	0.21	9.87	37.01	3.39	4.14	12.58	0.32	2.49	5.52	0.84	2.30
1965-66	1.37	1.40	1.87	17.68	0.36	0.23	10.43	36.54	3.73	4.20	12.32	0.33	2.61	5.88	0.85	2.53
1966-67	1.43	1.50	2.06	19.01	0.35	0.24	11.05	37.98	4.14	4.31	12.35	0.37	2.69	6.01	0.86	2.63
1967-68	1.27	1.61	2.25	19.21	0.35	0.25	10.80	37.41	4.07	4.46	12.14	0.40	2.76	6.16	0.87	2.52
1968-69	1.32	1.67	2.27	18.56	0.36	0.26	10.56	35.95	4.00	4.70	11.65	0.40	2.79	6.13	0.88	2.55
1969-70	1.27	1.72	2.14	18.83	0.36	0.27	10.20	34.48	3.93	4.79	11.27	0.39	2.78	5.92	0.89	2.47
1970-71	1.22	2.00	2.20	19.82	0.37	0.29	10.24	33.25	4.20	4.59	10.94	0.37	2.76	5.74	0.88	2.43
1971-72	1.28	2.07	2.21	19.81	0.37	0.35	10.35	31.71	4.54	4.55	10.47	0.36	2.78	5.72	0.87	2.49
1972-73	1.39	2.08	2.21	21.32	0.36	0.40	9.91	30.45	4.46	4.63	10.17	0.36	2.88	5.97	0.87	2.61
1973-74	1.33	2.20	2.20	23.65	0.40	0.44	9.95	36.44	4.46	4.55	10.06	0.39	3.01	6.14	0.89	2.58
1974-75	1.39	2.24	2.24	24.24	0.41	0.48	9.14	34.26	4.14	4.64	10.28	0.46	3.01	6.23	0.88	2.64
1975-76	1.25	2.20	2.36	21.31	0.36	0.48	8.60	28.20	4.14	4.65	9.69	0.40	3.01	6.14	0.88	2.50
1976-77	1.37	2.60	2.29	20.32	0.33	0.49	8.17	25.37	4.10	4.59	9.10	0.34	3.03	6.10	0.89	2.57
1977-78	1.28	3.13	2.26	22.12	0.32	0.48	8.28	23.98	4.32	4.78	8.79	0.33	3.07	6.09	0.90	2.48
1978-79	1.30	3.49	2.12	21.27	0.35	0.47	7.88	24.81	4.06	4.82	8.31	0.30	3.07	5.92	0.92	2.44
1979-80	1.57	3.82	2.34	24.49	0.38	0.51	7.65	25.61	3.96	4.71	8.42	0.33	3.00	5.81	0.89	2.71
1980-81	1.43	3.73	2.46	25.83	0.36	0.51	7.29	26.39	3.76	4.59	8.45	0.36	3.04	5.75	0.91	2.63
1981-82	1.40	4.23	2.36	27.47	0.46	0.51	7.13	23.66	3.81	4.53	8.25	0.36	3.11	5.98	0.92	2.58
1982-83	1.46	4.23	2.36	27.47	0.48	0.51	7.13	23.86	3.86	4.69	7.82	0.35	3.04	5.71	0.92	2.63
1983-84	1.34	5.29	2.27	28.45	0.48	0.51	6.95	25.17	3.74	4.81	7.49	0.36	3.10	5.83	0.93	2.54
1984-85	1.38	6.26	2.28	26.75	0.50	0.52	6.62	25.45	3.60	4.79	7.14	0.36	3.04	5.57	0.93	2.56
1985-86	1.40	7.01	2.34	26.46	0.49	0.51	6.30	21.71	3.51	5.12	6.77	0.36	3.02	5.45	0.93	2.58
1986-87	1.45	6.92	2.31	25.86	0.48	0.50	6.24	19.91	3.59	5.18	6.37	0.36	2.91	5.21	0.91	2.58
1987-88	1.47	7.62	2.28	26.58	0.48	0.50	5.96	19.38	3.42	5.38	6.15	0.39	2.87	4.95	0.93	2.60
1988-89	1.28	6.91	2.22	25.35	0.46	0.50	5.88	20.60	3.30	5.86	5.77	0.44	2.82	4.84	0.93	2.44
1989-90	1.28	7.06	2.10	23.95	0.47	0.49	5.65	19.74	3.17	6.38	5.34	0.46	2.71	4.62	0.91	2.39
1990-91	1.26	6.78	2.13	24.18	0.45	0.50	5.70	18.62	3.27	6.75	5.20	0.52	2.70	4.74	0.89	2.38
1991-92	1.31	6.86	2.39	23.38	0.46	0.53	5.68	17.36	3.30	7.10	4.93	0.56	2.69	4.82	0.88	2.48
1992-93	1.27	7.04	2.47	23.05	0.46	0.52	5.66	18.63	3.25	7.22	5.00	0.65	2.67	4.74	0.89	2.49
1993-94	1.25	6.91	2.53	23.29	0.46	0.52	5.65	20.04	3.18	7.50	4.76	0.65	2.64	4.70	0.88	2.49

Notes: Average of beginning and year-end net fixed capital stock as ratio of the year's net domestic product (NDP) at factor cost from respective economic activity

Table 23: Factor Incomes: Summary Results (Broadly by Institutions)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
1 Net Domestic Product	110339(100)	128756(100)	142510(100)	167494(100)	186442(100)	207567(100)	230207(100)	261104(100)	314596(100)	363016(100)	427602(100)	489078(100)	55569(100)
Compensation of employees	40597(36.8)	46564(36.2)	52743(37.0)	62075(37.0)	71688(38.5)	79817(38.5)	91184(39.6)	105183(40.2)	122348(38.9)	140352(38.7)	163413(38.4)	185680(38.0)	210843(38.0)
Operating surplus	8523(7.7)	12129(9.4)	14491(10.2)	16834(10.0)	18491(9.9)	21955(10.4)	24209(10.5)	25866(9.9)	33682(10.7)	41078(11.3)	48645(11.4)	58272(11.9)	66109(11.9)
mixed income	61219(55.5)	70063(54.4)	75276(52.8)	88636(52.9)	96263(51.6)	106333(51.2)	114814(49.9)	130461(49.9)	158566(50.4)	181586(50.0)	213544(50.2)	245126(50.1)	278417(50.1)
2 Net Domestic Product	33073(100)	40628(100)	47660(100)	55933(100)	64164(100)	72776(100)	83972(100)	95317(100)	113274(100)	131656(100)	153806(100)	178194(100)	202579(100)
Compensation of employees	24504(74.2)	28499(70.1)	33169(69.6)	39110(69.9)	45674(71.2)	50981(70.4)	59763(71.2)	69451(72.9)	79593(70.3)	90786(68.8)	105161(68.4)	119922(67.3)	136470(67.4)
Operating Surplus	8523(25.8)	12129(29.9)	14491(30.4)	16834(30.1)	18491(28.8)	21955(29.6)	24209(28.8)	25866(27.1)	33682(29.7)	41078(31.2)	48645(31.6)	58272(32.7)	66109(32.6)
2.1 Public Sector	19276(100)	24000(100)	29260(100)	34186(100)	39734(100)	46938(100)	55938(100)	64511(100)	76558(100)	88406(100)	101940(100)	120743(100)	13874(100)
Compensation of employees	16765(87.0)	19389(80.8)	22832(78.0)	26977(78.8)	31451(79.1)	36681(78.1)	42383(75.8)	50245(77.8)	58595(76.5)	67911(76.8)	76998(75.5)	87705(72.6)	100705(72.8)
Operating Surplus	2511(13.0)	4611(19.2)	6428(22.0)	7249(21.2)	8288(20.9)	10257(21.9)	13555(24.2)	14306(22.2)	17963(23.5)	20495(23.2)	24942(24.5)	34038(27.4)	37669(27.2)
2.1.1 Non-departmental Enterprises	8552(100)	11569(100)	14176(100)	16636(100)	19561(100)	22751(100)	27852(100)	30366(100)	36613(100)	42033(100)	48600(100)	59658(100)	67906(100)
Compensation of employees	524(64.6)	6576(56.8)	7488(52.8)	9012(54.2)	10706(54.7)	12582(55.3)	14433(51.8)	16382(53.9)	19553(53.4)	22477(53.5)	26044(51.5)	28557(47.9)	32723(48.2)
Operating Surplus	3028(35.4)	4993(43.2)	6688(47.2)	7624(45.8)	8875(45.3)	10169(44.7)	13419(48.2)	13984(46.1)	17060(46.6)	19556(46.5)	23556(48.5)	31101(52.1)	35183(51.8)
2.2 Private Organised Sector	13797(100)	16628(100)	18400(100)	21577(100)	24425(100)	25438(100)	28034(100)	30766(100)	36717(100)	43250(100)	51865(100)	57451(100)	64205(100)
Compensation of employees	7785(56.4)	9110(54.8)	10337(56.2)	12173(55.9)	14223(58.2)	14300(56.2)	17380(62.0)	19206(62.5)	20998(57.2)	22667(52.4)	25163(54.3)	32217(56.1)	35765(55.7)
Operating Surplus	6012(43.6)	7518(45.2)	8063(43.8)	9404(44.1)	10202(41.8)	11138(43.8)	10654(38.0)	11800(37.6)	15194(42.8)	20883(47.6)	23703(45.7)	25234(43.9)	28440(44.3)
3 Net Domestic Product	77266(100)	88128(100)	94850(100)	111551(100)	122278(100)	135186(100)	146235(100)	166193(100)	201321(100)	231360(100)	271796(100)	310864(100)	352790(100)
Compensation of employees	16047(20.8)	18065(20.5)	19574(20.6)	22915(20.5)	26015(21.3)	28856(21.3)	31421(21.5)	35732(21.5)	42755(21.2)	49774(21.5)	58252(21.4)	65758(21.2)	74373(21.1)
Mixed Income	61219(79.2)	70063(79.5)	75276(79.4)	88636(79.4)	96263(78.7)	106333(78.7)	114814(78.5)	130461(78.5)	158566(78.8)	181586(78.5)	213544(78.6)	245126(78.8)	278417(78.9)
As Percentage of Net Domestic Product													
1 Net Domestic Product	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Compensation of employees	36.2	37.0	37.0	37.0	38.5	38.5	39.6	40.2	38.9	38.7	38.4	38.0	38.0
Operating Surplus	9.4	10.2	10.2	10.0	9.9	10.3	10.5	9.9	10.7	11.3	11.4	11.9	11.9
Mixed Income	54.4	52.8	52.8	52.9	51.6	51.2	49.9	49.9	50.4	50.0	50.2	50.1	50.1
2 Net Domestic Product	300	316	334	334	344	349	367	364	360	363	361	364	365
Compensation of employees	22.2	22.1	23.3	23.4	24.5	24.6	26.0	26.6	25.3	25.0	24.7	24.5	24.6
Operating Surplus	7.7	9.4	10.2	10.0	9.9	10.3	10.5	9.9	10.7	11.3	11.4	11.9	11.9
2.1 Public Sector	17.7	18.6	20.5	20.4	21.3	22.6	24.3	24.7	24.3	24.4	24.7	24.7	24.9
Compensation of employees	15.2	15.1	16.0	16.1	16.9	17.7	18.4	19.2	18.6	18.7	18.1	17.9	18.1
Operating Surplus	2.3	3.6	4.5	4.3	4.4	4.9	5.9	5.5	5.7	5.6	5.9	6.8	6.8
2.1.1 Non-departmental Enterprises	8	9.0	9.0	9.9	10.5	11.0	12.1	11.6	11.6	11.6	11.4	12.2	12.2
Compensation of employees	5.0	5.1	5.3	5.4	5.7	6.1	6.3	6.3	6.2	6.2	6.0	6.8	6.8
Operating Surplus	2.2	3.9	4.7	4.6	4.8	4.9	5.8	5.3	5.4	5.4	5.5	6.4	6.4
2.2 Private Organised Sector	12.5	12.9	12.9	13.0	13.1	12.4	12.2	11.8	11.7	11.9	12.2	11.7	11.6
Compensation of employees	7.1	7.1	7.3	7.3	7.6	7.3	7.7	7.3	7.6	7.6	7.6	7.6	7.6
Operating Surplus	5.4	5.8	5.7	5.7	5.5	5.1	4.6	4.4	4.1	4.3	4.6	4.1	4.1
3 Net Domestic Product	700	68.4	66.6	66.6	65.6	65.1	63.5	63.6	64.0	63.7	63.9	63.6	63.5
Compensation of employees	14.5	14.0	13.7	13.7	14.0	13.9	13.6	13.7	13.6	13.7	13.7	13.4	13.4
Mixed Income	55.5	54.4	52.8	52.0	51.6	51.2	49.9	49.9	50.4	50.0	50.2	50.1	50.1

Figures in brackets are percentages to NDP originating in respective sectors

Table 24: Property Incomes: Summary Results (Broadly by Institutions)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
1 Property Incomes:													
Total	9920(100.0)	12194(100.0)	19894(100.0)	16672(100.0)	19703(100.0)	22699(100.0)	25866(100.0)	29241(100.0)	44507(100.0)	41748(100.0)	49897(100.0)	56175(100.0)	64562(100.0)
Rent	2383(24.0)	2796(22.9)	3111(22.2)	3580(21.5)	4042(20.5)	4542(20.0)	5282(20.4)	5288(20.1)	7220(20.9)	8426(20.2)	10605(21.3)	12356(22.0)	13904(21.5)
Interest	7537(76.0)	9498(77.1)	10878(77.8)	13092(78.5)	15661(79.5)	18157(80.0)	20584(79.6)	23553(79.9)	27287(79.1)	33322(79.8)	39292(78.7)	43819(78.0)	50658(78.5)
IBC	878	1191	1436	1688	1971	2376	2722	3308	3800	5182	7464	10109	10121
2 Property Incomes:													
Organised	5459(100.0)	6802(100.0)	7939(100.0)	9599(100.0)	11399(100.0)	12970(100.0)	15169(100.0)	17057(100.0)	20114(100.0)	24655(100.0)	30596(100.0)	34280(100.0)	39491(100.0)
Rent	729(13.4)	875(12.9)	940(11.8)	1020(10.6)	1161(10.2)	1448(11.2)	1931(12.7)	2154(12.6)	2730(13.6)	3055(12.4)	4359(14.2)	5199(15.2)	5761(14.6)
Interest	4730(86.6)	5927(87.1)	6999(88.2)	8579(89.4)	10238(89.8)	11522(88.8)	13238(87.3)	14903(87.4)	17384(86.4)	21600(87.6)	26237(85.8)	29081(84.8)	33730(85.4)
IBC	455	621	738	848	980	1192	1472	1908	2207	3168	5066	6934	7148
2.1 Public Sector	3530(100.0)	4461(100.0)	5269(100.0)	588(100.0)	6939(100.0)	8801(100.0)	10417(100.0)	11319(100.0)	13715(100.0)	16270(100.0)	20051(100.0)	23512(100.0)	25553(100.0)
Rent	329(9.3)	484(10.8)	589(11.2)	715(12.2)	765(11.0)	922(10.5)	1440(13.8)	1566(13.8)	1877(13.7)	2168(13.3)	2829(14.1)	3707(15.8)	4027(15.8)
Interest	3201(90.7)	3977(89.2)	4680(88.8)	5166(87.8)	6174(89.0)	7879(89.5)	8977(86.2)	9753(86.2)	11838(86.3)	14102(86.7)	17222(85.9)	19805(84.2)	21526(84.2)
IBC	156	211	250	282	347	424	487	630	855	1217	2020	2822	3064
2.1.1 Non-Departmental Enterprises	2870(100.0)	3492(100.0)	4161(100.0)	4698(100.0)	5670(100.0)	7024(100.0)	8392(100.0)	9316(100.0)	10893(100.0)	13099(100.0)	16537(100.0)	19131(100.0)	20120(100.0)
Rent	309(10.8)	459(13.1)	562(13.5)	684(14.6)	732(12.9)	888(12.6)	1401(16.7)	1496(16.1)	1699(15.6)	1851(14.1)	2302(13.9)	3030(15.8)	3119(15.5)
Interest	2561(89.2)	3033(86.9)	3599(86.5)	4014(85.4)	4938(87.1)	6136(87.4)	6991(83.3)	7820(83.9)	9194(84.4)	11248(85.9)	14235(86.1)	16101(84.2)	17001(84.5)
IBC	156	211	250	282	347	424	487	615	757	1058	1736	2410	2506
2.2 Private Organised Sector	1929(100.0)	2341(100.0)	2670(100.0)	3718(100.0)	4460(100.0)	4169(100.0)	4752(100.0)	5738(100.0)	6399(100.0)	8385(100.0)	10545(100.0)	10768(100.0)	13938(100.0)
Rent	400(20.7)	391(16.7)	351(13.1)	305(8.2)	396(8.9)	526(12.6)	491(10.3)	588(10.2)	853(13.3)	887(10.6)	1530(14.5)	1492(13.9)	1734(12.4)
Interest	1529(79.3)	1950(83.3)	2319(86.9)	3413(91.8)	4064(91.1)	3643(87.4)	4261(89.7)	5150(89.8)	5546(86.7)	7498(89.4)	9015(85.5)	9276(86.1)	12204(87.6)
IBC	299	410	488	566	633	768	985	1278	1352	1951	3046	4112	4084
3 Property Incomes:													
Unorganised	4461(100.0)	5392(100.0)	6050(100.0)	7073(100.0)	8304(100.0)	9729(100.0)	10697(100.0)	12184(100.0)	14393(100.0)	17093(100.0)	19301(100.0)	21895(100.0)	25071(100.0)
Rent	1654(37.1)	1921(35.6)	2171(35.9)	2560(36.2)	2881(34.7)	3094(31.8)	3351(31.3)	3734(30.6)	4490(31.2)	5371(31.4)	6246(32.4)	7157(32.7)	8143(32.5)
Interest	2807(62.9)	3471(64.4)	3879(64.1)	4513(63.8)	5423(65.3)	6635(68.2)	7346(68.7)	8450(69.4)	9903(68.8)	11722(68.6)	13055(67.6)	14738(67.3)	16928(67.5)
IBC	423	570	698	840	991	1184	1250	1400	1593	2014	2398	3175	2973
1 Property Incomes: Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rent	24.0	22.9	22.2	21.5	20.5	20.0	20.4	20.1	20.9	20.2	21.3	22.0	21.5
Interest	76.0	77.1	77.8	78.5	79.5	80.0	79.6	79.9	79.1	79.8	78.7	78.0	78.5
IBC	8.9	9.8	10.3	10.1	10.0	10.5	10.5	11.3	11.0	12.4	15.0	18.0	15.7
2 Property Incomes: Organised	55.0	55.8	56.8	57.6	57.9	57.1	58.6	58.3	58.3	59.1	61.3	61.0	61.2
Rent	7.3	7.2	6.7	6.1	5.9	6.4	7.5	7.4	7.9	7.3	8.7	9.3	8.9
Interest	47.7	48.6	50.0	51.5	52.0	50.8	51.2	51.0	50.4	51.7	52.6	51.8	52.2
IBC	4.6	5.1	5.3	5.1	5.0	5.3	5.7	6.5	6.4	7.6	10.2	12.3	11.1
2.1 Public Sector	35.6	36.6	37.7	35.3	35.2	38.8	40.3	38.7	39.7	39.0	40.2	41.9	39.6
Rent	3.3	4.0	4.2	4.3	3.9	4.1	5.6	5.4	5.4	5.2	5.7	6.6	6.2
Interest	32.3	32.6	33.5	31.0	31.3	34.7	34.7	33.4	34.3	33.8	34.5	35.3	33.3
IBC	1.6	1.7	1.8	1.7	1.8	1.9	1.9	2.2	2.5	2.9	4.0	5.0	4.7
2.2 Private Organised Sector	19.4	19.2	19.1	22.3	22.6	18.4	18.4	19.6	18.5	20.1	21.1	19.2	21.6
Rent	4.0	3.2	2.5	1.8	2.0	2.3	1.9	2.0	2.5	2.1	3.1	2.7	2.7
Interest	15.4	16.0	16.6	20.5	20.6	16.0	16.5	17.6	16.1	18.0	18.1	16.5	18.9
IBC	3.0	3.4	3.5	3.4	3.2	3.5	3.8	4.4	3.9	4.7	6.1	7.3	6.3
3 Property Incomes: Unorganised	45.0	44.2	43.2	42.4	42.1	42.9	41.4	41.7	41.7	40.9	38.7	39.0	38.8
Rent	16.7	15.8	15.5	15.4	14.6	13.6	13.0	12.8	13.0	12.9	12.5	12.7	12.6
Interest	28.3	28.5	27.7	27.1	27.5	29.2	28.4	28.9	28.7	28.1	26.2	26.2	26.2
IBC	4.3	4.7	5.0	5.0	5.0	5.2	4.8	4.8	4.6	4.8	4.8	5.7	4.6

IBC: Imputed Bank Charges. Figures in brackets are percentages to property income originating in respective sectors.

(Rupees crore)

(continued)

Table 25 Property Incomes by Kind of Economic Activity at Current Prices (Concluded)

(Rupees, crore)

Industry	1985-86				1986-87				1987-88				1988-89			
	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total
	1	2	3	1+2	1	2	3	1+2	1	2	3	1+2	1	2	3	1+2
1 Agriculture, forestry and logging and fishing	1083	2761	-	3844 (5.3)	1124	3232	-	4356 (5.7)	1150	3600	-	4750 (5.5)	1404	4352	-	5756 (5.4)
Organised	80	956	-	1036 (28.6)	91	1194	-	1285 (31.9)	65	1304	-	1369 (33.3)	34	1638	-	1672 (36.4)
Unorganised	1003	1805	-	2808 (4.2)	1033	2038	-	3071 (4.2)	1085	2296	-	3381 (4.2)	1370	2714	-	4084 (4.0)
1 1 Agriculture	906	2657	-	3563 (5.4)	920	3114	-	4034 (5.8)	944	3459	-	4403 (5.6)	1206	4193	-	5399 (5.5)
Organised	16	949	-	965 (3.5)	16	1186	-	1202 (4.0)	14	1195	-	1209 (4.8)	15	1632	-	1647 (4.9)
Unorganised	890	1708	-	2598 (4.1)	904	1928	-	2832 (4.2)	930	2264	-	3193 (4.2)	1191	2561	-	3752 (4.0)
2 Mining and Quarrying	1046	7914	1437	8960 (21.0)	1406	9039	1698	10445 (22.3)	1566	10902	2218	12468 (7.9)	1959	12453	2514	14412 (22.6)
Gas and Water Supply	688	7371	1037	8059 (28.8)	1009	8417	1299	9426 (31.0)	1073	10127	1713	11200 (8.0)	1338	11534	1937	12872 (30.7)
Organised	358	543	400	901 (6.1)	397	622	399	1019 (6.2)	493	775	505	1268 (6.7)	621	919	577	1540 (7.0)
Unorganised	671	5358	1338	6029 (16.8)	767	6428	1590	7195 (18.2)	955	7898	2094	8853 (5.9)	1178	8694	2317	9872 (18.2)
2 1 Manufacturing	335	4817	940	5152 (24.0)	393	5808	1193	6201 (26.5)	485	7125	1590	7610 (5.8)	588	7781	1741	8399 (25.5)
Organised	336	541	398	877 (6.1)	374	620	397	994 (6.2)	470	773	504	1234 (6.7)	590	913	576	1503 (7.0)
Unorganised	163	767	-	930 (7.6)	231	1005	-	1236 (8.6)	268	1224	-	1492 (8.9)	339	1835	-	2174 (11.0)
3 Construction	163	390	-	553 (8.6)	231	629	-	860 (10.4)	268	737	-	1005 (11.3)	339	1236	-	1575 (15.6)
Organised	-	377	-	377 (6.5)	-	376	-	376 (6.1)	-	487	-	487 (6.2)	-	599	-	599 (6.3)
Unorganised	2250	6715	939	8963 (11.2)	2521	3708	1024	9829 (10.7)	2904	7637	1090	10531 (10.0)	3504	8466	1286	11970 (9.7)
4 Services	517	2805	155	3329 (9.7)	600	2998	173	3598 (8.7)	748	2835	195	3583 (7.4)	1005	2795	270	3800 (6.8)
Organised	1733	3910	784	5643 (12.3)	1921	4310	851	6231 (12.3)	2156	4792	895	6948 (12.2)	2499	5671	1016	8170 (12.2)
Unorganised	246	-	-	246 (3.0)	271	-	-	271 (2.9)	367	-	-	367 (3.4)	457	-	-	457 (3.5)
4 1 Banking and Insurance	246	-	-	246 (3.1)	271	-	-	271 (3.0)	367	-	-	367 (3.5)	457	-	-	457 (3.7)
Organised	246	-	-	246 (3.1)	271	-	-	271 (3.0)	367	-	-	367 (3.5)	457	-	-	457 (3.7)
Unorganised	4542	18157	2376	26699 (10.9)	5282	20584	2722	25694 (11.2)	5888	23353	3308	29241 (11.0)	7206	27106	3800	34312 (10.9)
5 All sectors	1448	11522	1192	12970 (17.9)	1931	13238	1472	15169 (18.1)	2154	14903	1908	17057 (17.9)	2716	17203	2207	19919 (17.7)
Organised	3094	6635	1184	9729 (7.2)	3351	7346	1250	10697 (7.3)	3744	8450	1400	12184 (7.3)	4490	9903	1593	14397 (7.1)
Industry	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total	Rent	Interest	IBC	Total
	1	2	3	1+2	1	2	3	1+2	1	2	3	1+2	1	2	3	1+2
1 Agriculture, forestry and logging and fishing	1648	4873	-	6521 (5.5)	1982	4704	-	6686 (4.8)	2233	5687	-	7920 (4.9)	2561	6504	-	9065 (5.0)
Organised	37	1670	-	1707 (31.6)	40	1461	-	1501 (28.2)	55	1932	-	1987 (33.6)	75	2108	-	2183 (35.3)
Unorganised	1611	3203	-	4814 (4.2)	1942	3243	-	5185 (3.9)	2178	3755	-	5933 (4.8)	2486	4396	-	6882 (3.9)
1 1 Agriculture	1413	4680	-	6093 (5.6)	1706	4469	-	6175 (4.9)	1910	5428	-	7338 (4.9)	2131	6164	-	8295 (4.9)
Organised	18	1662	-	1680 (4.5)	28	1451	-	1479 (3.6)	24	1922	-	1946 (3.8)	22	2090	-	2112 (4.3)
Unorganised	1395	3018	-	4413 (4.2)	1678	3018	-	4696 (4.8)	1886	3506	-	5392 (3.7)	2109	4074	-	6183 (3.8)
2 Mining and Quarrying, Manufacturing and Electricity	2356	16478	3489	18834 (24.3)	3239	19781	5175	24022 (25.6)	3849	21234	7270	25083 (26.2)	4180	24864	7298	29044 (26.4)
Gas and Water Supply	1575	15486	2794	17061 (33.4)	2282	18726	4508	21088 (35.7)	2571	19908	6163	22479 (35.5)	2653	23203	6236	25856 (36.0)
Organised	781	992	695	1773 (6.7)	957	1057	649	2014 (6.5)	1278	1326	1086	2604 (8.0)	1527	1661	1043	3188 (8.4)
Unorganised	1525	11438	3178	12963 (19.4)	1825	1298	4648	15123 (19.6)	2224	14803	6605	17027 (20.7)	2590	16687	6619	19277 (20.5)
2 1 Manufacturing	794	10455	2485	11239 (27.4)	918	12246	4002	13164 (28.0)	1011	13483	5523	14494 (28.6)	1127	15032	5579	16159 (28.3)
Organised	741	983	693	1724 (6.7)	907	1052	646	1959 (6.5)	1213	1320	1082	2533 (8.0)	1463	1655	1040	3118 (8.4)
Unorganised	238	1918	-	2156 (9.6)	468	2732	-	3200 (11.8)	566	3208	-	3774 (12.3)	601	3462	-	4063 (11.9)
3 Construction	238	1118	-	1356 (13.4)	468	1741	-	2209 (18.2)	566	2127	-	2693 (18.8)	601	2264	-	2865 (18.3)
Organised	-	800	-	800 (6.5)	-	991	-	991 (6.6)	-	1081	-	1081 (6.6)	-	1198	-	1198 (6.5)
Unorganised	4184	10053	1693	14237 (9.9)	4916	12073	2289	16989 (10.0)	5708	13690	2819	19198 (9.7)	6562	15828	2823	22200 (9.7)
4 Services	1205	3326	374	4531 (6.9)	1569	4309	558	5878 (7.6)	2007	5114	771	7121 (7.5)	2432	6155	912	8587 (7.9)
Organised	2979	6727	1319	9706 (12.4)	3347	7764	1731	11111 (12.1)	3701	8576	2068	12277 (11.7)	4130	9673	1911	13803 (11.4)
Unorganised	505	-	-	505 (3.0)	576	-	-	576 (2.8)	679	-	-	679 (2.5)	749	-	-	749 (2.5)
4 1 Banking and Insurance	505	-	-	505 (3.2)	576	-	-	576 (3.0)	679	-	-	679 (2.7)	749	-	-	749 (2.7)
Organised	505	-	-	505 (3.2)	576	-	-	576 (3.0)	679	-	-	679 (2.7)	749	-	-	749 (2.7)
Unorganised	8426	33322	5182	41788 (11.5)	10605	39292	7464	49897 (11.7)	12356	43819	10109	56975 (11.5)	13904	50638	10121	64621 (11.6)
5 All sectors	3055	21600	3168	24655 (18.7)	4359	26237	5065	30566 (19.9)	5190	29081	6934	34200 (19.2)	5761	33790	7148	39401 (19.5)
Organised	5771	11722	2014	17094 (7.4)	6246	13055	2398	19401 (7.1)	7157	14738	3175	34895 (7.0)	8143	16928	2973	25071 (7.1)

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- CHINA: PLANNING THE FUTURE**

■ POLITICS OF DIVERSITY: RELIGIOUS COMMUNITIES AND MULTIPLE PATRIARCHIES

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March 28-30 '96, New Delhi

The main objective of the seminar is to closely examine the linkages that exist between economy and environment and to explore the interface between the two. In particular, the attempt will be to assess the state of fiscal understanding related to sustainable development and to undertake an evaluation of the role of economic policies in this grand design.

The seminar will also strive to create public opinion and awareness on these issues. It will provide an opportunity for academicians, policymakers and activists to come together and share a common platform. The event will be predominantly for young economists, social scientists and environmentalists to understand the domain of environmental economics.

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▲ NATIONAL ISSUES

ECONOMICS OF SUSTAINABLE LAND MANAGEMENT • ECONOMICS OF SUSTAINABLE WATER MANAGEMENT • ECONOMICS OF SUSTAINABLE FOREST MANAGEMENT • ECONOMICS OF POLLUTION CONTROL • ECONOMICS OF TOXIC AND SOLID WASTE MANAGEMENT • ECONOMICS OF ENERGY EFFICIENCY AND CONSERVATION • ECONOMICS AND ENVIRONMENTAL HEALTH • ECONOMICS OF WILDLIFE CONSERVATION • ENVIRONMENT AND EMPLOYMENT • ENVIRONMENTAL ASPECTS OF CONSUMPTION PATTERNS • INVESTMENTS AND ENVIRONMENT

▲ THEORETICAL ASPECTS OF ENVIRONMENTAL ECONOMICS

Participants will include social scientists, particularly economists, government officials and policymakers, NGO representatives, researchers, environmentalists and academicians

Individuals interested in contributing papers to the seminar are advised to contact the organisers within the dates specified.

For sending abstracts of papers 31.01.96

For sending papers (preferably on a floppy) 28.02.96

A committee of eminent economists and environmentalists will screen papers to be presented at the seminar

Note: CSE will arrange for financial support only for those whose papers are finally selected for presentation.

For further details contact:

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Religious Plurality and Gender Justice

Should religion-based personal laws be maintained or should a uniform civil code be instituted? The issue has to be addressed with precision because gender justice remains a desired horizon though the means of its legal institution have become controversial. Further it has to be addressed in ways that do not surrender to the present ideological rationale of the Hindu majoritarian right for a uniform civil code an aggressive anti-Muslim agenda that takes shelter under the insignia of a unified nation. However the political and theoretical ground for a rejection of the Hindutva version of unified nation will have to be different from the now fashionable postmodernist diatribes against nation and unity. 3287

Structural Adjustment and Agriculture

The agricultural and rural sector will inevitably experience its share of threats and opportunities under the Structural Adjustment Programme. The effects of the economic and policy changes on agriculture will be felt crucially in the areas of agricultural trade and capital investment in agro activities. A look at the emerging evidence. 3311

Taluka in Energy Planning

Energy self sufficient talukas can provide an alternative development model to the megacity-based, centralised energy model. A study of a taluka in western Maharashtra shows that all its energy needs in the year 2000 can be met by proper use of agricultural residues and energy plantations via agro-energy systems. 3315

Common Property Resources

Changing social and institutional circumstances put common property resources under severe stress despite their unchanged biophysical contexts leading to degradation of a community asset and erosion of environment friendly survival options for the people. Household and village data from six dry tropical states. 3278

Communal Violence

The year 1995 has not been the worst in the recent past in regard to the communal situation, but neither has it been free from communal violence. A review. 3267

China's Plans

The drafts of the Ninth Five-Year Plan and the second long-term plan, recently unveiled by China's planners, reflect in ample measure the optimism generated by past successes. But past record is no guarantee of future performance. 3277

Endangered

Weak and ill defined legislation on medicinal plants especially with regard to their export is resulting in the depletion of some rare species. 3270

Dismal Record

Government's compensation to Bhopal gas victims has been inadequate and based on underassessment of injuries. Further, lack of proper procedures and delays in disbursal have encouraged corruption. 3271

'Uneconomic' Schools

The closure by the Kerala government of several uneconomic schools where the student strength had gone down sharply has focused attention on the impact of the demographic transition on the education sector. 3274

State Income

Estimates of Net State Domestic Product and state per capita income. Special statistics. 3321

Technology Development in Fertiliser Industry

I HAVE no desire to prolong the controversy on what happened in the fertiliser sector in the 1960s and 1970s, but the kind of things that Biswajit Dhar (August 26) and Sudip Chaudhuri (September 2) have said about me demand a reply. Dhar accuses me of an attempt to obfuscate issues, the deliberate omission of vital facts and the playing of a harmful role in relation to the P and D Division of FCI; and Chaudhuri contemptuously dismisses the 'culture' of bureaucrats, which I exemplify in his view, and adds, for good measure, that *some* bureaucrats (presumably that includes me) do not pursue the national interest. Altogether, quite a nice line in abuse. I can ignore the abuse, but some of the points raised need to be answered.

(i) *'Unsubstantiated/irrelevant'*: I thought I should correct certain misperceptions in Chaudhuri's article by providing a piece of informal history—akin to memoirs. How does one *substantiate* one's memoirs, unless one has retained extensive collections of papers? It was in that context that I referred to a couple of supportive letters received by me. They were not adduced as 'evidence' in a discussion of issues, but merely as a measure of corroboration for my account based on memory. (How Dhar reads this as 'obfuscation' I shall leave it to him to explain.) As regards 'relevance', Chaudhuri advances a theory of who did what and why: I say 'No, that was not the way things happened; I know, because I was there'; Chaudhuri says 'That is irrelevant'. I am bewildered. It sounds to me like a conversation from *Alice in Wonderland*.

(ii) *The Sethna Committee Report*. The non-reference to that report in my account was not a deliberate act of omission but merely a reflection of the fact that it did not stand out in my recollection as a matter of importance. Dhar seems to think that that report was a valuable document which was deliberately suppressed. That is not my recollection, but his thesis cannot be confirmed or denied without a study of the old papers and files to which I have now no access.

(iii) *900 TPD/1350 TPD*: It is misleading to present the choice between 900 TPD and 1350 TPD ammonia plants as a question of indigenous technological development versus foreign technology. Neither P and D nor EIL nor any other Indian organisation had any process know-how or basic engineering capabilities for ammonia plants, whether of 1350 TPD or

of 900 TPD or even of 600 TPD. What these organisations could do was to obtain the know-how and the basic engineering from a foreign source, and provide detailed engineering; and then try to learn, absorb and internalise the imported technology. With the jump from 900 TPD to 1350 TPD the learning process would do doubt have had to start afresh and might have taken a couple of years, but thereafter P and D's role would have been exactly the same with 1350 TPD as with 900 TPD plants. The problem was not that it was decided to go in for 1350 TPD plants but that the careful arrangements for technology transfer, standardisation, a larger role for PDIL after the first two plants, etc, which had been initially worked out (when C F Braun was selected), were upset by the subsequent entry of Snam Progetti into the scene. (I left the ministry of chemicals and fertilisers in December 1978 and do not know what arrangements were made with Snam for the association of PDIL and the transfer of technology.)

(iv) *My old note of 1978*: That note became necessary because the revised cost estimates (RCEs) of a number of projects (which had run into serious problems) had to be submitted to the Public Investment Board (PIB) and the cabinet for approval. Anticipating severe questioning the ministry of chemicals and fertilisers decided to entrust a study to an independent agency, viz, the Institute of Financial and Management Research (IFMR), Madras. The ministry's purpose in commissioning that study was not to pin responsibility on P and D but exactly the opposite, namely, to identify the factors responsible, suggest remedial measures and draw lessons for the future. Dhar's charge that the IFMR's report was used to 'flog' P and D is grotesquely wide of the mark. Nor did I 'attach undue importance' to that report as alleged by Dhar. It was because I thought that the report did not go deep enough, and that the ministry's PIB note needed to be supplemented, that I submitted a note of my own to the PIB. In doing so, I was only performing the duties of my position and not playing a malignant 'role'. Far from blaming P and D or 'downgrading' its capabilities, the note drew attention to the multiplicity and complexity of the factors involved, including the difficulties arising from the kinds of foreign-exchange packages that the finance ministry had been able to put together. However, it was hardly possible to absolve the FCI and P and D completely of responsibility for the failure of a whole series of projects undertaken by them:

perfunctory project formulation and poor project management had to be acknowledged as being among the factors responsible. Chaudhuri is very generous and forgiving about that history: "Naturally problems were not unexpected." We cannot dismiss those egregious failures (which became symbols of 'public sector inefficiency') so lightly. 'Learning curve' was a part but only a small part of the explanation. It was precisely the history of those projects and the factors at work that I painstakingly (and, in intention at any rate, with scrupulous judiciousness analysed in my note of 1978. How Dha could persuade himself that my note was an attempt to damn P and D is beyond my comprehension.

(v) *'Leave it to the technologists'*: Chaudhuri observes that "If the decision makers... had left matters to people who understand technology and believe in indigenous development, then the situation would have been far better". There are many things in that formulation that can be questioned but let us ignore them and ask: what exactly is Chaudhuri suggesting? That the government should have approved every proposal of P and D without examination; provided whatever fund were asked for; asked no questions about project failures; provided more funds to set those failures right, again asking no questions; and hoped that in the long run a bright new day would dawn for India. Chaudhuri may say that I am caricaturing his position, but am I really?

(vi) *Lack of support for P and D*: Chaudhuri says that "what P and D was trying to do was something new for an indigenous enterprise in a third world country". Was P and D unique? Could one not say the same thing about BHEL, HMT, the CEDB or Hindustan Steel (later MECON), Engineer India, and a host of other public enterprises? And were not some of them in fact more successful than P and D? What 'strategic and planning support' did they enjoy that P and D lacked? The ministries of heavy industries, steel and petroleum had their bureaucrats no less than the ministry of chemicals and fertilisers. All PEs function in the same ambience, struggle with similar problems and face similar constraints. Why then did EIL and MECON succeed and P and D (PDIL) become sick? I do not propose to answer that question as I have no desire to start a fresh round of controversy; but Chaudhuri and Dhar should ponder the question.

RAMASWAMY R IYER

New Delhi

Foreign Collaboration

THE Reserve Bank of India has been conducting periodic surveys of foreign collaboration arrangements, financial as well as technical, in force with private sector as well as government companies. From the first survey covering the period 1960-61 to 1963-64 to the latest fifth for the period 1980-81 to 1985-86, these have been designed to be census-type surveys of all collaboration agreements in force with joint stock companies. Though the RBI should be credited with pioneering the collating and presenting of comprehensive information on the nature and costs of collaboration, the surveys themselves have received only its half-hearted attention. Right from the beginning, the scope of the surveys was restricted to financial costs and did not consciously cover real costs and benefits of the collaboration arrangements. Thus the RBI, which was responsible for collaboration approvals, evaded its responsibility to provide answers to basic questions as to whether the objectives of technology transfer were being met, whether the adaptation, assimilation and diffusion of imported technology were being hindered by restrictive practices adopted by technology suppliers and whether consequently repetitive import of technology and inadequate domestic R and D were a feature of the Indian experience. There has been a paradigm shift in technology transfer policy after the FERA controls were almost done away with as part of structural adjustment after July 1991. This calls for strengthening and widening the scope of these surveys. It is time the RBI associated economists and other professionals in preparing the design and scope of the surveys and guiding the analysis of their results so that the right policy lessons can be drawn from them.

The latest survey covered 720 companies in the private sector, of which 47 were subsidiaries, 411 had minority foreign shareholding and 262 had only technical collaboration agreements. Of these 720 companies, 544 had entered into 942 technical collaboration agreements. After the implementation of FERA in the 1970s, there was a drastic reduction in the number of foreign companies from 540 as on March 31, 1974 to 335 as of March 31, 1986. The annual average of foreign collaboration approvals rose from 204 during 1965 to 1973 to 291 during 1974 to 1979. In the 1980s, however, there was a sudden jump, with the average touching 657 during 1980 to 1985. Some aspects of FERA implementation are reflected in the data from the latest survey. In the case of foreign minority companies, the share of foreign capital in total equity fell from 32.5 per cent to 28.3 per cent between 1981-82 and 1985-86. In the case of subsidiaries, FERA implementation brought down the proportion of foreign capital from 70.4 per cent in 1972-73 to 59.5 per cent in 1980-81.

Between 1981-82 and 1985-86 it remained unchanged at 58.6 per cent. But of the total increase in foreign equity in subsidiaries of Rs 23.6 crore, bonus shares amounted to Rs 20.8 crore. In foreign minority companies, against an increase of Rs 76.5 crore in foreign equity bonus issues were Rs 45.6 crore.

Some of the other findings such as high profitability of subsidiary companies and their relative efficiency as reflected in the ratio of value added to value of output are also not surprising. The foreign-controlled rupee companies have always enjoyed better profitability essentially because they operate in high profit areas. What is significant is that foreign technology *per se* does not seem to have conferred any significant benefit on the Indian companies in terms of profitability or operational efficiency. For the fifth survey period, gross profits to total capital employed in subsidiaries worked out to 19 per cent, whereas it was 11.6 per cent for foreign minority companies and 9.3 per cent for companies with only technical collaboration. Likewise, value added to value of output was the highest at 38.28 per cent in respect of subsidiaries against 25 per cent each for foreign minority and technical collaboration companies. But while profitability and relative efficiency are the highest for subsidiaries, they have had little to show by way of capital expenditure. Of total capital expenditure of Rs 6,767 crore during the survey period, the share of subsidiaries, which accounted for about 11 per cent of value added, was a mere 4.2 per cent, with the technical collaboration group accounting for 50.9 per cent and foreign minority companies for 44.9 per cent. The most interesting results relate to the costs of foreign collaboration. The earlier surveys had shown that the financial costs, both direct and indirect, are generally high during periods of liberalisation. The direct cost in the form of remittance of dividend, royalty, technical fees and other remittances showed a steady rise for all foreign collaboration companies from Rs 76.11 crore in 1981-82 to Rs 181.44 crore in 1985-86, with the total amount for the five-year period working out to Rs 598.12 crore against Rs 280.15 crore for the four-year period of the fourth survey (1977-78 to 1980-81). As percentage of value of production, the direct costs in the case of subsidiaries, for instance, declined from 3.4 per cent in the first survey to 2.8 per cent in the second, 2.1 per cent in the third and 1.3 per cent in the fourth; in the fifth survey it remained static at 1.37 per cent. This is not surprising because output of items produced under collaboration agreements constituted only about 23 per cent of the value of production of all the items produced by the companies. Measured at the level of individual collaborating companies, it is found that more than one-half of the agreements stipulated royalty rates in the highest bracket of 4.1 per cent

to 5 per cent (5 per cent being the statutory limit). Further, whereas subsidiaries should get the benefit of technology and know-how from their parent companies without formal agreements and without payment of technical fees, 25 out of 47 subsidiaries had entered into formal technical collaboration agreements with the parent companies. Again, about 71.2 per cent (671) of the collaboration agreements had 1,145 restrictive clauses. The most common restrictions related to exports; such clauses accounted for 87.3 per cent of all restrictive clauses. Of these, 83.4 per cent prohibited exports to the collaborator's country or to countries in which the collaborator operated through branches/subsidiaries/affiliates or was having similar collaboration agreement and even to certain other specified countries. Finally, aggregate exports of the foreign collaboration companies fell short of aggregate imports in each of the years and the cumulative shortfall during the survey period was Rs 1,691 crore. While imports grew by 103 per cent from Rs 927 crore in 1981-82 to Rs 1,881 crore in 1985-86, exports grew by 16.1 per cent from Rs 745 crore to Rs 865 crore. Total imports to value of production rose from 6.5 per cent in the fourth survey to 8.3 per cent in the fifth survey, while the proportion of exports to value of production slipped from 5.9 per cent to 5.6 per cent. While the foreign collaborations may have contributed to some degree of import substitution, the overwhelming locus of the foreign collaborators on the domestic market is clear. The growing import-dependence of the collaborating companies could also reflect another form of restrictive practice by the technology suppliers to siphon off funds through transfer-pricing.

JHARKHAND

JAAC in Distress

AS per the Jharkhand Area Autonomous Council (JAAC) bill, the elections to the council were to be held within six months from August 9 this year, the day on which the body was instituted. But, with delimitation of assembly constituencies and revision of electoral lists yet to begin, the possibility of the council elections being held before February 8, 1996 has been officially ruled out. Thus, faced with an uncertain future and a lacklustre performance in the past five months, the council has more or less confirmed the apprehension that the JAAC, instead of proving to be a step towards statehood, would serve to further split the ranks of the Jharkhand movement.

The over-representation given by Laloo Prasad Yadav to Jharkhand Mukti Morcha (Soren) and his Janata Dal (JD) in filling the quota of nominated members had led other Jharkhand groups to dissociate themselves from the council right from the beginning. When the three members of the Jharkhand People's Party-All Jharkhand Students Union (JPP-AJSU) combine decided to

participate in the council against the wishes of the party executives, the party headed for a split. Further, within the JMM(S) the Mahato lobby got disgruntled since neither of the coveted posts of chairman and vice-chairman of the council came its way. Shailendra Mahato, the party general secretary and MP, has been engaged in an open confrontation with Suraj Mandal, the party vice-president, over the issue of under-representation of east and west Singhbhum in the council. The acrimony ultimately culminated in directives expelling each other from the party. Now Shailendra Mahato is all set to join the BJP which has made inroads into the Mahato-Kurmi vote-bank of Singhbhum and had done very well in the tribal belt in the last assembly elections.

Though the JAAC has the sanction of the centre, the state Congress also had been sulking because only three Congress members were nominated to the council when the party had won 14 assembly seats from south Bihar. Nevertheless, the state Congress did not demand the scrapping of the council. But now with the Lok Sabha elections approaching and the worthlessness of the JAAC in expanding one's base being exposed, the state Congress, switching its line, has come out openly against the JAAC and demanded instead separate statehood for the Jharkhandis. The BJP is proceeding with its agenda of Vamanchal, while the support extended to the CPI(M-L)'s recent bandh in the tribal region demanding dissolution of the JAAC indicates that the JAAC in its present state is no more looked upon as furthering tribal interests.

The forthcoming parliamentary elections has also propelled the discontented Jharkhand factions to come together to form the Jharkhand Front in a desperate bid to preserve their rapidly eroding base. The JMM(S) which was in the forefront espousing the cause of the JAAC is having second thoughts on its ties with Laloo Prasad Yadav. The recent decision of the Bihar government to vest itself with the power to make appointments to the third and fourth grade staff deprives the JAAC of its autonomy to make appointments within its own jurisdiction. Thus, with the JAAC being made more dependent on the state government, the JMM(S) belatedly sees itself as a puppet in the hands of Laloo Prasad. On the other hand, the Bihar chief minister, who had once declared that Jharkhand would be formed over his dead body, must be pleased to see the Jharkhandis in disarray, though how far this has helped to brighten the electoral prospects of his party is doubtful.

WEST BENGAL

Behind the Facade

WEST BENGAL'S CPI(M) leaders seem to be in the habit of getting pricked by conscience, blurring out the truth occasionally and then retracting immediately.

The seniormost CPI(M) minister in West Bengal Left Front government Benoy Chowdhury (who holds the portfolio of land and land revenue) recently in a seminar in Burdwan, apparently exasperated by reports of endless corruption in the state administration, got into a chest by describing his own government as one "of the contractors, by the contractors and for the contractors". When an opposition leader Jyoti Basu retorted by wondering how Chowdhury was still in the government thought it was corrupt, Chowdhury did not have much to say. Having made the statement, his junior in the party organisation in a bid to correct the damage hastened to 'clarify' Chowdhury's attack was directed against the central government, and not the West Bengal government.

But facts are stubborn. Had Benoy Chowdhury been reported to have uttered the single sentence about contractors could have explained it away as 'misreporting'. But he did not leave it at that. In a similar vein, he continued in his address to the state administration, stating that corruption had become so rampant it was difficult to distinguish between corrupt and honest people. He seemed to be aware of the abuse that he would have to face from his party colleagues for his remark evident from his next comment when he said that he could not care less if some questioned his 'sanity' for making the observation. He was obviously referring to the price he would have to pay when his long-time comrade, the veteran CPI(M) leader of Tripura, Nityanand Chakravarty, was dismissed as 'senile' from the party when some time ago he had accused the West Bengal CPI(M) administration of corrupt practices.

Although Benoy Chowdhury has recanted – persuaded perhaps by apprehension of exploitation of his remarks by the Congress (which has already swooped down upon Burdwan speech) in the coming elections, his denial will cut no ice. It is an open secret in West Bengal today that people suspect a large number of CPI(M) leaders and rank-and-file are running money by colluding with scrupulous contractors, land speculators and underworld gangsters. In fact, after Benoy Chowdhury's outburst in Burdwan, another political leader within the party is a major partner in the Left Front government – Nikhil Das of the Revolutionary Socialist Party – acknowledged that the Front had not been able to break the 'contractor-bureaucrat nexus inherited from the Congress'. But apart from harping on the monotonous tune of blaming the Congress for every evil in West Bengal (where the Congress incidentally has remained in power for the last 18 years), the CPI(M) has done precious little to remove the popular suspicion about corruption among its leaders and ranks that have grown during its uninterrupted tenure in power for almost three decades now. Instead, the party leaders

has responded to allegations of corruption by peevish counter-allegations of 'Congress conspiracy to discredit the CPI(M)' - a bogey which no longer works in West Bengal. What is more obvious to the people in the state is the CPI(M)'s attempt to protect the guilty. To take an example, the Bowbazar bomb blast in Calcutta in 1993 exposed links between an underworld don and a leading CPI(M) leader who patronised him - a fact confirmed by both local public evidence as reported in the press and police records at that time. But after a lull in public pressure, the CPI(M) state leadership managed to get the guilty politician exonerated and rehabilitated in the party. The same year, the then information minister Buddhadev Bhattacharya of the CPI(M) resigned from the government. It was again an open secret that Bhattacharya had quit because of his unhappiness with the moral degeneration of his party - a fact which he shared with his confidants in the press which publicised it. But soon after when Bhattacharya was turned into a hero by the West Bengal Congress - which wanted to exploit the issue in its campaign against the Left Front government - Bhattacharya turned around and rejoined the government. His critics accused him of recanting for love of ministerial power.

Even Jyoti Basu himself off and on admits that his party and administration have failed to redress the grievances of the people of West Bengal. In fact the same day when Benoy Chowdhury was addressing the Burdwan seminar, Basu was speaking at a Left Front rally in Baruipur, a few miles away from Calcutta, where he acknowledged that his government had failed as far as the police was concerned, blaming it for links with criminals. What he forgot to add was that his own partymen also maintained links with these criminals.

If one is to believe that senior CPI(M) leaders like Benoy Chowdhury and Jyoti Basu are seriously concerned about criminalisation and administrative failures - as their occasional outbursts seem to imply - one wonders what prevents them from putting an end to such acts. Why can they not discipline the second ranking leaders of their party and purge it of anti-social elements? If the party has been hijacked by the contractors and criminals, as is being suggested by these veteran leaders, the latter then are obviously allowing themselves to be used as shields by the goons. Is it morally justifiable for them to remain in the role of a respectable facade behind which corruption and crime are allowed to thrive?

RUSSIA

Protest Vote

FOR all the reassuring noises being heard in the US and other western countries about how this month's elections to the Duma showed that democracy had really struck

roots in Russia, how the economic reforms there were really irreversible, how the Duma was anyway a powerless body, how in any case the communists were nowhere near the two thirds majority which alone would make it possible for them to make a grab for real power, and how in other countries of eastern Europe and parts of even the former Soviet Union (Ukraine, Belarus) the communists had won more sweeping victories without significantly altering these countries' political direction, there can be no pretending that the strong upsurge of popular support for the Communist Party of the Russian Federation (CPRF) manifested in the elections is not a much more portentous development than what has been witnessed in any of the former socialist countries. The very different history of communism in Russia, which the CPRF leader Gennady Zyuganov sought to invoke in the course of his campaign for the parliamentary elections, through references to the defeat of the fascist hordes and the space exploits of Yuri Gagarin, has little to be reckoned with. Not that the communists, showing in the elections was unexpected. Opinion polls before the elections had clearly foretold that they were going to emerge as the largest party in the Duma. The one surprise in the election was in fact the proportion of the electorate which actually voted - some two thirds, compared to just over 50 per cent in the 1993 elections - which says something about the people's determination to use the elections, the Duma's relative toothlessness notwithstanding, to register their protest at the way things have been managed in the country.

In the event the CPRF has won one third of the seats in the 450 member Duma, securing 22 per cent of the party list vote, 9 percentage points more than it did in 1993. Though Vladimir Zhirinovskiy's misnamed ultra-nationalist Liberal Democratic Party polled 11 per cent of the vote, the second largest share, this was only one half of what it had won in 1993. Only two other parties crossed the 5 per cent of the total vote barrier to qualify for a share of the 225 seats in the Duma election to which takes place on the basis of party lists (the other 225 seats being filled by elections from single member constituencies). Prime minister Viktor Chernomyrdin's Our Home Is Russia party won nearly 10 per cent of the vote and will have about 50 seats in the Duma. The fourth party, Yabloko, which won 7 per cent of the vote and will end up with almost the same number of seats as the prime minister's party, while favouring economic reform is bitterly critical of the content and manner of implementation of president Yeltsin's reform programme. In all, 39 of the 43 parties, which polled a little over 50 per cent of the vote among them, failed to qualify for any of the 225 party-list seats in the Duma since they failed

individually to secure 5 per cent of the total vote.

The results of the election must be seen above all as a massive protest vote against Yeltsin's government and its policies. This is hardly surprising considering that between 1989 and 1994 real output in the Russian economy declined by between one third and one half, the annual inflation rate has been 200-250 per cent and real wages are between one half and three fourths of their level before the break up of the Soviet Union. In a recent interview prime minister Chernomyrdin had to admit that the money incomes of 40 million people, some 27 per cent of the population, were currently below the subsistence wage, and the strongest evidence he could adduce for the success of the government's policies was that GDP had dropped by only 3 per cent in the first nine months of this year compared to a fall of 12 per cent in the same period of 1994. The obverse of the worsening plight of the vast majority of the people has been the free booting enrichment of a tiny section, including one-time communist party apparatchiks and government officials and public enterprise managers. The situation has been tailor made for the spread of lawlessness and criminality. To top it all there has been Yeltsin's military misadventure in Chechnya.

Given parliament's lack of real power and the fragmented representation of parties and interests in it, the immediate significance of the results of the parliamentary elections is that they set the stage for the all important presidential election due in June next year. While Yeltsin has for the moment sought to play down the significance of the communist party's showing in these elections, claiming that it will make no difference to his government and that the reform programme will not be affected in any way, it is very likely that he will sing a very different tune soon. To rally support for himself (or his chosen candidate) in the presidential election, he may well try to turn the electoral success of the CPRF to his advantage by using the spectre of a return of communism and the 'bad old days'. The low key response of Gennady Zyuganov to his party's performance in the parliamentary election suggests that he is not unaware of this possibility. While he, like almost every other party with the exception of the prime minister's Russia Is Our Home, has made no secret of his determination to secure the defeat of Yeltsin and his policies, Zyuganov has generally taken cautious positions on economic reforms and even on foreign capital, his emphasis has been restoring order and rationality in economic management while reinstating minimum social services and security and of course, putting an end to Russia playing second fiddle to the US and the west. He has called upon all the parties opposed to the government to join a 'national patriotic coalition'. This, it would seem, will be the CPRF's broad strategy for the presidential election.

CURRENT STATISTICS

EPW Research Foundation

Structural changes occurring since bank nationalisation have been arrested from the beginning of the 1990s. The share of rural areas in total bank branches which was rising earlier, has begun to decline, the share of rural branches in bank deposits has tended to stagnate and in bank credit has fallen. The share of the top 100 banking centres in aggregate deposits, contrary to the past trend, has edged up between June 1990 and June 1995 but, more significantly, there has occurred a sharp increase in their share in total bank credit from 65.7 per cent to 72.5 per cent, suggesting growing concentration.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Dec 2 1995	Variation (Per Cent) Point-to-Point						1994-95	1993-94	1992-93	1991-92
			Over Month	Over 12 Months		Fiscal Year So Far						
				Latest	Previous	1995-96	1994-95					
All Commodities	100.0	299.7	0.4	7.5	10.9	5.1	7.9	10.4	10.8	7.0	13.6	
Primary Articles	32.3	312.1	0.9	10.1	10.4	6.9	9.4	12.7	11.5	3.0	15.3	
Food Articles	17.4	345.8	1.0	9.5	8.6	10.2	12.6	11.9	4.4	5.4	20.9	
Non Food Articles	10.1	329.6	1.1	11.7	15.3	1.9	5.3	15.5	24.9	-1.4	8.1	
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.5	4.8	-0.1	0.8	2.4	13.1	15.2	13.2	
Manufactured Products	57.0	295.6	0.1	9.2	10.4	5.0	6.5	10.7	9.9	7.9	12.6	
Food Products	10.1	281.0	0.5	4.6	8.7	3.1	6.6	8.1	12.3	6.8	10.2	
Food Index (Computed)	27.5	322.0	0.5	7.9	8.6	7.8	10.6	10.6	7.0	5.8	17.1	
All Commodities (Average Basis) (April-Dec 02 1995)	100.0	294.7	-	9.6	10.3	8.9	9.2	10.9	8.3	10.1	13.7	

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-94	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	319 ^u	0.6	10.4	10.3	8.9	8.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)	249 ^g	0.8	9.7	9.7	2.0	2.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1411 ^u	-0.1	11.5	11.6	8.5	7.7	10.6	11.6	0.7	21.9

Money and Banking (Rs crore)	Nov 24	Variation					
	1995	Over	Fiscal Year So Far		1994-95	1993-94	1992-93
		Month	1995-96	1994-95			
Money Supply (M ₃)	561340	2039 (0.4)	30538 (5.8)	40356 (8.9)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	111973	-1051 (-0.9)	11184 (11.1)	10567 (12.9)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	442317	1212 (0.3)	15684 (3.7)	28161 (7.7)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	244395	1777 (0.7)	21979 (9.9)	8970 (4.4)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comm'l Sector	310165	5084 (1.7)	20510 (7.1)	14800 (6.0)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	75826	252 (0.3)	-98 (-0.1)	18690 (35.5)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money	175191	2397 (1.3)	5912 (3.5)	17281 (12.5)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	113285	359 (0.3)	14372 (14.5)	2260 (-2.3)	2130 (2.2)	260 (0.3)	4257 (4.6)
Ad hoc Treasury Bills	35470	1750	11990	-5015	1750	6300	6445
Scheduled Commercial Banks (November 24, 1995)							
Deposits	399650	1703 (0.4)	12791 (3.3)	25509 (7.7)	53630 (16.1)	52144 (18.6)	39017 (16.1)
Advances	229014	3399 (1.5)	17454 (8.3)	12762 (7.5)	40638 (23.8)	11566 (7.3)	23757 (17.5)
Non Food Advances	216365	3879 (1.8)	17080 (8.6)	8882 (5.5)	37797 (23.4)	8875 (5.8)	21684 (16.6)
Investments	159329	1523 (1.0)	10076 (6.8)	13329 (9.9)	13965 (10.3)	28641 (26.9)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	July 1995	Fiscal Year So Far		Average for Full Fiscal Years					
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
			1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
General Index	100.0	260.1	256.8 (11.5)	230.3 (8.9)	250.6 (8.4)	231.1 (5.6)	218.9 (2.3)	213.9 (0.6)	212.6 (8.2)	196.4 (8.6)
Mining and Quarrying	11.5	242.7	242.3 (14.8)	211.0 (1.9)	245.8 (6.3)	231.2 (3.4)	223.7 (0.6)	222.5 (4.5)	221.2 (6.3)	211.6 (7.9)
Manufacturing	77.1	252.0	247.3 (10.8)	223.1 (10.4)	241.8 (8.8)	222.3 (5.5)	210.7 (2.2)	206.2 (0.8)	207.8 (8.9)	190.7 (8.6)
Electricity	11.4	332.3	335.8 (12.5)	298.6 (7.1)	314.6 (8.5)	290.0 (7.4)	269.9 (5.0)	257.0 (8.5)	236.8 (7.8)	219.7 (10.4)

Capital Market	Dec 22, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
				1995-96	1994-95	1995-96	1994-95	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3110 (-19.9)	3042	3885 (15.2)	2944	3583	3233	4604	3261 (-13.7)	3779 (65.7)	2281 (-46.8)
National Index (1983-84=100)	1431 (-22.9)	1378	1856 (14.6)	1342	1691	1572	2176	1606 (-12.2)	1830 (79.2)	1021 (-48.1)
BSE-200 (1989-90=100)	314 (-28.8)	304	441 (8.1)	296	385	360	497	368 (-18.2)	450 (92.3)	234 (-60.0)
NSE (Nov 3 21 1994=100)	68 (-28.4)	67	95	72	83	-	-	79	-	-

Foreign Trade	October 1995	Cumulative for Fiscal Year So Far		1994-95		1993-94		1992-93		1991-92	
		1995-96	1994-95	1994-95	1994-95	1993-94	1992-93	1992-93	1992-93	1991-92	1990-91
		1995-96	1994-95	1994-95	1994-95	1993-94	1992-93	1992-93	1992-93	1991-92	1990-91
Exports Rs crore	8538	55286 (27.5)	43353 (14.1)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)			
US \$ mn	2469	17204 (24.5)	13820 (13.9)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)			
Imports Rs crore	9347	63967 (33.9)	47775 (19.9)	88705 (21.8)	72806 (15.7)	63775 (32.4)	47851 (10.8)	43193 (22.0)			
US \$ mn	2793	19905 (30.8)	15215 (19.8)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)			
Non-POL US \$ mn	2297	16249 (34.8)	12075 (30.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)			
Balance of Trade Rs crore	-809	-8680	-4380	-6375	-3259	-9687	-3809	-10640			
US \$ mn	-234	-2701	-1395	-2018	-1039	-3345	1545	-5930			

Foreign Exchange Reserves (excluding gold)	Dec 08, 1995	Dec 09, 1994	Mar 31, 1995	Variation Over		1994-95	1993-94	1992-93	1991-92
				Month Ago	Year Ago				
				1995-96	1994-95				
Rs crore	60388	60848	66028	-338	-460	-5640	13222	18402	5385
US \$ mn	17301	19303	20816	264	-2002	-3515	4127	5640	731

Banking Data

Distribution of Aggregate Deposits and Gross Bank Credit by Population Group for Scheduled Commercial Banks as on Last Friday of June

	June 1995			June 1990			June 1985			June 1980		
	No of Offices	Deposits	Credit	No of Offices	Deposits	Credit	No of Offices	Deposits	Credit	No of Offices	Deposits	Credit
Rural	34946 (55.9)	57913 (15.4)	28578 (12.4)	34611 (58.0)	26375 (15.2)	17209 (15.0)	28504 (55.2)	10510 (13.6)	6891 (13.0)	14818 (45.7)	3975 (11.9)	2105 (9.7)
Semi urban	12397 (19.8)	75754 (20.1)	29346 (12.7)	11298 (18.9)	36347 (21.1)	18454 (16.1)	10526 (20.4)	16829 (21.7)	8885 (16.7)	8304 (25.6)	7653 (23.0)	3615 (16.2)
Urban	9086 (14.5)	89285 (23.7)	49186 (21.4)	8063 (13.5)	47666 (24.3)	25869 (22.6)	7431 (14.4)	19972 (25.8)	12509 (23.5)	5770 (16.3)	8417 (25.3)	9049 (22.6)
Metropolitan	6066 (9.7)	154039 (40.9)	123198 (53.5)	5660 (9.5)	68025 (39.2)	53111 (46.3)	5183 (10.0)	30071 (38.9)	24837 (46.8)	3070 (12.4)	13276 (39.8)	11551 (51.6)
Total	62495 (100.0)	376992 (100.0)	230298 (100.0)	59637 (100.0)	173613 (100.0)	114644 (100.0)	51644 (100.0)	77381 (100.0)	53122 (100.0)	37112 (100.0)	33321 (100.0)	22381 (100.0)

Top Hundred Centres Arranged According to Size of Deposits as on Last Friday of June

Centres	June 1995		June 1990		June 1985		June 1980	
	No of Reporting Offices	Aggregate Deposits	No of Reporting Offices	Aggregate Deposits	No of Reporting Offices	Aggregate Deposits	No of Reporting Offices	Aggregate Deposits
Total of 100 Centres	12336(19.74)	227999(60.48)	11205(18.77)	102726(59.17)	10344(20.03)	46314(59.85)		
Of which								
Bombay	1225(1.96)	61042(16.19)	1150(1.93)	24836(14.31)	1042(2.02)	10154(13.12)	918(2.83)	4468(13.41)
Delhi	1121(1.79)	39518(10.48)	1038(1.74)	16531(9.56)	953(1.85)	7278(9.41)	834(2.57)	3772(9.57)
Calcutta	921(1.47)	15930(4.23)	898(1.51)	10389(5.98)	792(1.53)	5161(6.67)	679(2.09)	7575(7.3)
Madras	653(1.04)	11174(2.96)	598(1.00)	4735(2.73)	571(1.11)	1956(2.53)	449(1.39)	1012(3.04)
Bangalore	599(0.96)	8072(2.14)	545(0.91)	3220(1.85)	503(0.97)	1400(1.81)	407(1.26)	1610(4.83)
Hyderabad	427(0.68)	5804(1.54)	396(0.66)	2445(1.41)	371(0.72)	1273(1.58)	797(0.90)	519(1.56)
Ahmedabad	434(0.69)	5179(1.37)	400(0.67)	2236(1.29)	380(0.74)	1063(1.37)	310(0.96)	599(1.59)
Pune	261(0.42)	3446(0.91)	239(0.40)	1501(0.86)	212(0.41)	779(1.01)	169(0.52)	368(1.10)
Lucknow	184(0.29)	3335(0.88)	166(0.28)	1550(0.89)	155(0.30)	700(0.90)	112(0.35)	124(0.97)
Chandigarh	111(0.17)	2960(0.79)	92(0.15)	1200(0.69)	87(0.17)	557(0.71)	71(0.27)	267(0.80)
Kanpur	277(0.44)	2476(0.64)	263(0.44)	1321(0.76)	238(0.46)	701(0.91)	170(0.52)	799(0.90)
Vadodara	160(0.26)	2302(0.61)	143(0.24)	983(0.57)	140(0.25)	660(0.85)	103(0.37)	795(0.89)
Jaipur	174(0.27)	2212(0.59)	143(0.24)	917(0.53)	131(0.25)	415(0.54)	101(0.31)	107(0.49)
Ludhiana	148(0.24)	1999(0.53)	119(0.20)	922(0.53)	107(0.21)	429(0.55)	90(0.28)	188(0.56)
Jaipur	122(0.20)	1986(0.53)	108(0.18)	854(0.49)	103(0.20)	424(0.55)	81(0.25)	140(0.55)
Patna	142(0.23)	1969(0.52)	127(0.21)	1122(0.65)	119(0.23)	492(0.64)	72(0.28)	741(0.72)
Cochi	186(0.30)	1904(0.51)	158(0.26)	699(0.40)	151(0.29)	321(0.41)	136(0.42)	166(0.50)
Surat	142(0.23)	1720(0.46)	127(0.21)	807(0.46)	106(0.21)	368(0.48)	83(0.27)	143(0.43)
Coimbatore	144(0.23)	1524(0.40)	118(0.20)	643(0.37)	115(0.22)	269(0.35)	56(0.27)	120(0.36)
Thiruvananthapuram	134(0.21)	1508(0.40)	116(0.19)	660(0.38)	113(0.22)	303(0.39)	80(0.25)	116(0.34)
Indore	131(0.21)	1490(0.40)	112(0.19)	707(0.41)	101(0.20)	797(0.438)	89(0.27)	179(0.49)
Bhopal	127(0.20)	1479(0.39)	103(0.17)	973(0.53)	94(0.18)	284(0.37)	70(0.22)	124(0.37)
Nagpur	148(0.24)	1447(0.38)	133(0.22)	751(0.43)	121(0.23)	356(0.46)	94(0.29)	168(0.50)

Top Hundred Centres Arranged According to Size of Credit as on June 1995

Centres	June 1995		June 1990		June 1985		June 1980	
	No of Reporting Offices	Gross Bank Credit	No of Reporting Offices	Gross Bank Credit	No of Reporting Offices	Gross Bank Credit	No of Reporting Offices	Gross Bank Credit
Total of 100 Centres	12171(19.48)	166938(72.49)	11043(18.52)	75350(65.73)	10248(19.84)	35782(67.36)		
Of which								
Bombay	1225(1.96)	45475(19.75)	1150(1.93)	20143(17.57)	1042(2.02)	10338(19.46)	918(2.83)	3968(17.73)
Delhi	1121(1.79)	31704(13.77)	1038(1.74)	10014(8.73)	953(1.85)	4326(8.13)	835(2.57)	3047(13.60)
Madras	653(1.04)	12979(5.64)	598(1.00)	5972(5.21)	571(1.11)	2350(4.42)	449(1.39)	1039(4.64)
Calcutta	921(1.47)	11920(5.18)	898(1.51)	6888(6.01)	792(1.53)	3396(6.39)	679(2.09)	1998(8.93)
Bangalore	599(0.96)	6963(3.02)	545(0.91)	3116(2.72)	502(0.97)	1414(2.66)	407(1.26)	600(2.68)
Hyderabad	427(0.68)	6457(2.80)	396(0.66)	2850(2.22)	371(0.72)	1099(2.07)	292(0.90)	352(1.57)
Chandigarh	111(0.18)	5879(2.55)	92(0.15)	1655(1.44)	87(0.17)	1561(2.94)	71(0.22)	673(3.01)
Ahmedabad	434(0.69)	3565(1.55)	400(0.67)	1759(1.53)	380(0.74)	766(1.44)	310(0.96)	396(1.77)
Pune	261(0.42)	2202(0.96)	239(0.40)	996(0.87)	212(0.41)	579(1.09)	169(0.52)	218(0.97)
Coimbatore	144(0.23)	1969(0.85)	118(0.20)	661(0.58)	115(0.22)	380(0.72)	86(0.27)	135(0.60)
Ludhiana	148(0.24)	1688(0.73)	119(0.20)	764(0.67)	107(0.21)	285(0.54)	90(0.28)	115(0.51)
Vadodara	160(0.26)	1533(0.67)	143(0.24)	723(0.63)	130(0.25)	384(0.72)	103(0.32)	223(1.00)
Cochi	186(0.30)	1486(0.65)	158(0.26)	723(0.63)	151(0.29)	336(0.63)	136(0.42)	195(0.87)
Indore	131(0.21)	1371(0.60)	112(0.19)	632(0.55)	101(0.20)	217(0.41)	89(0.27)	85(0.38)
Jaipur	174(0.28)	1271(0.55)	143(0.24)	570(0.50)	131(0.25)	339(0.64)	101(0.31)	150(0.67)
Kanpur	277(0.44)	1155(0.50)	263(0.44)	890(0.78)	238(0.46)	374(0.70)	170(0.52)	161(0.72)
Lucknow	184(0.29)	1137(0.49)	166(0.28)	923(0.81)	155(0.30)	446(0.84)	112(0.35)	172(0.77)
Surat	142(0.23)	942(0.41)	127(0.21)	395(0.34)	106(0.21)	148(0.28)	83(0.26)	59(0.26)
Nagpur	148(0.24)	778(0.34)	133(0.22)	482(0.42)	121(0.23)	196(0.37)	94(0.29)	79(0.35)
Bhopal	127(0.20)	767(0.33)	103(0.17)	540(0.47)	94(0.18)	142(0.27)	70(0.22)	57(0.25)
Thiruvananthapuram	134(0.21)	616(0.27)	116(0.19)	359(0.31)	113(0.22)	240(0.45)	82(0.25)	76(0.34)
Patna	142(0.23)	586(0.25)	127(0.21)	430(0.38)	119(0.23)	281(0.53)	92(0.28)	114(0.51)

Figures in brackets are percentages to all-India total

RAYMOND

Denim Project

A CHANGE of name was long overdue and in 1994 Raymond Woollen Mills became Raymond Limited in keeping with its diversified range of activities, namely, cement, steel and cosmetics besides wool. 1994 was different in another way. The company entered the international market with a GDR issue. The proceeds of the issue will go towards financing the expansion plans of the company.

The company closed the financial year ended March 1995 with a sales turnover of Rs 683 crore, up by 20 per cent over Rs 571 crore recorded in the previous year. A 26 per cent increase in the total income took it to Rs 728 crore from Rs 577 crore in the preceding year. Interest costs rose from Rs 29 crore to Rs 35 crore, a rise of 19 per cent. Provision for depreciation and tax increased by 13 per cent and 55 per cent, respectively but did little to dampen the net profit which stood at Rs 71 crore, up by 55 per cent from Rs 55 crore achieved in the previous year. A dividend of 50 per cent has been declared by the company.

Production of the cement division at Bilaspur increased by 25 per cent and would have been more were it not for severe flooding, power cuts and railway carriage shortages. The engineering division manufactures files and drills with the bulk of turnover coming from files. In engineering files, Raymond has a 75 per cent share in India and 22 per cent share worldwide.

Exports of the company showed improvement and stood at Rs 96 crore, up by 32 per cent from Rs 73 crore in the previous year. Imports at Rs 149 crore were up by 154 per cent from Rs 59 crore.

In textiles, the company has a number of projects in the pipe line. Raymond is entering into a collaboration with Calintri of Italy to set up a denim manufacturing project at an investment outlay of Rs 1,490 crore. The project is being set up in Maharashtra with an installed capacity of 10 million metres a year. Also coming up is a woollen fabric plant with an installed capacity of 5 million metres. The project is expected to be commissioned by 1996. The company is close to tying up with Zegna of Italy to manufacture and market premium suiting fabrics.

The company is setting up a new silicon steel plant at Nashik. Silicon steel is a specialised steel with magnetic qualities used for manufacture of electrical equipment. The project will have a technical collaboration with Allegheny Ludlum, USA.

BIRLA VXL

New Joint Ventures

Birla VXL, an S K Birla group company, manufactures its suitings under the brand names Digjam and OCM. The company with an interest also in chemicals, edible oils, electronic and electrical and telecommunication components plans to make a foray into the iron and steel sectors.

The company exports a substantial portion of its turnover to Europe, the US, West Asia, Hong Kong and Japan. Exports and imports for the year under review stood at Rs 25 crore and Rs 76 crore, respectively.

The textile division, comprising Digjam Woollen Mills and OCM Woollen Mills, and Saurashtra Chemicals form the core of the company's operations. The company has expansion cum modernisation programmes at both its textile units at an

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Financial Indicators	Raymond		Birla VXL		Hero Honda	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	68319	57050	38502	34480	47549	36336
2 Value of production	71376	56872	39381	35413	50042	36008
3 Other income	1435	872	213	193	671	534
4 Total income	72811	57744	38994	35607	50713	36847
5 Raw materials/Stores and spares consumed	23393	18421	14083	12475	35489	26735
6 Other manufacturing expenses	12574	11645	7248	6559	5019	1850
7 Remuneration to employees	7738	6315	4375	3743	1847	1356
8 Other expenses	11227	8372	6566	5762	3819	3160
9 Operating profit	17879	13000	7327	5965	4539	3341
10 Interest	3460	2911	2179	2639	680	808
11 Gross profit	14713	10520	5031	4190	3860	2524
12 Depreciation	4244	3744	1592	1333	916	815
13 Profit before tax	10452	6760	3439	2857	2944	1709
14 Tax provision	3400	2200	0	20	1000	165
15 Profit after tax	7052	4560	3439	2837	1944	1544
16 Dividends	1654	1344	1529	717	497	431
17 Retained profit	5398	3226	1910	2120	1447	1113
Liabilities/assets						
18 Paid-up capital	4100	3408	7058	5781	1995	1588
19 Reserves and surplus	43729	20299	26139	23867	5628	4578
20 Long term loans	29012	21251	26740	17705	4360	3785
21 Short term loans	3465	3407	10431	6518	1473	2988
22 Of which bank borrowings	3165	2707	9671	5955	61	64
23 Gross fixed assets	66149	46009	57771	44796	13635	11837
24 Accumulated depreciation	24928	20805	15256	13340	5243	4357
25 Inventories	16933	11943	14510	13000	7368	4235
26 Total assets/liabilities	114045	74047	81435	61870	24120	19093
Miscellaneous items						
27 Excise duty	3177	1093	5391	5611	161	177
28 Gross value added	26481	20144	13105	113	6305	1710
29 Total foreign exchange income	10177	7357	2487	315	2712	1197
30 Total foreign exchange outgo	16838	3566	7808	3557	7164	1945
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	59.9	77.0	47.3	55.7	205.7	190.3
32 Sales to total net assets (%)	85.1	118.0	44.7	65.4	353.4	280.8
33 Gross value added to gross fixed assets (%)	40.0	44.4	21.0	35.6	46.2	59.8
34 Return on investment (gross profit to total assets) (%)	12.9	14.2	6.2	6.5	16.7	13.2
35 Gross profit to sales (gross margin) (%)	21.5	18.4	13.4	17.2	8.1	6.9
36 Operating profit to sales (%)	26.2	22.8	19.0	17.3	9.5	9.2
37 Profit before tax to sales (%)	15.4	11.8	8.9	8.5	6.2	1.7
38 Tax provision to profit before tax (%)	32.5	32.5	0.0	0.7	34.0	9.7
39 Profit after tax to net worth (return on equity) (%)	14.7	19.2	10.4	9.5	25.5	25.0
40 Dividend (%)	50.00	40.00	25.00	25.00	40.00	27.00
41 Earning per share (Rs)	172.00	133.48	4.87	1.91	9.74	9.72
42 Book value per share (Rs)	1166.6	695.6	17.0	51.7	38.2	38.8
43 P/E ratio (based on latest and corresponding last year's price)	1.6	1.8	6.2	12.6	23.6	43.7
44 Debt equity ratio (adjusted for revaluation) (%)	60.7	89.6	80.5	59.3	57.2	61.4
45 Short term bank borrowings to inventories (%)	18.7	22.7	66.7	49.7	0.8	1.5
46 Sundry creditors to sundry debtors (%)	86.3	66.8	91.3	94.1	403.1	227.2
47 Total remuneration to employees to gross value added (%)	29.2	30.9	36.1	42.6	29.3	30.9
48 Total remuneration to employees to value of production (%)	10.8	11.1	11.1	10.6	3.7	4.0
49 Gross fixed assets formation (%)	43.8	-	29.0	-	15.2	-
50 Growth in inventories (%)	41.78	-	20.32	-	73.57	-

estimated outlay of Rs 650 crores. The expansion plan envisages the installation of 40 000 new spindles, imported from Zinser, Germany, and 182 shuttleless looms from Sulzer, Switzerland, and Dormier of Germany out of which 52 looms and 12,000 spindles have already been installed. The plan of the company is to expand its fabric production capacity from existing 5 million metres to 12 million metres. VXL would be increasing the capacity of OC M plant to 35 000 metres a day from the existing 16 000 metres and Digjam to 30 000 metres a day from the existing 18 000 metres per day. Both the units have been accredited with ISO certification.

Demand for soda ash has started picking up after a lull in the past two or three years, and the company's soda ash division, Sankem, performed satisfactorily. Sankem is planning to increase its capacity from 3 lakh tonnes to 3.25 lakh tonnes annually at an estimated cost of Rs 19 crore. The plan would involve the upgradation of the plant with technical consultancy from Krebs and Crie, a Polish soda ash plant and the setting up of a captive thermal power plant. Sankem exports soda ash and caustic soda to Sri Lanka, Bangladesh, South East Asia and West Africa. An investment of Rs 180 crore will be made by 1999-2000 in 1997-98.

The engineering unit VXL Electric & Cryo (C) set up in 1990 manufactures state of the art electric meters. The Swi company holds a 10 per cent stake in the venture. ICG has also brought in its technology and is on the verge of introducing some of the line stably electrical meter for both the Indian and overseas markets. The ICG factory of VXL ICG has a capacity of one million meter annually. Currently it produces about 3.5 lakh modern meter, 20 per cent of which are exported. Another about five lakh old meters are produced annually entirely for the domestic market. The company is planning to invest Rs 25 crore as part of its expansion and modernisation plan.

The company has plans to erect a power sector with a 75 mw coal fired power plant involving an investment of Rs 1000 crore. The collaborator and the location of the plant have yet to be decided. A diversification into the rubber sector is also on the cards.

The company has tied up with Dormier of France to manufacture Dormier clothes in India. In the new company, Dormier will have an equity stake of 51 per cent while the rest will be held by Birla VXL. The company has entered into another joint venture with US based Hager Inc. to manufacture readymade garments. The two partners would have a 50 per cent stake each in the export oriented project and invest Rs 10 crore initially.

The company has entered into a joint venture with Masuzawa and Co, Japan, to produce silk yarn using silk waste. The Japanese firm will hold 25 per cent of the equity. The spinning unit Birla Masuzawa, will be located in Amritsar close to the OCM factory of Birla VXL. Out of an initial investment of Rs 25 crore, Rs 5 crore is expected to be raised through equity. Also on the anvil is a post production centre for film in partnership with Mitsui and Co Japan.

HERO HONDA

Buoyant Demand

The first technical collaboration agreement was signed between Hero and Honda Japan in 1984. This contract has been renewed up to 2004 and includes transfer of technology for manufacture of Honda Motor's entire range of two wheelers including motor cycles, mopeds and scooters. Honda Motors also has an equity participation of 26 per cent in the company with another 26 per cent belonging to the Hero Group while the rest is held by the public.

The two wheeler industry registered a growth rate of over 25 per cent in 1994-95. The current year indicates that the industry will achieve another 25 per cent growth in sales in 1995-96. It is estimated that by the year 2000 annual demand for two wheelers would be 4.2 million.

HHMI pioneered the 100cc motorbikes in India and currently has four models in the market. The company has increased its production of motorcycles to 1,83,490 in the year under review, up by 24 per cent over the previous year, resulting in capacity utilization of more than 100 per cent. For the year 1995-96 the company has a target of 2,40,000 motorcycles.

The company exported 10,457 motor cycles up by 100 per cent over the previous year. Apart from its regular markets the company penetrated new markets like Bermuda, Paraguay, Zaire and South Africa.

The company plans to expand the capacity of its plant at Dindhara from 1,47,000 to 2,10,000 in 1995-96. It is planning to introduce new models in the 150cc and 200cc segments. The first phase of expansion will add 1.5 lakh vehicles to the company's capacity. A Rs 40 crore loan from the Development Bank of Singapore and Rs 45 crore from internal accruals will go towards financing the expansion plans. The company is setting up a second plant with an installed capacity of 1,50,000 motor bikes. The plant is being set up at Gurgaon at an estimated cost of Rs 200 crore and trial production is to begin by September 1996.

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Communalism and Communal Violence in 1995

Asghar Ali Engineer

The year 1995 was not the worst in the recent past in regard to the communal situation, but neither was it free from communal violence. A report on the year's incidents

THE year 1995 was not so bad after all from the viewpoint of communalism and communal violence though to be sure it was not entirely free of communal violence. In fact, the demolition of the Babri masjid in December 1992 and the riots following that cataclysmic event had, on the whole, a very sobering effect on the communal situation. It would not be wrong to say that the decade of the 1980s and early 1990s was the most critical period in India as far as inter communal relations were concerned. The BJP had adopted a softer variety of communalism when it was formed in 1980 but it soon hardened its stance to regain lost political ground. In its softer version of communalism it had to compete with the Congress since Indira Gandhi and Rajiv Gandhi too had opted for it, having lost the Muslim vote in the late 1970s. The BJP could not compete with the Congress without opting for a harder version of communalism. The hardening of its stance paid dividends and it increased its strength from two to 89 seats in parliament in the 1989 elections. Then there was no going back. It further added to its strength in the 1991 elections and won 118 seats. This tempted it to harden its stand on communalism and at last the tragedy of December 6 occurred. However, it proved to be its nadir and communalism could not be made to pay any more political dividends. That explains the low intensity of communalism and communal violence both during 1994 and 1995. Here we are concerned with communalism and communal violence during 1995.

As pointed out above, the year 1995 was not entirely free from the curse of communalism and communal violence. In January 1995 itself there was a red alert as communal tension soared high in UP. *The Times of India* reported on January 14 from Lucknow:

"The state government today sounded a red alert with reports of communal tension pouring in from several parts of the state. Prohibitory orders were today promulgated in Sambhal town near Moradabad, following recovery of two bodies from a village this morning." Curfew was imposed in areas under five police stations of Moradabad district. The Rapid Action Force was deployed in Sambhal and the army carried out a flag march. According to an official spokesman, two BJP activists were arrested

under NSA and inactive worker of the Shiv Sena was detained under it. Thus Moradabad in UP witnessed communal violence in January 1995 which claimed about three lives. The dispute is started over a boundary wall around a well. It appears there was no planning behind this riot — it was a spontaneous outburst. No political party was involved in systematically provoking it and hence it was easily contained.

There was a small communal incident at Hardwar in UP in which several people were injured in stone throwing but no human life was lost.

Fortunately, the Idgah flag hoisting issue in Hubli on January 26, 1995 which had witnessed communal violence on several occasions passed off peacefully. The newly elected Janata Dal government in Karnataka was determined to prevent any communal incident in that town. The Anjuman office bearers agreed to hoist the flag themselves thus defusing the tension. On every August 15 and January 26, the people of Hubli had to pass sleepless nights in fear of communal violence. They now heaved a sigh of relief.

Another important event on the communal front was the publication of the Bhagalpur Communal Riots Inquiry Report in the third week of February 1995. The Bhagalpur riots had erupted in October 1989 claiming more than 1,000 lives. An inquiry commission was appointed but it laboured for close to six years before it could produce its findings. However, the report took a curiously turn — the home secretary returned it. The report was far from unanimous. Two members of the commission, Chandra Prasad Sinha and Justice Shamsul Hasan, held the BJP, the VHP and the district administration mainly responsible for the riots. According to the duo, the Muslim fundamentalists also played a role but were not as successful as their Hindu counterparts. However, the chairman of the commission, Justice Ram Nandan Prasad, held the Congress guilty of provoking the riots. Thus the report became highly controversial and attracted varied comments in the press. The chief minister, I. Atal Prasad Yadav, accepted the version submitted by Justices Sinha and Shamsul Hasan and gave assurances that the guilty named in the report will not be spared.

On the occasion of Holi in March, communal violence erupted in some areas,

Aligarh, the highly communally sensitive district in UP, once again came under the spell of communal violence. More than seven persons were killed mainly in sporadic stabbing incidents. The Aligarh riot was unplanned and spontaneous and hence could be brought under control. Its beginning was quite obscure but undoubtedly was the result of bitter feelings between sections of two communities in crowded localities of old Aligarh town. A woman, Mituladevi Yadav, showed extraordinary courage and firmness and saved several lives by driving away a bus which was carrying a *baraat* with the help of her son. There was an attempt by local hoodlums and some college students to set fire to the bus. Had Yadav not shown alertness, the lives of several women and children could have been lost. Both the Moradabad and Aligarh riot clearly show that if communal violence spontaneously bursts out without the planning and involvement of any political party, it can be easily and speedily brought under control.

Another small incident of communal violence took place in Balsona, Orissa, again on the occasion of Holi in March 1995. A quarrel between children of two communities while playing Holi took a violent turn and the police had to resort to firing to disperse the violent mob claiming two lives. More than 50 houses were set ablaze. Shoot to sight orders were issued and the chief minister, B. P. Patra, ordered a judicial inquiry.

Again in UP and Hubli in Karnataka it witnessed communal violence on the occasion of Holi in March. In the Agri incidents one person was killed, but the Hubli violence turned out to be the worst claiming five lives. More than 50 persons were injured in these communal disturbances. The violence broke out on March 21 outside a mosque inside a narrow lane. It allegedly started when some primister threw colour on those inside the mosque. One person was killed right outside the mosque.

Another important development in early 1995 was election of the Shiv Sena-BJP government in Maharashtra and the BJP government in Gujarat. Though the Shiv Sena-BJP government in Maharashtra could win only 137 seats, falling short of a majority and formed the government with the help of independents, the BJP won an overwhelming majority in Gujarat. It is also interesting to note that due to the threat of strict implementation of the People's Representation Act (i.e. disqualifying any candidate using religious or communal appeal in election propaganda) by the chief election commissioner, Seshan, the Shiv Sena-BJP could not resort to blatant communal propaganda and had to content themselves with raising only secular issues. Thus the alliance made a host of promises such as provision of free housing to four million slum dwellers in Bombay and

provision of cheap foodgrains in ration shops, and 'jhunka bakhari' for one rupee, to win the hearts and minds of the electorate. It also enhanced its electoral appeal by exposing the corrupt deal for the Enron power project as well as the thorough corruption in the Congress regime. In Gujarat too, the BJP concentrated on providing clean government and solving people's problems in its election propaganda, though the VHP was simultaneously focusing on communal issues such as Ramjanma Bhoomi, etc. The elections in these two states show that if only the earlier CECs had the guts to implement the People's Representation Act strictly as Seshan did, the country could have been spared much communal agony. Even the Ramjanma Bhoomi issue would not have acquired such unprecedented dimensions. One wishes that future CECs will also stick to the act and implement it strictly as Seshan did.

Interestingly the Shiv Sena chief minister Manohar Joshi announced in March that his government will not allow anyone to indulge in communal violence and that his government will not spare anyone breaking the law in the name of religion. His announcement was made in Nanded where Hindu-Sikh riots had erupted in March. It is interesting to note that the Bombay commissioner of police Satish Sahaneys sincerely worked to maintain communal peace and took an active interest in forming mohallah committees in different areas of Bombay. His successor R D Tyagi is also taking an interest in mohallah committees and is keen to arrange training programmes for the police to decommunalise it.

However, it should be pointed out that the Shiv Sena-BJP government in Maharashtra took certain measures which alienated Muslims and enhanced their fears. It introduced a bill to ban cow slaughter completely, including all types (like oxen and buffaloes), abolished the Minorities' Commission, and also started a drive to throw away 'the Bangladeshi Muslims' whom Bal Thackeray estimates to be over 'two lakhs' in Bombay. But the police has not been able to throw out more than 200 so far. The alliance has announced that it will introduce a common civil code in the state. A bill prohibiting bigamy has already been introduced in the assembly.

Towards the end of the second week of April the Hindu Munnani office in Madras was rocked by a bomb blast. The bomb was allegedly planted by a Muslim youth Nizamuddin, who was also responsible for planting a bomb in the RSS office on August 8, 1993 by which some 13 people were killed. The Munnani was targeted because of provocative speeches being given by its state president Rama Gopalan and organising secretary Sridharan. Similarly a powerful blast took place near a place of worship (presumably a temple) in Rameshwaram, also on April 14. A BJP activist, a milk vendor, was also stabbed to death in Rameshwaram.

These blasts triggered communal violence in Tamil Nadu which claimed more than four lives. Coimbatore and Nilgiris districts were rocked by communal violence. Several areas in Madras city like Triplicane, Royapettah, and Pudurpet were tense. Tamil Nadu is not so sensitive communally but thanks to the Hindu Munnani activities and reaction by some Muslim fanatics, it has been experiencing communal violence now and then.

In May 1987 during the Meerut riots, 24 innocent Muslim youth were taken out of their houses and shot dead by PAC (Provincial Armed Constabulary) jawans and their bodies thrown into a nearby canal. A surviving victim told the story to the world of what happened on that fateful day (May 23, 1987), but the culprits were never brought to book. It was in April 1995 that the Mulayam Singh government announced that the 19 guilty policemen will be prosecuted. These policemen have been indicted by the CID. Those against whom the prosecution was to be launched included the then PAC platoon commander, five head constables, 11 constables, one naik and one truck driver. Normally no policeman is ever brought to book for his role in communal riots. It was for the first time that the UP government had taken a lead in this, but one does not know what will be its final outcome.

On April 30, communal violence broke out in Chitradurga district of Karnataka. Mobs belonging to the two communities (Hindu and Muslim) clashed in Holakere, 30 kms from Chitradurga, and the police resorted to firing in which one person was killed and two others seriously injured. The tension was the result of business competition between two groups of bus agents belonging to two communities, which first was personal but then took a communal turn. The April 29 violence erupted as a result of a verbal altercation between two groups. The groups were armed with cycle chains and clubs and attacked bus agents of the other community. Karnataka, it must be born in mind, has become highly communally sensitive since the BJP made a serious bid to expand its political base in the state.

Kerala, like Tamil Nadu, is a low tension area. The population of Kerala is evenly balanced, with nearly 20 per cent Christians, 20 per cent Muslims and 60 per cent Hindus. Among Hindus also are OBCs (ezhavas, etc) and SCs and STs. For this reason it is not a very communally sensitive area, but by no means is it free of communal tensions and occasional communal riots. Usually the riots take place between Hindus and Muslims but this time there were communal clashes between Muslims and Christians. Two persons were killed in these clashes between Muslim and Christian fishermen. According to *The Hindu*, "Two persons were killed and more than 100 houses set afire when two groups of fishermen clashed near the Vizhinjam harbour... [on May 13, 1995]. A tense situation was prevailing in the area

after the incidents and police reinforcement have been rushed in". Two persons, Mail Kannu (50) and Shahul Hamid (65) died in separate attacks in which country-bombs were hurled by mobs, the police said. The police had to fire in the air several times to disperse the mob. According to the police, the trouble started following an argument between two fishermen over the use of a common space meant for keeping fishing implements. The heated exchange soon took a violent turn, with rival sides using country bombs and swords against each other. A place of worship was damaged in the attack. Several boats and fishing implements worth several lakhs were destroyed, and more than 120 families were rendered homeless. The matter was serious enough to attract visits by members of the National Minorities Commission, which again created an uproar in the state assembly.

Phoolpur in Allahabad district, 40 kms from Allahabad, witnessed communal violence on June 12, 1995. One person was killed in this violent irruption and one was seriously injured. The infuriated mob set fire to several shops and stalls. The police found a large number of arms including country-made pistols and bombs. More than 90 persons were arrested. The cause of violence was the burning of religious hooks in the Ismailganj locality of Phoolpur.

Allahabad and Pratapgarh again came to the brink of communal violence on July 7, 1995. The tension built up on the recovery of the bodies of four Muslim girls. Twenty-two houses of Muslims were set ablaze in Pratapgarh district, and many Muslims ran away from their houses out of fear. The principal home secretary Harishchandra Gupta, however, claimed while talking to reporters that the situation was under control. Twenty-two houses of Muslims were burnt in Kundah Dilerganj village. Many Muslims were beaten up. It was rumoured that many girls are missing. Those girls whose dead bodies were recovered from the river Ganga were Rukhsana, Parveen, Nasrin and Secma. Three of them were from one family. The police had named 30 culprits but could arrest only eight of them. According to the authorities there was tension between Muslims and those belonging to the Maurya biradari. These incidents started with the murder of one Anisuddin. Thereafter a series of incidents of revenge and counter-revenge started, finally resulting in communal disturbances.

We next hear of communal incidents in Rankhandi town, seven kms from Deoband, the famous Islamic seminary town in UP, which broke out on June 29, hardly one-and-a-half-month after Mayavati took over as chief minister with the support of the BJP. The dispute was about the construction of a mosque in Rankhandi, which has a population of 15,000 of which about 1,000 are Muslims. As there was no central mosque they tried to build one. The Hindus of the village objected, and when they applied for permission it was granted only with some

continuous like not praying outside the mosque and not using loudspeakers. The Muslims, however, went ahead with construction of the mosque. A crowd collected and attacked and demolished it. The Muslims alleged that the police remained silent spectators. When the situation went out of control the police fired, killing one person and injuring many more. There was also an attempt to forcibly take away a Muslim girl but some secular Hindus prevented this at the risk of their own lives.

Qazi Rashid Masud, a leader of Mulayam Singh's Samajwadi Party, alleged that it was a mini-Babri incident and that the Mayawati government was trying to harass workers of the SP with the help of the BJP. He said that Mulayam Singh had fully controlled communal violence but that it is erupting again under the Mayawati government. The Kanpur, Phulpur and Rankhandi incidents are its proof. If any proof is required. However, the redeeming feature was that the Rajputs in the village were very positive in their attitude and maintained that 'what is wrong if one mosque is constructed in the village? We have always lived in peace and harmony and we do not want any conflict. However the village pradhan Sita Devi's attitude was unhelpful and he became instrumental in the demolition of the mosque.

These incidents clearly show that communal poison has gone very deep in the last few years and has penetrated to the village level also. If some local dispute about land arises, it takes on a communal form in no time. It is the constant communal propaganda for the last several years that has generated such a mind set.

Next we hear of communal violence in Palamau in Bihar, from the beginning of the first week of July. On July 10 the police discovered four bodies in a well which had been cut to pieces, allegedly of Muslims. About five persons were killed in all. The police force was reinforced in Palamau after these incidents. Hindus and Muslims had quarrelled over the issue of a boundary wall on cemetery land, the dispute was about including a tree within the boundary. When the contractor insisted on including the tree, a mob collected to protest and violence broke out. The police arrested eight persons. It is also true that chief ministers like Mulayam Singh Yadav or I. A. Prasad Yadav may be sincere in putting down communal violence, yet the local police and others may not have such thinking. That is why small incidents here and there do break out.

In Bihar, another incident took place in Qazi Bakri village of Manatoli thana in Daltangay district, in the second week of July, in which bombs were used. Three persons were badly injured, of which Bacchu Mahtu died on his way to hospital. Here too the dispute was about cemetery land. First the police tried to bring about a reconciliation between members of the two communities, but the understanding soon broke down and violence broke out. The

police arrested some Muslims, and about an hour after the arrest four Muslims returning from market were caught and their heads were hashed on stones, resulting in their deaths. Two others, however, escaped and broke the news in their village. The bodies of the four persons killed were subsequently found with the heads severed. The villagers wanted to set fire to the Muslim quarter but thanks to the S P Arvind Pande they were caught and further incidents were prevented. Thus in this case the S P played a very healthy role.

In Dileiganj 150 kms from UP communal clashes broke out between Hindus and Muslims. The two thakurs of the village, Uday Pratap Singh and his son Raghuraj Pratap Singh, are a law unto themselves and a terror in the village. The latter is also an MLC in the UP assembly. Raghuraj, also known as chote sarkar, was allegedly involved in communal clashes on July 6 in which four Muslim girls lost their lives and over two dozen houses in Dileiganj village, all belonging to the minority community were razed to the ground. After the girls were killed their bodies were hacked to pieces and dumped in a nearby river. Why did the two thakurs make the Muslims their target? It is their way of dealing with anyone who opposes their supremacy (see *Sunday Calcutta*, August 13/19/1995).

In Maharashtra there have been no major communal incidents since the Sena BJP government took over. According to a police official from Bombay, the SS BJP government does not want any communal incidents in Maharashtra. Perhaps it was not without significance that the former police commissioner Sahane worked diligently to maintain communal peace in Bombay. His successor R. D. Tyagi, in Maharashtra there was only a small incident in Talegaon, about 24 kms from Nashik, on August 26 when villagers armed with lathis, iron rods and other lethal weapons raided a settlement of members of the minority community and assaulted the

inmates of the houses after breaking down doors and windows. More than 14 persons were injured in these communal clashes.

On the occasion of the Ganapati procession communal clashes occurred in Madras and Hyderabad in early September. The processionists pelted stones at the police when they urged them not to disturb prayers inside the mosque. In these clashes more than 100 persons were injured. The Hindu Munnani leader, however, alleged that Muslims disguised as Hindus were responsible.

However, communal clashes in Hyderabad were much more serious on the occasion of the Ganapati procession. Two persons were killed. Here too violence erupted when the processionists stopped near a mosque in the Channarayana area and refused to move. There was stone throwing and there are allegations and counter-allegations as to who started it. Twenty-one persons were injured in the incidents while a tourist bus and two scooters were burnt by unruly mobs. The two killed died in stabbing incidents. In subsequent incidents three more died bringing the total number of deaths to five.

In Shimoga in Karnataka there was case of stabbing during the Ganapati festival in which one person died. In Khandwa in MP the procession was stoned and the situation was tense. Police curfew had to be imposed to prevent further incidents.

In early December the situation was communally tense and security had to be beefed up in 13 districts of UP. At the Babri masjid demolition day in Meerut, Secorby had to be beefed up in Ayodhya, Varanasi, Mathura, Rampur, Sambhal town in Moradabad, Phulpur in Allahabad, Deoband in Saharanpur, Azamgarh, Aligarh, Kanpur, Bareilly, Lucknow and Meerut. According to intelligence reports, about two dozen people were killed and 100 injured in these districts up to October 1995. But on December 6 no major incidents occurred and the day passed off peacefully.

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Medicinal Plants: Poor Regulation Blocks Conservation

Arvind Kumar Jha

Weak and ill defined legislation on conservation of medicinal plants, especially with regard to their exports, is allowing for a rapid depletion of rare species

CONSERVATION issues pertaining to medicinal plants are generally treated as part of overall biodiversity conservation strategy despite the fact that plant based traditional medicinal systems followed by four-fifth of human population. A large number of species used by indigenous people have yet to receive adequate attention of the formally educated people.

In India more than 1000 plant species are used in the traditional systems of medicine. Most of the plants and plant parts interestingly follow non-commercial and intricate directions to the ultimate consumer. As a result it is difficult to ascertain the exact levels of production, harvest and utilisation of such species. Very little information is available about the status of most of these individually unique source elements in spite of their vital role in sustaining local health traditions that provide healthcare to majority of rural and tribal people of India.

Any long term conservation strategy pertaining to natural resources essentially needs statutory support. Although special legislation has not been enacted to cover specifically the medicinal plants in India, the Indian Forest Act 1927, Wildlife (Protection) Act 1972 and Forest (Conservation) Act 1980 (within the country) coupled with export Import Policy deal with the Customs Act 1986 on the foreign trade front provide regulatory mechanisms including specific scope for management intervention.

The regulatory provisions of the Indian Forest Act (IFA) apply to 'forest produce' which are classified into two categories. The first under section 2(4)(a) consists of items which are 'forest produce' irrespective of whether they are found in or brought out from a forest or not. It primarily includes as medicinal items bark, wood, oil and timber of medicinal species apart from rosh grass/oil and specific herbs like myrobolan and raufth which have been included through various state amendments. The second category [section 2(4)(b)] also contains items which are termed as 'forest produce' only when they are found in or are brought from a forest. This category covers plants not being trees (including grass, creepers, reeds and moss) and all parts or produce of such plants and also includes leaves, flowers and fruits and all parts or produce of trees not mentioned in the first category. Most of the medicinal

plants and parts/produce come in this category. This implies that provisions of IFA apply to such material only when they are found in or brought from forest. Specific entries consequent to state amendments are as in the table. The Forest (Conservation) Act 1980 can be seen as a tool for restricting the diversion of existing *in situ* conservation areas and in a way facilitating protection of indigenous species of medicinal importance. It however recentralises conservation efforts by deterring monoculture plantations of non-indigenous medicinal species on forest lands, as activity with 'non forestry purpose'. Taking up such plantations in forest land requires prior permission of government of India.

The Wildlife (Protection) Act 1972 (WPA), was amended in 1991 introducing a chapter on protection of specified plants listed in the schedule VI of the Act. At present there are six such species viz kuth, Blue vanda, Red vanda, Cycas beddomei, Pitcher plant, and Lady slipper orchid. Of these kuth is important from a medicinal point of view and is also contained in the appendix I of the Convention on International Trade in Endangered Species (CITES) of wild flora and fauna. The WPA contains regulatory provisions in regard to all vegetation existing in sanctuary and national parks (PA's). Outside PA's however the act basically provides for regulatory mechanism for 'wild-animals' and the six species listed in schedule VI. In short the WPA suffers from limitations of scope as well as applicability in regard to medicinal species.

The Export-Import Policy of India directs that the export as well as import of plants

and plant parts shall be subject to the provisions of CITES. The appendix I of CITES contains the six species indicated in schedule VI of WPA while appendix II contains just 12 items of Indian flora, some of them indicating complete genera. The EXIM Policy, operating through negative lists, prohibits export of all plants included in appendix I of CITES. Wild orchids and also 46 items of plants, plant portions and their derivatives indicated in Public Notice No. 47 dated March 30, 1994. Almost all the 12 species covered by this public notice have medicinal use. In addition, export points for plant parts/produce obtained from Wild are restricted by the policy to five major ports viz Bombay, Delhi, Madras, Calcutta and Cochin to ensure effective checking and control. The schedule to Agricultural and Processed Food Products Export Development Authority Act also contains some specified medicinal plant species basically for promotion and regulation of export of such material. Considering the above aspects related to international trade, it is clear that a significant number of medicinal species are under various types of regulations on the export/import front. The basic criterion for imposing regulations is the current status of the species and not their medicinal value *per se*. Such an approach has led to generalisations in terms of total ban on certain species and has also in a way precluded the strategies of development of conservation planning in respect of species used in life saving drug formulations at the global level.

The legal support system in respect of medicinal plant conservation has conspicuous gaps. There is virtually no control on exploitation and removal of such material from areas outside PA's. The movement as well as trade in such species, some of which are endangered enough to find a place in the list of banned species for export, is without any controls. This apart from obscuring the details of local trade creates problems at the export points leading to outright smuggling as also misdeclarations. There is a total lack of recognised labs in adequate number for quick identification of plant parts and products with due statutory back-up. This leads to situations of delayed clearances as well as give scope for export/import of banned species.

In short, an integrated legislation with medicinal plant conservation as its basic thrust is the need of the hour. Such legislation should cover various aspects of *in situ* conservation, organisational strengthening for enforcement of the same, issues related to intellectual property rights, rights of producer, research back-up and reward system for traditional knowledge and skills. Further, dovetailing its prescriptions with the existing statutory provisions is also a must in order to maintain a sustained support to the medicinal plant conservation programmes on a long-term basis.

Table: Medicinal Species Included in Schedule VI of State Amendments 2(4)(a)

State	Species
Gujarat	<i>Rauwolfia serpentina</i> , Kadaya gum
Maharashtra	Rosha grass including oil <i>Rauwolfia serpentina</i>
Karnataka	Santalwood, oil, rosha grass and oil <i>Phyllanthus emblica</i> <i>Terminalia chabula</i> <i>Terminalia bellaria</i> <i>Capparis racem</i>
Tamil Nadu	Santalwood
Kerala	Gum, fibres and roots of Santalwood and rosewood
Orissa	Gums, roots of Patal gauda Santalwood, Tamarind
UP	Gum, Chiranjee

Bhopal Gas Victims

Dismal Disbursal of Compensation

Satinath Sarangi

Government's compensation to Bhopal gas victims is inadequate and based on underassessment of injuries. Further, lack of proper procedures and delay in disbursal of the amount has encouraged corruption

THE Supreme Court (SC) has appointed a committee to look into the issue of inadequacy of compensation being awarded to the Bhopal gas claimants. The inadequacy of compensation awarded to individual claimants is but a consequence of the inadequacy of the settlement amount. The government of India (GOI) is *patens patriae* of the Bhopal victims had claimed a sum upward of US \$ 3 billion for personal and other damages caused by the disaster. However in 1989 the GOI without the consent of the claimants it represented absolved through a settlement Union Carbide of all past present and future liabilities arising from the disaster for a pitiful sum of US \$ 470 million. The apex court in its wisdom and in the interest of the gas victims smothered this entitlement with a judgment to this effect. The revised judgment passed on October 3, 1991 upheld the settlement amount paid by Union Carbide. However in the revised judgment the court directed the government of India to make good any shortfall in compensation. It unfortunately left out directions towards complete registration of claimants, proper assessment of injuries and determination of adequate compensation. These vital omissions have led to much arbitrariness and illegality by the government in its triple role of plaintiff, defendant and judge on the matter of compensation disbursal.

It needs to be kept in mind that the Supreme Court did not have sufficient data before itself to judge the adequacy of the settlement amount. As stated in the clarificatory order of May 1989 calculations for compensations for the settlement had been reached viz fatal cases 3,000, permanent total and partial disability 30,000, temporary total or partial disability at 20,000 and minor injuries at 50,000. It was made clear in the order that the basis for arriving at the figure of 30,000 permanent total and partial disability was not on any epidemiological evidence. In October 1991 when the final judgment was passed almost half the claimants had not been medically examined and the number of deaths attributable to exposure was placed at 3,828. According to data from the office of the welfare commissioner, Bhopal gas victims, October 14, 1995 the official death toll has nearly doubled (7,575). Surely the SC needs to be better informed regarding the nature and

extent of damages caused by the Union Carbide disaster.

The government failure in protecting the legal rights of the gas victims evident from the fact that close to eleven years after the disaster the registration of claimants is far from complete. According to official figures until 5.97.2006 claims have been registered with the directorate of claims, Madhya Pradesh government. Of the c 4,06,095 claims have been filed by the resident of the 36 wards and the figure is 27 per cent less than the official registered population of these wards in 1984. The single first omission is the non registration of claims of over 1,50,000 gas affected persons who were less than 18 years age at the time of registration of claims. Such a situation has been brought about primarily due to the arbitrary decision of the government officials in charge of claim registration to disallow persons under 18 to register their claims. This illegal practice was introduced under the erroneous notion that since minors cannot be owners of property they cannot be entitled to compensation amounts. It is to be noted that the Supreme Court has through its August 1992 order on interim monetary relief payments acknowledged the legal entitlement of minors who claimants have not been registered. The other large omission is that of non registration of claims of children born to gas exposed parents subsequent to the disaster. Studies conducted by the Indian Council of Medical Research (ICMR) have reported that physical and mental growth of such children have been significantly affected and there is significantly longer delay in gross motor (control of voluntary body movements) and language sector development. A 1990 study by ICMR also shows chromosomal aberrations in an abnormally large population of gas exposed people indicating possibility of congenital malformations. Autopsy reports of deceased post disaster children as late as 1987 indicate the presence of gas related organ damages similar to other gas victims. Possibly keeping such scientific observations in view, the final judgment of the Supreme Court contains provisions for later born children who might manifest congenital or pre-natal MIC related afflictions. Yet in Bhopal where with a birth rate of 29 per 1,000 an estimated 1,50,000 children have been born to the

residents officially recognised as gas affected, not a single claim has been registered on behalf of a post disaster child.

The injuries caused by the disaster have been under assessed. According to the categorisation figures presented by the directorate of claims only 8 per cent of the claimants (who had been medically examined) suffered serious injuries due to the disaster. In all 45 per cent of the claimants were reported to have suffered no injuries in only 40 persons were found to have suffered total disability. These figures are in sharp contradiction to those presented by the ICMR according to which claims from the Union Carbide factory crossed due to the blood stream of those exposed caused damage to the lungs, liver, kidney, muscles as well as reproduction, fertility and immune systems. ICMR has reported that 9 per cent of the population of 80,000 at the ICMR study region suffered a variety of permanent minor and major health disorders. In addition there are about 10 per cent of mental injuries that have been documented by ICMR which is also reported to have led to a decrease in the expected clinical consequences with time, the symptomatic population is actually growing faster with the passage of years. ICMR too has witnessed times more people suffering from respiratory problems in 1991 compared to 1987.

The unscientific methodology that was deliberately followed by the directorate of claims resulting in ridiculous results has made the government vulnerable to popular criticism at the moment. It has been found that to suit the small size of the settlement. A study sponsored by the centre for social medicine, Jawahar Lal Nehru University, New Delhi in December 1989 has reported that the three most essential medical investigations viz pulmonary function test, ophthalmic test and excretory tolerance test have been carried out on less than 18 per cent of those examined. The study also pointed out serious errors in the method of counting injuries and the omission of psychiatric injury evaluation. Despite severe criticism by medical professional's activist groups and survivors organisations the government's medical categorisation and its findings have come to be the sole criterion for allocation of compensation. Particularly after June 1994 when a ban was imposed by the then welfare commissioners such a flawed criteria has resulted in gross injustice in the 1,74,239 injury cases that were decided subsequently.

FAULTY COMPENSATION

The average compensation amounts awarded for personal injuries to residents of different wards show the degree of injustice done in the disbursal of compensation (Table 1).

The following are evident from the data given in Table 1

(i) The maximum average compensation has not been awarded in ward nos 13 and 20 the wards nearest to the Carbide factory and those found to be severely affected by the ICMR. The maximum average compensation has been paid in ward no 21 a ward categorised by the ICMR as mildly affected and more than two kilometres away from the factory. This fact alone demonstrates the absurdity in the compensation disbursement in Bhopal and casts serious doubt on the performance of concerned officials and agencies.

(ii) Even if one takes the much flawed government's medical categorisation as the basis, the apparent discrimination against residents of ward nos 13 and 20 remains to be explained. As per the categorisation figures the number of claimants in permanent and more severe injury categories in ward nos 13, 20 and 21 are 852, 1,227 and 626 respectively.

(iii) The difference between the lowest and the highest average compensation in different wards is only Rs 8,483. As per the government guidelines issued to the welfare commissioner on April 14, 1992 the range between which injuries were to be compensated is Rs 25,000 to Rs 4,00,000. The average compensation awarded to a claimant for personal injury in Bhopal is Rs 26,531 which shows that an overwhelming number of claimants have been paid the minimum compensation as per the government guidelines. As the table shows, in ward nos 4, 30, 48, 53 and 54 the average compensation equals to minimum compensation and in ward nos 1, 24, 26, 38, 39 and 40 the average compensation awarded is less than the minimum compensation.

Such absurdities are also noticeable in the compensation figures for death claims. The following points emerge from the data in Table 2.

(i) It has been officially acknowledged that the number of deaths attributable to the disaster is 1,575. This is almost double of the death figure (3,828) presented before the SC prior to the final judgment.

(ii) The judicial officials have rejected 43.3 per cent of the death claim cases. It needs to be pointed out that in a significantly large number of cases deaths that were recognised as exposure related by the medical experts committee set up by the government were held to be otherwise by the claim commissioners. The primary reason behind such rejections is the near total ignorance of the claim commissioners regarding the medical consequences of exposure to the poisonous gases.

(iii) The average compensations paid in death claim cases is Rs 73,638. Given that the number of cases converted to personal injury cases is small (1.8 per cent) it is obvious that in a significantly large number

of cases the compensation paid for death has been less than the minimum (Rs 1,00,000) stipulated by the government through its guidelines.

(iv) The difference between the lowest and highest compensation amount is very large (Rs 83,405).

It is also crucial to note that the Bhopal claimants are not being paid any interest on the compensation sums payable to them nor are any adjustments made against inflation. According to established norms in tort cases, claimants are entitled to receive interest on compensation from the date of registration of claim to the date of resolution of the claim. Inflation being taken into consideration, the estimated sums of compensation need to be upwardly revised by more than two times

from what they were at the time of settlement. Denial of interest is another blatant injustice being done to the claimants of Bhopal.

The absence of guidelines and procedures for adjudication of compensation has given to rampant corruption in the disbursement of compensation. Vulnerability to abuse being inherent in the system, there is now an ancillary service industry of graft in Bhopal that thrives on the inadequacies of compensation disbursement. With time corruption has become systemic and well organised so as to become the norm rather than an aberration. Claimants are forced to pay bribes to judicial officials, doctors and employees at the claim tribunals to obtain what they are legally entitled. Table 3 gives the current graft rate for different services.

TABLE 1. AVERAGE COMPENSATION IN DIFFERENT WARDS

Location	ICMR Categorisation	Ward No	Average Compensation Awarded (Rs)	Deviation From Mean
Close to Union Carbide Factory	Severely affected	13	30,371	+3,439.8
		20	27,443	+911.8
Farther from Carbide Factory	Moderately affected	8	25,727	804.2
		11	27,823	+1,291.8
		14	24,651	-1,850.2
		45	28,137	+1,605.8
		46	29,559	+2,778
Much farther from Carbide	Mildly affected	7	26,856	+354.8
		9	27,737	+1,205.8
		12	27,953	+1,421.8
		44	25,970	-561.2
		11	22,311	-1,220.2
		5	26,575	+111.8
		6	26,504	-27.2
		10	28,915	+2,383.8
		15	27,241	+709.8
		16	26,402	-1,292
		17	26,179	-352.2
		18	26,660	+1,280
		19	29,455	+2,923.8
		21	30,794	+4,262.8
		22	26,766	+244.8
		23	28,060	+1,528.8
		24	23,978	-2,553.2
		25	26,691	+1,598
		26	20,168	-6,632
		27	26,922	+390.8
		28	29,027	+2,495.8
		29	25,557	-974.2
		38	23,582	-2,949.8
		39	24,056	-2,475.2
		40	24,956	-1,575.2
		41	25,154	-1,372
		42	26,169	-362.2
		43	26,810	+278.8
		47	30,281	+3,749.8
Farthest from Carbide Factory	Not found Affected by ICMR	54	25,000	-1,531.2
		53	25,000	-1,531.2
		48	25,000	-1,531.2
		32	28,610	+2,078.8
		31	29,262	+2,730.8
		30	25,000	-1,531.2
		04	25,000	-1,531.2

Source: Office of the welfare commissioner, Bhopal gas victims, September 14, 1995

The response of the welfare commissioner to charges of widespread corruption has been that they do not have a single proven case of wrongdoing in this respect. Thousands of survivors, however, would be prepared to speak on oath if required, about the bribes they were forced to pay. Failure to pay bribes have resulted in lowering of compensation

amount, delay and occasional rejection of a case.

In addition to arbitrariness, injustice and corruption, delay in disbursing this mother major problem that ails the disbursement of compensation in Bhopal. Data from the welfare commissioner's office from January 7, 1994 to October 14, 1995 demonstrate that the

average rate of disposal of cases this year is 386 per day. Also significant is the rate of actual payments of compensation which is 327 per day. At this rate it will be another 698 days or two years for the remaining cases to be disposed of. If we add the time it will take for the disposal of 10000 deaths yet to be registered in India, the column and for a born child in it will be clear that at the current rate the fulfilment of compensation to all innocent Bhopal Union Carbide disaster victims will take another century. Will not be paid by a government that is proud of justice? It is not a century worth waiting for.

Lok Adalat, for example, which has not been conducted in Bhopal since 1993 to cope with the problem etc. However, the injustice done in the court mode has assumed second proportion at one point, the welfare commissioner's office has decided in a Lok Adalat in the drive to get thousands of cases adjudicated in one day each claimant is given less than an average two minutes to present his case before the judicial official. Also the hearing of cases in the court is conditioned to the claimant's consent to the award and let the court know what amount to be awarded. A sample of the blind nature of the system is appended.

Appeals against award of sums of compensation taken on a non-disputed and are often rejected without proper hearing. If such delays were not to discourage a claimant wishing to seek redress against inadequate compensation, the possible consequence would multiply. In such a recourse, figures available from the welfare commissioner's office show that the total disbursement in compensation amount is the net of appeal but one is likely higher Rs 61,68,657 on July 31, 1995 to Rs 1,192,907 in October 14, 1995. These figures demonstrate that claimant's appeal for enhancement of compensation have not only been fully rejected but where a case has been

TABLE 2. COMPENSATION AWARDED IN DEATH CASE

Sl. No.	No of Deaths Recognised by Judicial Officials	No of Death Claim Cases Converted to Personal Injury Claims	No of Death Claim Rejected	Average Compensation
1	161		37	32,584
2	191	5	75	47,135
3	214		33	51,561
4	257	5	80	76,875
5	108	15	360	71,164
6	198		157	53,689
7	119	10	116	32,226
8	354	10	328	26,507
9	219	24	290	96,555
10	813	69	255	17,977,857
11	247	3	166	80,254
12	179	1	41	55,535
13	88	3	198	55,131
14	91	19	26	67,327
15	151	7	197	57,366
16	255	1	130	81,138
17	234	17	504	1,11,177
18	274		61	57,110
19	201	2	203	77,536
20	224		109	1,04,330
21	180		105	1,11,170
22	25	19	360	64,834
23	102	7	220	27,865
24	147	2	312	49,197
25	139	3	121	78,656
26	84	1	173	81,541
27	105	2	121	43,551
28	242		103	66,248
29	295	9	116	67,009
30	152		194	67,426
31	237	1	57	68,593
32	247		68	76,110
33	228	26	297	84,511
34	332		267	94,412
35	217		160	80,783
36	144		47	86,953

Source: Office of the welfare commissioner, Bhopal gas victims, October 14, 1995

TABLE 3. BRIBE IN CLAIM CASES

Amount	Paid for	Paid to	Ultimate Recipient
500	To get cases heard	Middleman employee (clerk)	Employee (clerk)
500	To have case heard without delay	Middleman employee (clerk)	Employee (clerk)
5000	To ensure the presence of the doctor for deposition	Doctor	Doctor
15000	For upgradation of categorisation	Middleman lawyer	Judicial official
15000	To ensure a favourable order in death claim cases	Middleman lawyer	Judicial official
500	To obtain permission to withdraw money from the compensation sum kept as fixed deposit	Middleman lawyer	Judicial official

TABLE 4. CONSEQUENCE OF APPEALS

Consequences of Appeal Case	No.
Appeals disposed of	5310
Compensation allowed	136
	(5)
Tribunal orders maintained	1195
	(28)
Appeals partly allowed	2167
	(41)
Cases remanded	223
	(4)
Appeals rejected	1784
	(29)

Note: Percentages in brackets.
Source: Office of the welfare commissioner, Bhopal Gas Victims, October 14, 1995

revised *quo-motu* and the sum of payable compensation has been reduced. The delays in, and unfavourable consequences of appeals carry an ominous and coercive message to the claimants—accept whatever is being decided or face a lingering and unfavourable consequence.

According to official figures of October 14, 1995 (see Table 4) more than half (52 per cent) the appeal cases have been unfavourably decided against the appellant and 41 per cent have been only partially in favour. Small wonder then that appeals are being filed by less than 1 per cent of the claimants who have suffered personal injury.

The foregoing discussions situate the issue of adequate compensation awards in the context of the origins of the problems, the nature and content of injustice being done to the claimants and the systemic coercion that perpetuates this injustice. Any concern directed at remedying the above described dismal situation has to reckon with the unprecedented nature and magnitude of the problem to be able to suggest a just and humanitarian solution to the problems of compensation disbursement in Bhopal. It is imperative that some of the basic issues raised in this submission be addressed in offering a remedy.

Demographic Transition and Education in Kerala

KS James

Between 1990 and 1993 the Kerala government closed down several 'uneconomic' schools where the student strength had gone down abysmally. This sparked off a controversy at the academic and political levels and has focused attention on the impact of the demographic transition on the education sector.

EVERY transition process has its effects and consequences. The demographic transition which signifies a long term decline in the fertility and mortality parameters is not an exception to this rule. There will be an expected change in the age structure of the population and the consequent increase in the old age population. Due to the burgeoning of people in the later age groups the priorities in the health sector, social welfare sector, educational sector, etc., need to be altered.

No one would, however, expect the demographic transition to generate so much of controversy and interest in the educational sector as in the case of Kerala. Even the demographic transition process in the state itself is cited as a paradox as it occurred without adequate economic backing exceptional to the experience of many western countries. Questioning the expenditure on education Mani Bhat and Indaya Rajan (1990) remarked that 'As a result of past decline in fertility, when there was no growth in the population in school going ages during the 1970s and 1980s, more and more money was pumped into the educational sector. As enrolment rates were already high by 1970s in primary and secondary level, the increase in expenditure hardly produced any further changes in enrolment rates. Between 1961 and 1987 the population in the age interval 5-14 increased by 30 per cent. But during the same period the real expenditure in education increased by more than 300 per

cent. Can such changes be justified through the increase in enrolment?' Thus, the closing down of schools at the primary level on the grounds that they were uneconomic has sparked off controversies both at the academic and political decision making level.

During the period 1990-93 the government has closed down nearly 67 uneconomic schools in which the strength of students was abysmally low according to the survey conducted by Directorate of Public Instruction. There was also recommendation to close down another 89 schools with effective strength less than 50 students in 1993-94. The rationality behind the closing down of the schools are taken on a justifiable ground according to the government. How did then, it create so much of interest in the state? In what follows we give an account of the effects of demographic transition on the educational sector in Kerala, mainly focusing on a recently submitted report on the educational sector in the state by an expert committee constituted by the State Planning Board. (The expert committee comprised Harichandran of State Planning Board, R Ramkumar of Department of Demography and Population Studies, University of Kerala and S Irudaya Rajan of Centre for Development Studies.)

DEMOGRAPHIC PROJECTIONS

The accuracy of a population projection primarily hinges on the assumed level of

future fertility, mortality and migration. As the projection output entirely depends upon the assumed value of these parameters in the future, the final total tends to vary from different projections based on the assumption. With a very low level of infant and child mortality in Kerala, the assumed level of fertility rate becomes all the more crucial in the estimates of future school going population. Generally two arguments tend to prevail in the assumption of fertility level. The SRS estimates of total fertility level in Kerala are already at a lower level (less than replacement level) and therefore it is argued that further reduction in this rate is quite unlikely. Also some of the experience of the western countries indicate that the fertility level has gone up from a below replacement level to slightly over two where it is being stabilised. Therefore, in the case of Kerala either there can be an increase in the fertility level in the future so as to stabilise population at a particular level. Consequently the future assumption on the projection should be based on this premise—assume a fertility rate higher than that of today.

At the same time, unlike the western countries, the state also presents an uneven level of fertility among the districts and also in some pockets. There are also districts like Malappuram with fertility level much higher than that of state average. Hence it is being argued that the fertility level may further go down as the transition accentuates in these districts and in some of the high fertility pockets. Due to these differences in the assumption the future level of predicted population figures is also different. It is in this context that Planning Board constituted an expert committee to understand the consequences of demographic transition on the future (by 2001 AD) as well as on the present educational sector.

The death rate in Kerala is already at a low level and therefore further drastic declines in mortality is ruled out. Consequently the future population growth will primarily depend upon the change in the fertility level of the state. Hence, the assumption on future fertility would determine the net addition to the population by 2001 AD.

TABLE 1. ESTIMATED/PROJECTED SCHOOL AGE GROUP CHILDREN BY SINGLE AGES IN 2001 AD, KERALA

Ages	Population in 2001 AD
5	527617
6	528589
7	530315
8	531194
9	532056
10	534988
11	531653
12	526072
13	525440
14	524000
Total	5291920

It is estimated that the school age group population (5-14) will decline to 52.92 lakhs in 2001 AD from the present level of 58.68 lakhs enrolment in 1997-93 with a net decline of 5.76 lakhs. At the lower primary (LP) level (5-8 years old), the population would be 17 lakhs as against the present enrolment of 23.71 lakhs students. At upper primary (UP) level the decline will be from 19.07 to 15.98 and at high school (HS) level from 15.89 to 15.75 during the same period. The taluk level estimation also indicate that the school age population will be highest in Ernad taluk in Malappuram district and lowest in Kothamangalam taluk of Ernakulam district. As the fertility level in Malappuram is comparatively higher than other districts in Kerala, the highest number of school age population in Ernad taluk is not of a surprise. The other major findings revealed through the estimates are (1) there is a decline in the school age population at all the three stages in almost all the taluks of the state. (2) The decline is minimum in northern taluks of the State and maximum in taluks where family welfare programme has been intense like Appappuzha or Ernakulam. (3) The school age population is maximum at age 10. The total school age population would decline faster and the number of students appearing for the SSC will also start decreasing. The declining wave will reach college later on. The distribution of estimated population for single year from age 5-14 is given in Table 1. The table clearly indicated that up to age 10 the number of people in each age group is higher than the earlier age group.

PRESENT SCENARIO

First, that Kerala has a definite advantage as far as the education is concerned even much before the attainment of the independence. As such the literacy rate in

It can be noted from the table that there is a decline in enrolment in LP schools both in the private aided sector and government sector while the number of schools in unaided sector has witnessed an increase. Two arguments can be mainly put forward for this phenomenon. It is argued that coupled with the falling birth rate the quest for westernised type of education among the Kerala middle class in the unaided sector and consequent fall in the other sectors of education. Another argument is, granting the policy to the government to award grants to private aided schools other than trying to improve the quality of education in the existing government and private aided sector. A quick look at the data however does not suggest any abnormal increase in the number of schools in the unaided sector. It is interestingly normality between 1983-85 and 1993-94. Therefore the cause for decrease in the government and private aided schools cannot solely be attributed to the increase in the number of unaided schools. This will become more clear by looking at the enrolment of the students in different sectors (Table 3).

At the P level, the number of farms increased in the total number. Four out of the five of more use was a significant increase and also a significant increase between 1985 and 1991. The median number of hectares of use increased from 58.1 ha in 1985 to 65.5 ha in 1991. In the overpopulation, the median number of hectares increased from 52.3 ha in 1985 and 60.1 ha in 1991. While the number of fields decreased from 185 ha in 1985 to 161 ha in 1991.

Among the 100 teachers in Kerala 59.43 per cent in primary school, 37 per cent in government school and 3 per cent in private school. In government sector there has been a sharp decline in the EP school from 20,577 in 1990-92 to 17,577 in 1991-92. The number of teachers at the EP level has also declined. The number of teachers at the EP level has almost halved during 1980-81 period and at high school level it has increased from 14,900 in 1971 to 22,916 in 1991 and 32,065 in 1993. Number of pupils at each school is also declining and so is per cent of girls.

Year	Government			Sector			Private			Total		
	IP	IP	HS	IP	IP	HS	IP	IP	HS	IP	IP	HS
1984-85	2624	900	934	4094	1889	1170	151	71	94	4245	1969	1264
1988-89	2607	933	940	4074	1886	115	139	1	110	4213	2025	1374
1992-93	2565	800	963	4067	1855	1350	147	88	130	4214	2043	1518

Year	Government			Sectors			Private		
	IP	UP	HS	IP	UP	HS	IP	UP	HS
1973	1278782	368371	262585	1611763	874428	485555	18038	10530	1082
1983	1089012	611094	522471	1430541	1119135	775530	20197	70670	17345
1993	9464955	674667	639532	1346165	1186376	914580	70425	46291	36115

33.8 in 1970-71 declined to 42.1 during 1980-81 and further to 40.9 during 1992-93.

On account of this the number of protected teachers becomes a mounting problem to be solved from the part of the government. As per government order teachers appointed in regular vacancies with five or more years of continuous service are eligible for protection. This facility has become extended to non-teaching staff too in 1970. The number of protected teachers in 1983 was 4,350. However, its number has declined to 2,011 in 1993. Out of this 1,172 are in primary school teachers. It is to be noted that all the protected teachers are in private aided schools.

If the minimum strength of students per standard is less than 25, the school will be considered as uneconomic. For Sanskrit and Arabic school the minimum strength needed is 15 per standard. Of the 1,289 uneconomic schools in the state, nearly 89 per cent are LP schools (1,153). Majority of uneconomic schools are in private aided sector (798) and 491 in government sector. Of the 1,159 LP uneconomic schools, 496 schools had the effective strength between 75 and 99, another 435 between 50 and 74, and 92 schools had the effective strength of below 50.

The foregoing discussion reveals the fact that there are surplus schools and teachers at least in the LP school level in Kerala at present and likely to increase further in the future. What are the implications of dwindling school age population in Kerala in the educational sector? Whatever be the assumption used for the future projection, there is unanimity regarding the decline of school age population in the state by 2001, although there is disagreement regarding the magnitude of decline. The expert committee has predicted a net decline of 5.76 lakhs by the year 2001 AD. This figure seems to be accurate compared to usual projection as it is mainly estimated from the already born children without any fertility assumption except for two years.

The expert committee also noted that the enrolment in the primary stage thus had reached a saturation point around mid-1980s. Therefore, in the near future this trend will spread to upper primary and high school and later to the college level. This is because at present about 75 per cent of the respective age group population get enrolled in standard X. Even assuming that this percentage could be made to go up to 80, the number of children enrolled in 2001 AD in standard X will be 4.19 lakhs, that is less than the present enrolment of 4.34 lakhs. According to the expert committee even at the plus two educational level, there is an abundance of educational infrastructure in the state. Therefore, rather than the expansion of infrastructure, restructuring of the existing facilities are necessary in this direction.

Another suggestion is towards reducing the number of teacher training institutes like BEd centres and teachers training centres (TTC) as there are surplus teachers already in the state. However, further training to teachers such as refresher courses, reorientation programmes and teaching in subjects like computer education, basic electronics etc. will have to find place in the curriculum of the 21st century.

As several schools are already been closed and several class rooms remain vacant, these existing buildings can be utilised for alternative purposes. Further, new construction of building for the school has to be done only on a selective and priority basis so that the saving that could be so derived can be invested for bettering the amenities and facilities such as providing drinking water, toilet facilities etc.

As already mentioned, there are 2,011 protected teachers in 1993, all in private aided sector, of which 1,172 are in primary schools. Roughly it cost a total of Rs 7 crore. These protected teachers can be utilised for improving the quality of education with tutorial system or remedial education. In addition, there is also problem of uneconomic schools where the problem of surplus teachers exists. In the coming years as the percentage of the population in the school age group goes down, this problem is likely to get worsen. Therefore, a mechanism has to be evolved to absorb the protected teachers in the private sector in school where teachers are needed.

Currently, there are nearly 1.9 lakh teachers in Kerala with a teacher-pupil ratio of 1:30.9 while for all India the ratio is 1:34. Out of this 1.85 lakh teachers are in the government and aided sector with 57.07 lakh students. Assuming current level of enrolment in the unaided private sector in the near future, the likely enrolment in the government and private aided sector together will be 46.71 lakhs. Even to maintain the present level of teacher-pupil ratio (1:30), the number of teachers required will be only 46.71 lakhs indicating a surplus of 25,000 teachers in the state. Therefore, unless some serious policy measures are undertaken, the situation will become explosive and frustrating for the teaching community as a whole. The drain of resources from the government exchequer will be approximately Rs 90 crore per year.

The report suggests that Kerala is slowly moving towards a self-financing educational model. Due to the economic buoyancy of the sizeable segment of the population, parents are ready to give their children the best training and make the best investment possible. Even though this conclusion cannot directly derive from the above analysis, the committee felt that the enrolment of children in private unaided schools is bound to increase due to liberal provision in the Kerala Educational

Rules as well as the affordability of parents. Therefore, unless the old institutions accommodate new changes and challenges, provide better facilities, the existence of these institutions in the long run will be at stake.

To conclude, the falling birth rate in Kerala definitely has an impact on the educational sector as the number of school-going population in the state is dwindling. Therefore, the number of schools and teachers are likely to be surplus in the coming years. However, the closing down of the schools is to be undertaken with caution looking at the socio-economic background of the place and not just the number of students in a school *per se*. The argument that the problem of uneconomic schools is caused by the large expansion of unaided schools does not seem to be valid in the case of Kerala. As parents desire quality education in the state, ever shouldering higher costs, the greatest task ahead of the government would be to improve the quality of the existing institutions.

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China: Planning the Future

Yi Ren

Past success has understandably injected optimism into China's long-term planning, as reflected in the drafts of the ninth five-year plan and the second long-term plan recently unveiled by Chinese planners. But past record is no guarantee of future performance

CHINA has recently unveiled drafts of its ninth five-year plan and its second long-term plan. The economy is set to take on a course of further high growth up to 2010.

In an era of uncertainty and under-achievement, the Chinese planners are in an envious position: they have had the rare satisfaction of seeing the target of the first long-term plan fulfilled five years ahead of schedule. Initiated in 1980, it was to quadruple the total value of GNP in 20 years (which implies an annual growth rate of nearly 7.2 percent, not at all a mean feat by international standards). In reality, however, in the last 17 years since 1979, GDP has grown by 9.8 percent per annum. As a result, the target will be reached before the end of 1995. Thus the Chinese government is able to upgrade its objective for the year 2000 to offset the impact of population growth: the revised target now is that per capita income in the year 2000 should be four times as high as in 1980.

The success in the past has understandably injected optimism into China's long-term planning for the years up to 2010. The proposed target is to double the size of GNP again in the 10 years between 2000 and 2010 (which would require an annual growth rate of about 7.2 percent). If this is realised in time of which the planners are apparently confident in the light of past experience, China would have joined the ranks of the most outstanding economic performers such as Japan and the four Asian Tigers, all of who succeeded in sustaining high growth rates over extended periods of time (25-30 years).

But past record is no guarantee for future performance. China is certainly facing a more difficult task than it did in 1980. The success of China's economy in the past has depended on several factors, whose potential for further effect is however likely to decline.

(1) Rapid rural industrialisation, during which a large number of previously agricultural labours took up manufacturing employment, resulting in substantial gain in level of overall productivity. But further growth in the rural industrial sector is constrained now by its relatively small-sized plants, lower level of technology, environmental problems as well as tougher competition.

(2) Implementation of a regional strategy which boosted the comparative advantages of

the more developed coastal areas. This policy has however resulted in a widening regional gap and prompted fear for China's disintegration. It is therefore politically unsustainable. In fact, the central government has committed itself to reducing this gap during the period under planning.

(3) Reform in the inter-government relationship, which created effective institutional incentives for widespread local government-led economic development. But it has also given rise to localism and administrative corruption. The temptation for greater control has already encouraged the central government to adopt tighter fiscal and administrative measures, which are likely to reduce the incentives.

(4) Significant progress in export promotion and success in attracting inward foreign investment. With rising protectionism and increasing competition in the international market, however, further progress in these areas is far from assured.

On the other hand, the economy is facing a number of serious problems. Among them, some are new, while others are those that past reforms have failed to overcome. Partly as a result of the single-minded pursuit for industrial development by the government in the past decade and a half, agricultural development has been neglected and has stagnated since the mid-1980s. Various sources of study have confirmed that China will have to make a major effort to merely meet its own need for grain in the next 15 years. According to China's own estimates, on present trends, China will experience a shortfall of 65 million tons of grain by the year 2010, while the estimate of the Worldwatch Institute puts the shortfall at 156 million tons.

Second, despite past emphasis on reform in the state sector, China's state-owned

enterprises, which make up some 60 percent of the nation's industrial capacity, still lack dynamism, with only a third making profits. Any progress in this sector is likely to be slow, given that the state is apparently apprehensive of the political implications that a programme of large-scale privatisation would entail.

Third, rising inflation has become a persistent feature of the economy, associated with budgetary deficit for the central government. The need to keep inflation under control is likely to induce the government to impose a credit squeeze from time to time, undermining the prospect of a steady high growth rate. On the other hand, the shortage of budgetary revenue will constrain the centre's ability to develop the massive infrastructural capacities that are needed for the further development of the national economy.

Fourth, the economy as a whole remains inefficient and is characterised by widespread waste. Unless the current mode of the economy can be transformed with greater contribution from technical progress, there would be major resource constraints on the realisation of the growth target.

Fifth, with a huge population base, pressure on resources and employment opportunities is bound to increase. The current planning target for population growth is to limit the increase to 100 million between 2000 and 2010, which requires the annual population growth rate to be controlled under eight persons per thousand and population. Given that in the past 17 years since 1979, when massive government efforts of population control through its one-child policy provoked widespread resentment at home and accusation of human right violation abroad, the population still grew by 14 persons per thousand a year, the task for the future looks extremely tough.

Finally, the growth of material wealth and rising tide of consumerism and commercialism have given rise to what some called collective corruption, by which is meant that everyone except the farmer has engaged in corrupt behaviour of some form or another, which reflects a fundamental disinterest in collective goals or national interest. The upshot is that a large section of the Chinese population is no longer prepared to work as hard as in the past.

For the Attention of Authors

The compulsion to limit the size of issues on account of steeply rising newspaper and other costs and a sizeable backlog of material awaiting publication lead us to request that papers submitted for publication be not over 10,000 words, including tables and notes and references.

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Common Property Resources and the Environmental Context

Role of Biophysical versus Social Stresses

N S Jodha

This paper deals with common property resources (CPRs) as a part of societal responses to high risk low productivity environment in the dry regions of India and the decline CPRs under changing social and institutional circumstances despite their unchanged bio-physical contexts leading to degradation of a community asset and erosion of environment-friendly survival options for the people

I Introduction

RURAL common property resources (or rather common property regimes) (CPRs) are institutional arrangements evolved by communities to collectively manage and use their natural resources. In dry tropical areas of India (and in other dry regions) they also formed a part of rural people's strategies for adjusting to the harsh and stressful environmental conditions [Berkes et al 1989, Bromley and Cernea 1989]. Historically speaking, in such areas CPRs may be treated as product of the stressed environment. However, under the changing circumstances in dry tropics of India, despite persistence of bio-physical stresses, CPRs are rapidly declining. This has happened due to several changes accompanying the process of rural transformation which have marginalised the role and utility of CPRs in the rural economy and have eroded the social and institutional framework that ensured protection and regulated use of CPRs as community assets. Thus, the man-made circumstances dis-favouring CPRs have acquired primacy over the bio-physical conditions that favoured CPRs. In the broader context, this may amount to a disregard of ecological and environmental imperatives by focusing on short term considerations. The present paper based on a detailed study of CPRs in dry tropics of India illustrates the above phenomenon.

The paper draws on the household and village level data collected during the field work over a period of three years from over 80 villages in 20 districts scattered in six dry tropical states of India (see Map). Methodological and other details are reported elsewhere [Jodha 1986, 1992]. This paper analyses the field level information for the focus being on the changing nature of stresses and the consequent changes in the status of CPRs in the dry regions of India.

In Section II we present a generalised picture of environmental features of dry regions that historically favoured the institution of CPRs. This understanding is reinforced by the comparison of situation of CPRs in areas with higher and lower degree of environmental stresses. Section III, briefly comments on the persistent utility of CPRs and people's dependence on them. However, despite this, there had been rapid decline in the areas, productivity and upkeep of CPRs. In Section IV, decline of CPRs is explained in terms of new sources of stress emerging from the general dynamics of rural change: demographic pressure, side effects of public interventions/market forces, technological changes, etc. These factors seem to influence the community's approach to their natural resources more than the bio-physical stresses that necessitated stronger CPR support for the village economies.

The conclusion of the paper is that unless the bio-physical constraints in the dry areas are substantially reduced, the deliberate marginalisation of CPRs would mean reduced range of locally managed and used options for the people to withstand the environmental stresses. This is more so for the rural poor who continue to significantly depend on CPRs for their sustenance.

II Circumstances Favouring CPRs in Dry Regions

CPRs could be simply described as community's natural resources where every member has access and usage facility with specified obligation, without anybody having exclusive property right over them. In the Indian villages CPRs generally include community pastures, community forests, wastelands, common dumping and threshing grounds, watershed drainage and village ponds, rivers and rivulets as well as their

banks and beds. Even when the formal legal ownership of some of these resources rests with certain agencies (e.g. wastelands or uncultivated lands, belong to the state's revenues department) in *de facto* sense they belong to the village communities. Most of these community resources, despite their other specific uses serve as important sources of biomass (fodder fuel food fencing timber etc.) for the rural communities [Jodha 1990a, b]. Equally important are the temporal and spatial patterns of supplies of their product that further enhance the utility of CPRs in dry regions. To understand these and related aspects, we may comment on the agro-climatic features of dry tropical areas that impart special significance to the provision of CPRs in these habitats. Table I, sketches the key factors involved in the process.

The production environment of the dry land areas in India could be broadly described in terms of low and variable rainfall, frequent droughts, heterogeneous (including erodible and low fertility) land resources, nature's low regenerative capacities and limited and high risk production options. These factors or constraints have several implications at regional level, village-community level and farm household level. In the historical context, persistence of such harsh and risky environmental conditions gave rise to the circumstances favourable to the provision of CPRs.

For instance at the regional level (ie macro-units of dryland tracts) the aforementioned low and unstable production possibilities, restricted population growth, encouraged market wise isolation of villages, and did not attract enough technological and institutional interventions. All these circumstances offered limited incentives and compulsions for privatisation of vast land areas. This helped in retaining fragile lands as CPRs.

At the village-community level, the heterogeneity and fragility of land resources along with the variable rainfall made it difficult to fully harness the potential of resources and adequately meet the environmental risks through private resource based crop farming alone. Balancing of intensive (by cropping) and extensive (by pasture/forest) uses of land as required by the resource characteristics, became a part of collective strategies for risk management and production enhancement. The provision of CPRs, enforced through the social sanctions for protection and usage regulation, facilitated the aforesaid strategies.

At the farm household level, despite several folk-agronomic practices such as crop and livestock based mixed farming, diversified cropping, and other elements of land

extensive farming systems the narrow (firm) production base of private farming could not ensure protection against risks due to temporal and spatial variability of rainfall. Hence dependence on collective risk sharing and complementarity of PPR (private property resource) and CPR based activities became necessary. This again favoured the provision of CPRs.

The features of agro climatic environment and adaptive measures described above can be observed in smaller or larger measure in most parts of dry region. But the whole picture often gets blurred when situation for micro-units (even district level) is aggregated [Jodha 1990a]. In the process the micro level (e.g. village level) environmental situation which ultimately influence the status of CPRs remains unobserved [Jodha 1990a, Chambers 1990]. Hence in order to illustrate the situation summarised by Table 1, two subsets of villages out of the 82 villages covered by the study [Jodha 1986] are made. The group one consists of 28 villages having higher degree of environmental stress and group two includes 24 villages with lower degree of bio physical stress which influence the extent of CPRs and complementarities between the CPR/PPR based activities.

It may be noted that some variables indicating environmental stress such as rainfall and its variability may not reflect true picture at particular village level as these data often relate to rainfall at far away locations e.g. district or block headquarters and the spatial variability of rainfall in dry tropics (even within a short distance of a few kilometres) is incredibly high [Virmani et al 1982]. Hence while selecting the villages with high or low environmental stresses higher weight has been given to the indicators of the situation that is visible/observed or recorded at the village level. They include frequency of drought and crop failures, length of crop growing season, extent of sub marginal land, extent of land without irrigation facility etc.

Summarised quantitative details (Table 2), from the villages with higher and lower degree of environmental stress may further corroborate the above inferences on CPR — promoting circumstances. According to Table 2 the villages with lower but highly variable rainfall, higher frequency of drought, shorter crop growing season, and larger extent of sub marginal lands, limited irrigation facility — all of them representing different sources of environmental stress — have greater extent of CPRs. Prior to land reforms of 1950s (which substantially reduced their area), CPRs accounted for 39-58 per cent of total area in the villages with higher degree of environmental stress. The corresponding figures for environmentally stable (low stress) villages was 15 to 23 per cent. CPRs as

TABLE 1. CIRCUMSTANCES HISTORICALLY ASSOCIATED WITH COMMON PROPERTY RESOURCES IN DRY REGIONS^a

Natural Resource Base and Agro Ecological Features (Low and variable precipitation, heterogeneous including submarginal fragile lands, resources unsuited to intensive agriculture, slow regeneration capacities, limited and high risk production options etc.)		
Implications and Imperatives		
Regional Level	Community Level	Farm/Household Level
<ul style="list-style-type: none"> ◆ a Low population pressure, market isolation, limited technological and institutional intervention ◆ b Limited incentives and compulsions for privatisation of CPRs ◆ c Overall circumstances (a, b) favourable to CPRs 	<ul style="list-style-type: none"> ◆ a Heterogeneity, fragility of resource base, inadequacy of private risk strategies ◆ b Balancing extensive intensive land uses, focus on collective risk sharing ◆ c Community response to (a, b) CPRs (protection, access, usage etc.) 	<ul style="list-style-type: none"> ◆ a Narrow, unstable production base, diversified, farm household centred and extensive farming systems ◆ b Reliance on collective measures against seasonality and risk ◆ c Induced by (a, b) stronger focus on complementarity of CPR/PPR based activities

(a) Table adapted from Jodha 1990b. (b) PPR = private property resources.

TABLE 2. EXTENT OF CPR AND OTHER COLLECTIVE RISK SHARING STRATEGIES IN VILLAGES WITH HIGH AND LOW LEVELS OF ENVIRONMENTAL STRESS^a

Details of Stresses and Strategies	Situation (Range of Values of the Variables in the Villages with)	
	High Environmental Stress (Villages 28)	Low Environmental Stress (Villages 22)
A. Indicators of stress		
o Annual average rainfall (mm)	300 (74)	800 (150)
o Rainfall variability (coefficient of variation) ^b	33.39	18.21
o Length of crop growing season (days)	65.90	185.20
o Events of drought/crop failure in 5 year (no)	2.3	0.1
o Area of sub marginal lands in village area ^c (per cent)	69.82	8.13
o Extent of unirrigated crop lands (per cent)	0.6	10.33
B. Adaptation measures		
o Households with dominance of livestock in mixed farming	68.84	1.9
o Households with natural vegetation as principal source of (fodder) biomass (per cent)	38.52	5.1
o Proportion of area under crops with high stalk grain ratio (per cent)	71.93	77.38
o Extent of collective sharing practices in the village ^d (no)	9.13	3.5
o Households using more than four CPR products as input in private farming (per cent)	76.84	13.27
o Share of CPRs in village areas 1950-52	39.58	15.23
o Population density 1951 (no/Km ²)	37.49	105.18 ^e

- (a) *Source*: Data collected for the study of CPRs. Jodha (1986). It covered 82 villages from 6 states in dry tropical regions of India. The distribution of sub sets of villages i.e. those with higher and lower degree of bio physical stresses respectively is as follows: Andhra Pradesh (3/4), Gujarat (4/5), Karnataka (4/3), Madhya Pradesh (4/2), Maharashtra (4/3), Rajasthan (6/2), Tamil Nadu (3/3).
- (b) Coefficient of variation of rainfall based on rainfall records at district/taluka headquarters.
- (c) Sub-marginal lands include areas with sandy and unfertile soils, high extent of salinity, rocky and undulating topography, area suffering with water logging, perennial weeds, shrubs etc. not suitable for cultivation.
- (d) Collective sharing activities include collective upkeep and protection of CPRs, common use of private lands during non crop season, seed sharing, desilting of village ponds, maintenance of catchments of percolation tanks, joint field operation during crop season, fodder stocking for charity, maintenance of village bulls, contributory fund for common facilities (including joint litigation for village interests) etc.

mentioned earlier represented part of the collective risk sharing and resource management systems, whose overall extent was much higher in the villages with greater bio-physical stresses

Not only CPR area and CPR contribution to production systems, differ significantly between the villages with higher and lower degree of bio-physical stresses, the extent of other adaptation measures, especially those focusing on importance of bio-mass stability and its uses, also varied in the two groups of villages. This is reflected by higher values of relevant variables in the drier villages. For examples the extent of CPRs also strengthened the natural biomass-centred strategies in the drier villages, whose extent, reflected by values of different variables (such crops with higher stalk grain ratio, dominance of livestock in mixed farming, CPR products as major inputs in private farming, etc.), was higher in these villages than less dry villages. Table 2 provides more comparative details on the two sets of villages identified out of over 80 villages studied [Jodha 1986]

III Decline of CPRs Despite their Rationale and Utility

Information under Table 1 and 2 indicated that CPRs played important role in people's biomass centred and diversified production systems and represented an important component of collective resource management and risk sharing strategies in the dry tropical regions of India. This may be complemented by some quantified information on contributions of CPRs.

Despite the monitoring and measurement complexities, the contributions of CPRs were quantified particularly in terms of fuel and fodder supplies as well as employment and income generation for rural households. Details for over 80 villages reported elsewhere [Jodha 1986] indicated that rural people, especially the rural poor, with very limited private resources depend on CPRs for meeting bulk of their bio-mass needs. Over 80 to 100 per cent of the poor households depend on CPRs for these supplies. According to the information summarised under Table 3, despite degradation and reduced productivity, CPRs in different areas contribute to the poor households as follows: fuel supplies 66 to 84 per cent, animal grazing 69 to 84 per cent, employment days 128 to 196 days per household per year, annual income Rs 534 to 774 per household. This constitutes more than a fifth of total household income in most cases. The dependence of rich households on CPRs (for products, income, employment) is very little. However, their focus

is on acquiring CPR land as private land. Inclusion of CPR income in household incomes, reduces the extent of rural income inequalities as indicated by Gini coefficient of income distribution (Table 3). However, despite environmental imperatives supporting the need for CPRs and quantifiable evidence on their contributions to rural economy (especially the economy of the rural poor), since early 1950s CPRs are on the decline in every part of dry tropical regions of India.

Table 4, reproduced from an earlier paper [Jodha 1990a], covering all the 82 villages from seven states in the dry regions indicates that CPR area has declined by 31 to 55 per cent in the study villages of different states during the early 1950s to the early 1980s. Other studies in the dry regions identified the accentuation of this decline [Iyenger 1988, Blake et al 1985, Brara 1987, Chopra et al 1990, Chen 1988, Arnold and Stewart 1989].

Reduced area of CPRs causing over-crowding and overexploitation of their

TABLE 3. EXTENT OF PEOPLE'S DEPENDENCE ON COMMON PROPERTY RESOURCES (CPRs) IN DRY REGIONS^a

States (with No of Districts and Villages)	Household Categories (Per Cent)	CPRs Contribution of Household Supplies		Employment		CPR Income as Proportion ^b (Per Cent)	Income etc.	
		Fuel Supplies ^c (Per Cent)	Animal Grazing ^d	Per Household	Annual Income ^e (Rs)		Value of Gini Coefficient of Income from All Sources	Value of Gini Coefficient of Income from All Sources Excluding CPRs (Per Cent)
				Days (No)				
Andhra Pradesh (1/2)	Poor	84		139	534	17	0.41	0.50
	Others	13		35	62	1	0.41	0.50
Gujarat (2/4)	Poor	66	82	196	774	18	0.33	0.45
	Others	8	14	80	185	1	0.33	0.45
Karnataka (1/2)	Poor		83	185	649	20		
	Others		29	34	170	3		
Madhya Pradesh (2/4)	Poor	74	79	183	733	22	0.34	0.44
	Others	32	34	52	386	2	0.34	0.44
Maharashtra (3/6)	Poor	75	69	128	557	14	0.40	0.48
	Others	12	27	43	177	1	0.40	0.48
Rajasthan (2/4)	Poor	71	84	165	770	24		
	Others	23	38	61	413	2		
Tamil Nadu (1/2)	Poor			137	738	22		
	Others			31	164	2		

a. This and all other tables in the paper are based on village/household data from study villages reported by Jodha (1986).

b. Number of sample household from each village varied from 20 to 36 in different districts. Poor include declined to include agricultural labourers and small farm (<2 ha dryland equivalent) household. Others include large farm households only.

c. Fuel gathered from CPRs as proportion of total fuel used during three seasons covering the whole year.

d. Animal unit grazing days on CPRs as proportion of total animal unit grazing days.

e. Total employment through CPR product collection.

f. Income mainly through CPR product collection. The estimation procedure underestimated the actual income derived from CPRs [see Jodha 1986a].

g. CPR income as per cent of income from all other sources.

h. Higher value of Gini coefficient indicates higher degree of income inequalities. Calculations are based on income data for 1983-84 from a panel household covered under ICRI SAT's village level study [ICRI SAT 1984]. The panel of 40 households from each village included 10 households from each of the categories: namely large, medium and small farm households and labour households.

TABLE 4. EXTENT AND DECLINE OF AREA OF CPR LAND IN DRY REGIONS^a

State (and No of Districts)	No of Study Villages	Area of CPRs 1982-84 (ha)	CPRs as Proportion of Total Village Area		Decline in the Area of CPRs since 1950-52 (Per Cent)	Persons Per 10 ha of CPR Area	
			1982-84 (Per Cent)	1950-52 (Per Cent)		1951 (No)	1983 (No)
Andhra Pradesh (3)	10	827	11	18	42	48	134
Gujarat (3)	15	589	11	19	44	82	238
Karnataka (4)	12	1165	12	20	40	46	117
Madhya Pradesh (3)	14	1435	24	41	41	14	47
Maharashtra (3)	13	918	15	22	31	40	88
Rajasthan (3)	11	1849	16	36	55	13	50
Tamil Nadu (2)	7	412	10	21	50	101	286

a. Table adapted from Jodha (1986), where more disaggregated details are reported.

b. CPRs include community pasture, village forest, waste land, watershed drainage, river and rivulet bank, other common lands. Data indicate average area per village.

potential, has led to physical degradation and reduced productivity of CPRs. The overexploitation and poor upkeep of CPRs accentuating their physical degradation is also due to slackening or discontinuation of traditional CPR management practices. As reported elsewhere [Jodha 1990a, 1992], more than 90 per cent of the villages currently do not enforce usage regulation nor collect any levy or taxes for investment in CPRs as they had in the past. More than 80 per cent the villages no longer enforce any user obligations today. This is a consequence of the state interventions marginalising the role of community leadership and decline of collective concern at the village level.

Table 5 presents the net results of the above in terms of details on various aspects of physical depletion of CPRs. Findings by other researchers [Iyenger 1988, Brara 1987, Chen 1988, Ananthram and Kalla 1988] also corroborate this evidence. Reduced number of products from the CPRs from 27 to 46 in the past to 8 to 22 at present) and decline in the quality and quantity of existing products clearly manifest the bio-physical decline of CPRs and their reduced capacity to sustain the biomass-centred economy of the villages in dry regions. This also represents the reduced bio-diversity maintained through the CPRs in the past.

IV Decline of CPRs: New Sources of Stress

The fact of rapid decline of CPRs in dry areas is well recognised. The factors contributing to the decline are also documented at macro and micro levels [Jodha 1990a, 1992, Chopra et al 1990]. The purpose of this section is to identify the process by which the role (rather than the presence) of bio-physical factor supporting CPRs is marginalised. In other words, we look at the new sources of stresses disfavours CPRs and their primacy over the CPR-supporting environmental stresses. For doing so, we first sketch the process in Table 6 and then present some quantitative evidence to support it in Table 7. Furthermore, we present the quantitative evidence with reference to the subset of 28 villages (Table 2) where the higher degree of bio-physical stresses necessitates the strong provision of CPRs.

Broadly speaking, the key factor adversely affecting the status of CPRs is the overall pattern of rural transformation, which has either reduced the importance of CPRs in the rural economy or made it difficult to maintain them as dependable community assets. The process is manifested by several factors such as increased extent of

technological and institutional interventions by the state, physical and market integration of dry areas, increased population pressure and significant changes in people's attitude towards common resource, and visible changes in farming systems and resource use practices induced by new technological and market circumstance as well as the state support. These factors as elaborated below, have individually or jointly generated incentives or compulsions to discard CPRs at regional, community and farm household levels. In the process, circumstances that historically favoured provision of CPRs at all the three levels (Table 1) have been replaced by the ones that disfavour CPRs (Table 6). These changes are felt and observed in most villages in the dry regions. Some of them have been reported in quantitative terms as they relate to the study villages (Table 7).

Firstly, according to Table 6 at the regional level, due to rapid population growth and the state's undeclared policy of converting CPRs into private lands, and technological and market related factors, there are more opportunities and stronger incentives (or compulsions) to convert CPRs into private

lands. At the overall regional level, on the basis of evidence from over 80 villages, role of these factors have been discussed elsewhere [Jodha 1985a, 1985b, 1990a, 1990b, 1992]. In the subgrouped villages where higher degree of bio-physical stresses suggest the need for extensive CPRs, the role factors diversely affecting CPRs is illustrated with the help of Table 7.

Accordingly, a comparison of situation during early 1950s and early 1980s shows that population density in most villages has almost doubled; distance to market centres has reduced substantially; technological change in terms of irrigation facility and tractorisation has increased significantly; the land prices have increased by three-folds, feasibility and opportunity for privatisation of CPRs, which have non-existent in the past, have become real and attractive possibilities (as shown by the extent and events of privatisation). All these components of rural transformation have created new incentive or compulsions to reduce CPR area.

At the village-community level, the above developments are complemented by the

TABLE 5 SOME INDICATORS OF PHYSICAL DEGRADATION OF CPRs IN DRY REGIONS OF INDIA^a

Indicators of Changed Status and Context for Comparison	States (with No of Villages)						
	Andhra Pradesh (3)	Gujarat (4)	Karnataka (2)	Madhya Pradesh (3)	Maharashtra (3)	Rajasthan (4)	Tamil Nadu (2)
No of CPR - products collected by villagers ^b							
In the past	12	35	40	46	30	27	29
At present	9	11	19	22	10	13	8
No of trees and shrubs per hectare in							
Protected CPRs	476	684	662	882	454	517	398
Unprotected CPRs	195	103	205	215	77	96	83
No of watering points (ponds) in grazing CPRs.							
In the past	17	29	20	16	9	48	14
At present	4	13	4	3	4	11	3
No of CPR plots where rich vegetation (indicated by their nomenclature) is no longer available	-	12	3	6	4	15	-
CPR area used for cattle grazing in the past, currently grazed mainly by sheep/ goat (ha) ^d	48	112	95	-	52	175	64

a Based on observation and physical verification of current status (during 1982-84) and the past details collected from oral and recorded description of CPRs in different villages. The choice of CPRs where plot based data are reported was guided by availability of past information about them.

b Includes different types of fruits, flowers, leaves, roots, timber, fuel, fodder, etc., in the villages. 'Past' indicates the period preceding the 1950s. 'Present' indicates the early 1980s.

c Protected CPRs were the areas (called 'oran', etc) where for religious reasons live trees and shrubs are not cut. The situation of CPR plots (numbering between 2 and 4 in different areas) was compared with other bordering plots of CPRs which were not protected by any religious or other sanctions.

d Relates to area covered by specific plots, traditionally used for grazing high productivity animals (e.g. cattle in milk, working bullocks or horses of feudal landlords). Due to their depletion, such animals are no more grazed there.

decline of group action or collective strategies for resource management and risk sharing. This happened both due to increased differentiation of the rural community as well as marginalisation of traditional forms of rural co-operation. Usurpation of community's mandate and initiatives by the state through a variety of legal, administrative and fiscal measures [Jodha 1990h] and the invisible role of market forces in changing the attitudes of people towards collective measures [Jodha 1985h, 1990a] have significantly contributed to these changes. According to Table 7 the number of collective measures or group action activities (including management of CPRs) has declined from 9-13 during (or prior to) 1950-52 to 4-5 during the early 1980s. The state that hardly acted at community level prior to the 1950s now performs 6-8 activities (which were performed by the community itself in the past). This is a consequence of increased interventions by the state under welfare and development programmes [Jodha 1990h].

A related consequence of the above is the increased importance of individually operated as against the collectively operated measures in farming systems. At the farm household level due to their reduced productivity and output CPRs have become less dependable components of farmers' bio-mass centred, diversified production strategies. Furthermore, again due to facilities of public relief, development and new technologies and associated subsidies etc. the individual risk management measures have replaced the collective ones including the CPR-PPR complementarities [Jodha 1990k].

The above description of the situation is corroborated by the quantified evidence presented in Table 7. Accordingly, if proportion of involved household is any indicator, the dependence on CPRs during droughts and scarcity has reduced down to around a one fourth of the past extent of dependence. The corresponding dependence on public relief and grants has increased by many folds. Similarly, in place of 76-84 per cent of the households in the early 1950s, only 18-22 per cent had used CPR products as farm inputs in 1982-84.

However, it may be noted that within the rural communities, the rural poor still depends significantly on CPRs. But like the rural rich, they too are active in acquiring them as private property. As a combined consequence of factors at regional, community and household levels, the proportion of CPR area in village lands has declined from 39 to 58 per cent in 1950-52 to 16-28 per cent in 1980-82 in different villages. Furthermore, more than 90 per cent of the privatised CPR lands, despite their fragility and unsuitability for cropping are put under crops with very low crop yields [Jodha

TABLE 6. CIRCUMSTANCES ADVERSELY AFFECTING THE EXTENT AND STATUS OF CPRs IN DRY REGION

Recent Economic Institutional Technological Changes Influencing the Patterns of Resource Use			
(Increased physical and market integration, increased extent and changed nature of public interventions, increased demographic pressure etc. shaping the pace and pattern of rural development)			
Implications and imperatives at			
Regional Level	Community Level	Farm Household Level	
a. Population growth accentuating land hunger	a. Development led differentiation of rural community and decline of collective strategies for resource management, risk sharing etc.	a. Reduced area and productivity of CPRs marginalising their contribution to diversified and bio-mass centred production strategies.	a. Individualisation of adjustment measures against risk, seasonality etc.
b. Public policies enhancing legal/illegal opportunities for CPR privatisation	b. Disruption of community's mandates/initiatives by the state through legal, administrative and fiscal means.	b. Reliance on private resources, public relief, non biomass oriented technologies etc.	b. Due to (a,b,c) reduced reliance on complementarity of CPR-PPR activities/products.
c. Technologies and market forces activating the land market extending to fragile lands.	c. Emphasis on acquiring CPRs as private property rather than use collectively.	c. Due to (a,b,c) rapid erosion of community concerns and group action for CPRs.	
d. Overall circumstances (a,b,c) unfavourable to CPRs.			

TABLE 7. QUANTIFIED DETAILS ON SOME CHANGES ADVERSELY AFFECTING EXTENT AND STATUS OF CPRs IN STUDY VILLAGES OF DRY REGION¹

Details of Change	Range of Values of Change during	
	1950-52	1982-84
Population density (no./km ²)	37-49	69-98
Distance from nearest market centre (km)	18-26	7-21
Cropped area cultivated by tractor (per cent)	0-1	18-69
Cropped area irrigated (per cent)	0-6	3-18
Cost of dry lands at 1980 prices (Rs/ha)	450-700	1500-2500
Extent of CPR area privatised (per cent)	0-0	30-63
Incidents of CPR privatisation		
(a) Land distribution camps by the government (no)	0-0	8-12
(b) Illegal land grabbing cases (regularised) (no)	0-0	18-26
Community level activities ² done by		
(a) Villagers' group action (no)	9-13	3-5
(b) Government agencies (no)	0-3	6-8
During drought/scarcity households mainly depending on		
(a) Public relief (no)	5-9	73-82
(b) CPR products, collective supplies group action (no)	63-80	15-17
Households using (>4) CPR products as farm input (no)	76-84	18-22
Proportion of CPR area in total land of the village (per cent)	39-58	16-28

Notes: a. The data relate to 28 villages with high degree of bio-physical stresses (Table 2).

b. Based on limited number of land transaction in different villages.

c. Data indicate the cumulative situation since the land reforms during 1950-52 rather than during 1982-84 only.

d. For type of community level activities see note (d) under Table 2.

e. Information relates to early 1960s and late 1970s for over 15 villages of Rajasthan, Gujarat and Maharashtra for which studies on impacts and adjustments to drought were conducted [Jodha 1990k].

FIGURE 1: DISTRICTS AND NUMBER OF VILLAGES COVERED BY THE STUDY ON COMMON PROPERTY RESOURCES IN DRY REGIONS OF INDIA



1990b]. Thus the state's undeclared assault on CPR, specific opportunities created by market forces, land hunger accentuated by population growth, collapse of traditional forms of rural co-operation, and reorientation of farming systems de-emphasising the role of bio-mass, are the key factors that have led to marginalisation of CPRs' role and decline of their area and productivity in the dry areas.

Viewed in a broader and long-term context of sustainable use of dry lands, the changing situation of CPRs represents a well known conflict between ecological and environmental imperatives of resource characteristics and the features of development interventions. At the moment both policy-makers and village communities seem to give higher priority to the latter. Consequently, CPRs are deliberately ignored as a part of development strategies [Jodha 1992]. The present patterns of rural transformation do not support them. However, the ecological imperatives

(supporting CPRs) and sustenance of rural poor are quite important factors, which may not be ignored unless substitute options to CPRs that meet these two concerns are evolved.

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Equality versus Incentives

Ashima Goyal

Market Socialism: The Current Debate edited by Pranab K Bardhan and John E Roemer; Oxford University Press, 1993; pp 324, Rs 495.

THE reviewer has a difficult time with today's innumerable conference volumes composed "so much, so much of odds and ends". Even so, this particular volume is well structured and has papers of a uniformly high calibre. It is possible to tell a coherent story by taking up the central theme and drawing upon relevant arguments from the papers in the volume. Most of the chapters follow a discursive rather than mathematical mode. Even so, they provide a pleasurable conceptual thicket to wander in.

The theme is debating the compatibility of markets and socialism. The debate was initiated a long time ago with Lange's recognition of the information content of prices, and attempt to reconcile public ownership and planning with the use of prices for the allocation of resources. Dispersed private information could then be made use of. Public ownership would remove a major source and perpetuator of inequality. Planning could prevent the inadequacies of private investment, arising from externalities and imperfect capital markets. It seemed an ideal solution. As with all man-made utopias, however, time, further thought and some experimentation brought out the flaws in the scheme. These were the unresolved microincentival issues. The disincentives for innovation proved to be especially serious. In its modern avatar the theme becomes how to have equality of wealth and status and yet get from each according to his ability.

Two developments make the time ripe for returning to this topic. Firstly, the large amount of work over the last two decades on principal-agent problems. This can shed light on the nature of incentives in socialist structures. Second, the collapse of socialist regimes and the need to design new institutions for them. The papers are motivated mainly by the first question. Neither the type of market socialism, nor the concept of equality it involves is uniform across the authors.

Kornai's seminal idea of the soft budget constraint was the nail in the coffin of market socialism as it was practised in East Europe. Here he argues that market socialism is doomed as it has neither the discipline of the market nor the autocracy of communism. Stiglitz agrees. The reason: market socialism is based on a Walrasian system, that neglects (1) the role of contracts, decision-making

and reputation in a world of imperfect information, and (2) cyclical unemployment. Makowski and Ostroy make the same point in a paper that conveys the excitement of a theoretical *gestalt*. In the Walrasian system the information content of prices was recognised. The new dimension was the idea of incentive compatibility of an equilibrium. If each agent is paid his marginal product, he will have no incentive to under perform and will fully reveal his private information. Only with perfect competition, where elasticities of substitution are infinite, will prices equal marginal and social product. The price system becomes the means for rewarding each agent with his full social contribution. In other cases lump sum transfers would be required.

How to avoid the agency problems associated with public ownership and the inequality with private ownership of capital? Roemer presents the idea of profits being distributed evenly by allotting ownership coupons on firms to individuals. They would be allowed to trade the coupons, but not to liquidate their portfolios. Stock markets could then perform a signalling function. But concentration of wealth through the poor selling to the rich would not take place. He shows that in such an economy social welfare is likely to be higher.

Stock markets are not well developed in many poor countries. In Bardhan's proposal, workers and other firms hold shares of large firms. The Japanese type *Keiretsu* or cross holding relationship between banks and large corporations could also be used to discipline firms and harden their budget constraint. In the large open corporation, where ownership is separated from control, disciplining is achieved through corporate takeovers, at a very high cost. Bardhan argues that the cost of his alternative would be lower. International competition in the product market is also a necessary disciplining device. Private ownership could be allowed in small firms on the innovation frontier. Dispersion in wages and salaries is permissible. Flourbaey supports a similar system. Weisskopf points out that there are many ways of unbundling ownership and control, but agrees with Roemer that his suggested structure constitutes a small change which would be easier to implement and more likely to succeed than total social re-engineering.

Roemer and Silvestre show that in a Walrasian-Lange model, the government can realise a desired vector of investments by suitable price and quantity interventions, even without public ownership. Putterman plumps for this alternative, as it avoids the inefficiencies that arise in the coupon economy from the fact that individuals are not free to dispose of their portfolios.

Some specific incentive issues addressed in this volume can be classified under the following heads:

(1) **Innovations:** Socialist economies have fared badly in this respect. Berliner takes a pessimistic view, pointing to the obvious problems, monopolistic R and D establishment, absence of parallel research, bureaucratic interference and centralised price mark-up that discriminates against new products. As the latter normally lose money at first they need more flexibility in price setting. He argues that while some of these disincentives could be removed in the new regimes, it would be difficult to give managers sufficient incentives for innovating as long as restrictions remain on private wealth. Quian and Xu take a more hopeful view. First they point out that bureaucratic economies with a soft budget constraint spend more time in pre-monitoring. Therefore they tend to undertake more large projects with mature technologies (space, nuclear) and greater probability of success. Small projects with high probability of failure create the technological cutting edge. Decentralised market socialism with means of production, including finance, owned by multi-level communities may be a solution.

(2) **Finance:** Dewatripont and Maskin have a model that brings out potential adverse effects on project selection arising from the structure of financing. If financing is done by small banks that need to refinance in a second period, good but slow projects would not get financed, but neither would poor projects. Big banks and financial institutions would not exclude the former, but could finance some poor projects also.

(3) **Managers:** Roland and Sikkat point out that managers under socialism have an incentive not to reveal their true skills, since the government as a monopolist employer can always reduce payment after such revelation. Market socialism could worsen the problem as possibilities of promotion in a bureaucracy also go. Giving a reward for high target, a lower reward for over and a penalty for under fulfilment could induce managers to reveal their true type.

(4) **Workers:** Other ways of inducing greater equality in a society include worker

owned and managed firms, and social democracies with equalising tax-transfer mechanisms. Cohen and Rogers argue for associative democracy. Organisations such as encompassing unions could raise co-operation and equality. Moene and Wallerstein point out the reasons why just such a consensus with centralised trade unions has broken down in the social democracies of Norway and Sweden. Dreze makes some suggestions for overcoming incentive problems in worker-managed firms. Workers are risk averse and find it difficult to fund high capital intensities and to employ outsiders. The traditional theory of the labour managed firm needs to be expanded to take account of funding and employment risk in a world of uncertainty with incomplete insurance markets. A potential solution he outlines is: workers are paid a fixed wage and a fixed share of profits is used to make a contribution for their social security. Worker managed firms tend to make wage reductions more easily but they compensate for adverse shocks by working longer hours rather than expanding employment. The best way to attain the latter is still expansion of the number of firms.

Equality as a value judgment has deep roots in the human psyche. Long ago Aristotle equated it to justice. Arneson argues that equality can conflict with the liberal viewpoint. Miller would like to focus on equality of opportunity, of status and of access to social goods.

Being a hybrid, market socialism is criticised both from left and right. It ignores class power, exploitation, realisation crises. Patnaik (1995) says that Lange's model is a computer analogue of a market, not a social institution. A Walrasian equilibrium can never exist since it does not have a disciplining device such as a reserve army of labour. Arnold (1994) has argued that if exploitation is defined as a failure of reciprocity and a wider range of economic relationships are taken into account, then there is more exploitation in socialist systems. The reason being that people are not paid the value of their contributions to society. This, he argues, is fundamentally unfair, apart from its effects on efficiency.

Market socialists seem to be giving up every cannon they once held dear, except for a truncated equality. Bardhan and Roemer point out that market economies have also accepted socialist ideas such as government intervention, social welfare and support for investment. If these issues are to form the nucleus of a possible consensus it is strange that they are sadly neglected in this book. It is part of the general neglect of macro-economics, even though the economics of imperfect information and missing markets leads naturally to macro-economic concepts

of underutilisation of resources and under-investment. Stiglitz and Dreze touch upon it. Roemer and Silvestre have an interesting exposition of a tax subsidy scheme that can reach a socially desired level of investment that exceeds the Walrasian one.

The agency problems of public ownership can contribute to the privatisation debate in India. It should be easy to realise Bardhan's scheme by converting public sector debt held by banks into equity in public sector undertakings. This might help the government to retire old low coupon rate debt and create a vibrant money market. To be really fruitful here the debate must be linked to the problem of funding a rise in public investment. Vital social dimensions are ignored in this book. The unrelieved opportunism taken as the sole motivator of agents is too stark. Man does not give of

his best only for money. In India privatisation by raising revenues for an expansion of public investment in social infrastructure would doubtless raise efficiency. It may also signal a transformation from a government that repressed private initiative to one that supports it. This in turn could change social habits.

In sum, the book is well worth reading. It is the story of the interplay between ideas and reality that has created history and is still changing the face of nations.

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Through the Prism of 'Hegemony'

Achin Vanaik

Struggle for Hegemony in India (Vol. 1: 1920-34, Vol. 2: 1934-41 and Vol. 3: 1941-47) by Shashi Joshi and Bhagwan Josh, Sage Publications, New Delhi, February 1992, September 1992 and January 1994. Vols. 1 and 2 Rs. 325 each, Vol. 3 Rs. 375.

BHAGWAN JOSH's and Shashi Joshi's three volumes are a reconstruction and reinterpretation of the Indian independence struggle that is largely refracted through the central concept of 'hegemony'. Their understanding and use of this term is loosely derived from Gramsci, loosely because they use it in ways that do not always have fidelity to its original Gramscian usages. But that in itself is a minor question. The more important issue is whether they use it in ways that are fruitful and enlightening.

Though covering three volumes, their narrative is not a comprehensive or even a summary survey of the political life or of the complex relationships between the varied array of political forces in the period under question. The structure of the narrative offered is distinct and takes it in a very different direction. There is, above all, a detailed and insistent critique of the communist left in the National Movement period and as a counterpoint to it, a defence of Gandhi and the Gandhian strategy for securing independence via the Congress.

It has been widely accepted among left and mainstream scholars that one of the central dilemmas for the communists in the National Movement period was their failure to adequately grasp the character, complexity and changing shifts of balance within the Congress Party-movement and thereby properly orient themselves towards it as part of their anti-imperialist struggle for independence. What is distinct in the

treatment here is the diagnosis and description given for this communist failure. Josh and Joshi, in effect, argue that the colonial British state was semi-hegemonic (there was repressive rule but it was both disguised and mitigated by the existence of legitimising and representative institutions, values, etc. which also helped to organise dissent against the state in manageable/controllable/reformist ways) and that therefore the only strategy that could possibly succeed was a counter-hegemonic one of the kind that Gandhi actually organised and led. His strategy avoided the Scylla of containable reformism and the Charybdis of revolutionary insurrectionism, pursuing instead a revolutionary reformism aiming at a steady systematic transformation of the colonial state through an escalating series of compromises (and periods of exercising power at local and provincial levels) in which the major weapon of pressure was the Gandhian organisation of a non-violent mass movement. The influence of other currents in Indian historiography on Josh and Joshi is here quite evident.

The communists specifically and the left generally should have realised that the only historic role they could have sensibly played was not to advocate or pursue a 'politics of alternative' to the Congress or to try and build a separate party but to reconcile themselves to contending for a stronger left hegemony (ideological influence) within

the Congress in which Gandhism should have been seen as embodying a left-of-centre force. Only Nehru on the left understood this properly: hence his largely unwavering allegiance to Gandhi which should not be misconstrued as a psychological dependence but as a partly theorised and partly intuitive grasp of the role of Gandhi and of the importance of the Gandhian political strategy.

Much of the narrative therefore focuses on the foolishness of the communists in behaving like typical communists. Over and above the problem of being too easily influenced by the Comintern and outside communist parties, was the general communist Marxist failure worldwide to understand the nature of nationalism. Josh and Joshi's theorisation (and they do spend a lot of space theorising on this) of nationalism and of Congress populism is clearly decisively influenced by what would once have been called Eurocommunist readings of Gramsci's legacy and what would now be called post-Marxist readings of such notions as the historic bloc, the national popular and ideological interpellations. There are in short very marked similarities to the kind of understandings of Gramsci and (Latin American) populism that thinkers like Ernesto Laclau have assiduously promoted elsewhere. At a general theoretical level, therefore, the kind of criticisms that have been launched against the paradigm (now well trodden ground) would also be pertinent here.

How plausible is the history given to us by Josh and Joshi considering these theoretical problems? Practising historians with authoritative expertise over the period under survey can give a much better evaluation. But this reviewer was certainly struck by certain features of the volumes in question. There is no serious attempt whatsoever to situate the issue of Indian decolonisation internationally. Two aspects in this regard are particularly important: the objective impact of the very existence of the Soviet Union and the consequences of second world war on Britain and its determination and capability to sustain the empire. The point is without a careful weighing of factors both extrinsic as well as intrinsic to India and to the Congress, can one really derive an adequately balanced understanding of the process of Indian decolonisation or of the contribution of communism domestic and international to it or indeed of the efficacy of the Congress strategy itself? Though the third volume is supposed to take the narrative up to 1947, there is nothing about second world war's impact on Britain, the dawn of American pre-eminence, the consolidation of Soviet power after 1945 and the effect of this new

international relationship of forces on issues such as decolonisation.

Furthermore, what about the relationship of Gandhism and the 'successful' Congress strategy to the tragedy of partition? The structure of the third volume is peculiar but also revealing. Ostensibly supposed to update the story of Indian independence from 1941 to 1947, seven-eighths of the volume does not deal with this period at all but only up to 1941 with a great deal of space given to medieval India. The supposed reason for this is that this is the volume that has to deal with the question of cultural power, cultural contestation, cultural space, cultural enclosure. Hegemony after all is culturally mediated power, an understanding that risks making it an amorphous transhistorical concept of little value unless handled skilfully. Josh and Joshi go so far as to suggest that any kind of durable political rule must necessarily exercise some kind of cultural hegemony and have little hesitation in claiming this for Mughal rule where Islam either of a revisionist (Akbar) or dogmatic (Aurangzeb) kind must then necessarily feature in the construction of such a hegemony. Despite all their talk of cultural contestation and change, their understanding of culture is basically essentialist and therefore deeply flawed. One of their more fundamental postulates is that there has been a cultural faultline broadly corresponding to Islamic and non-Islamic cultures throughout Indian history since the advent of Islam.

Since the construction of a desired cultural hegemony cannot be without reference to history and the actual cultural terrain, such an interpretation of India's cultural life provides the basis for an exculpation of Gandhi and Gandhian political strategy from any serious accusation of fostering a

communal divide and hence promoting Partition. The question for Josh and Joshi is not what kind of cultural nationalism is appropriate for an Indian nationalism but what kind of Hindu nationalism is appropriate for Indian nationalism — the Gandhian kind or the Savarkar kind? Here, too, the Gandhian strategy is not to be faulted. It is secularist illusions about the malleability and secularity of culture that were the problem.

By extension, today's struggle for a unifying cultural nationalism that can undergird Indian nationalism has to operate on a terrain different from that which westernised secularists not in tune with the actual history and culture of India would seek to define. Today's left (communists or Marxists) are therefore as much out of tune with the meaningful and desirable possibilities or futures for India as they earlier were in the National Movement period, only this time joined by liberal secularists as well. The left will simply never learn!

So where do we go from here? It is not entirely clear where Josh and Joshi pin their hopes. A politics centred on class (the communists) or on caste (the Loknath tradition) or on community (the BJP) will not do. Only one centred on nationalism incorporating all three codes but not allowing any of them to dominate its ideological political discourse can lead the way forward. This would seem to leave only the existing tattered, decayed yet still the one and only Congress now carrying the ensign of a soft Hindutva — with the responsibility of picking up the mantle. In so many ways, Josh and Joshi have written the kind of book Mohan Sen would have loved to write and a more intellectually vibrant and sophisticated clone of Narasimha Ray would have loved to read.

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Politics of Diversity

Religious Communities and Multiple Patriarchies

Kumkum Sangari

This essay reviews the current debate between maintaining religion based personal laws and instituting a uniform civil code in the context of gender inequality and Hindu majoritarianism. It challenges the assumptions on which positions that advocate legal pluralism and defend personal laws have based their case.

The essay argues that prevailing notions of community are bureaucratic, reductive, static and essentialist and defeat their own declared objective of maintaining social pluralism. It critiques the enmeshing of religious community with personal laws as a form of new orientalism that is both patriarchal and ideologically laden, and argues against positions advocating reform of personal laws by state or community.

The author critiques ideologies of cultural diversity that rest on assumptions of discrete homogeneous communities on religion as the singular axis of diversity, on a conflation of religion, culture and patriarchies, and on a confusion of social disparity with diversity, as all being incapable of reckoning with existing cultural diversity.

The concluding section of the essay argues against the perception of religion or religious legal systems as the sole determinant of patriarchies. Patriarchies cut across all primordial principles of social organisation, call into question the very principle of demarcating communities and personal laws that prevails at present and cannot be fought from within by an identification politics. Multiple yet overlapping patriarchies should underpin new common laws that take into account existing axes of social differentiation even as they transcend such differences in the realm of rights. New laws must encourage a genuine religious plurality and be based on both the differences and overlaps between existing patriarchies. Inalienable rights for all women must be established while a new type of legal particularism should be instituted responding to the situational specificities of patriarchal arrangements.

[The paper is published in two parts. The second part will appear next week.]

Introduction

SHOULD religion based personal laws be maintained or should a uniform civil code be instituted? The debate stretches back to the colonial period, and was prominent in nationalist and early feminist agendas in the 1940s and 1950s. It is one of the most fraught and urgent issues at present, in part because gender justice has not yet been written into the law, and in part because following on the Shahbano judgment the BJP not only appropriated this demand for a uniform civil code, but also reshaped it as a weapon with which to attack the continuance of Muslim personal law. By now the question of a uniform civil code is so overdetermined by communalism that it tends to appear mainly as a device in the hands of Hindu majoritarianism, even though the deployment of this device on their part is manifestly more rhetorical than substantive. At present the Hindu right is busy occupying most available positions on the uniform civil code, including some hitherto liberal and feminist platforms. However, though they mimic some of the liberal and feminist arguments defending a uniform civil code and rest their case on 'gender justice and secularism', their anti-Muslim bias is pronounced, and a closer examination reveals that their version of

gender justice is no more than a pragmatic design for a moderate Hindutva.¹ Clearly, it is an anti-Muslim party whose past and future existence mainly depends on Hindutva: the BJP does not have the right to draft a uniform civil code.

However, the sequence of events that have increasingly communalised the issue has led feminist groups themselves into taking opposing positions. In the present political climate the fact that feminist groups had only a few years ago undertaken campaigns against the rapes of Mathura and Rameezabi without pausing to ascertain their denominations seems remote if not subsumed by the present emphasis on discrete religious identities, while my insistence on the desirability of political solidarities across religious lines is now liable to be dismissed as an extinct species of naive secular idealism.

The issue has to be addressed with precision because gender justice remains a desired horizon, though the means of its legal institution have become controversial. Further it has to be addressed in ways that do not surrender to the present ideological rationale of the Hindu majoritarian right for a uniform civil code: an aggressive anti-Muslim agenda that takes shelter under the insignia of a unified nation. The Hindutva notion of a unified nation is both

increasingly used and perceived to be a code for Hindu supremacy and Muslim incorporation. However, in my view, the political and theoretical ground for a rejection of the Hindutva version of unified nation will have to be different from the now fashionable post-modernist diatribes against the nation and unity *per se*. These provide neither a determinate answer to communalism nor a solution for gender inequality.

Among the numerous positions on the issue, those that are explicitly or implicitly based on some degree of genuine concern for gender justice and secularism range from briefs for legal uniformity to versions of legal pluralism. Legal uniformity is crudely posed as a meeting down or pot-pourri of personal laws into a composite uniform civil code that will be a means for social unification, communal harmony and (implicitly or explicitly) national unity. Or it is posed in a more nuanced way as a uniform civil code that can be gradually instituted with the consent of minorities; in this view, gender justice is seen to depend on legal uniformity, and uniform access to secular laws to be a precondition for democracy. On the other hand, those committed to the present form of legal pluralism envisage a reform of personal laws from within (and in a more extreme

form, the institution of self-legislating communities) or a reform of personal laws from above that is by the state. These reforms are envisaged in three overlapping ways: making all personal laws consonant with gender equality as enshrined in the Constitution; reforming all of them along 'uniform' principles of gender justice, or making different packages of gender justice within each personal law. Most of these rely in different degrees on re-interpretation of religious texts, while some perceive such reforms as a prelude to the uniform civil code. Finally, in an effort to reconcile the existing legal pluralism with a desired unity, some advocate working towards an extended set of gender just common laws that can coexist (either for the time being or indefinitely) with personal laws, here more concrete proposals have been made for common secular laws on joint matrimonial property and domestic violence.

There are a number of assumptions, often less explicit than these articulated positions that are nevertheless vital to their formulation. The case for legal uniformity, for example, rests on uniformity as signifying a consolidated nationhood, social homogenisation and harmony as well as democracy, legal equality and individual rights for women. By contrast, the assumptions on which the case for legal pluralism rests include a presumed antagonism between the religious community and the nation-state, the right of communities to their own laws, the presupposition that personal laws are tied up with religious belief and a tacit division of public and private. Legal pluralists also assume (or argue) that uniform laws will be an agency of homogenisation, that the preservation of social plurality or cultural diversity depends on maintaining personal laws, that gender justice need not depend on legal uniformity, and that women struggling for justice cannot unite across religious divisions.

The case for legal pluralism is further overdetermined by a confluent current of theoretical tendencies that seek to unsettle all forms of homogenisation associated with nationalism, the nation-state, derivatives of European enlightenment and rationality such as a unified legal subject, to establish diversity or heterogeneity *per se* as a value and to rescind the notion of 'community' – mostly religious community – as the privileged social project, especially for countries formerly subject to colonialism and at present to an equally rapacious form of globalisation. This influential transnational academic discourse is appealing for and finds a resonance with several intellectuals, on the one hand those committed to anti-modernity types of indigenism, and on the other with those whose own critique of the Indian state has come from a different kind of political

experience of the growing delegitimation of the Indian state (its authoritarian suppressions in Punjab, Kashmir and Assam, a subsequent cynicism about all state-centred solutions, as well as a corollary and justifiable suspicion about enlarging the areas of the state's jurisdiction over persons), but is now compounded by a loss of confidence in the historic left agendas for the transformation of such states.

As regards legal uniformity, we need to address a number of issues that are usually elided. Is it not the case that the present conception of the uniform civil code itself replicates some of the very assumptions that form the basis of the personal law? Is a conception of uniform laws possible that can truly take into account the existing social stratifications and heterogeneities? Do we at all require an idea of nationhood based on legal assimilation and uniformity? In what ways may it be possible to recuperate its more positive aspects – namely the desire to procure secular, democratic and equal rights for women – without duplicating its problems?

Meanwhile, three types of issues are raised by legal pluralism. One set centres on religion and community, involving a whole host of specific concepts of religion, community, public and private domains, etc. that underpin the defence of personal laws and culminate in posing an intractable opposition between individual rights and primordial community rights. A major question that gets suppressed or elided here is simply this: why if gender justice is commonly desired should it be sought within the framework of separate personal laws? This elision involves at least two sets of conflation: of law with religion and belief on the one hand, and of women with religion, belief and community on the other. The argument is usually sought to be clinched by questioning the legitimacy of the state as a source of laws for women, that is, by pitting the community against the state in such a way that though women remain the object of legislation for both, community is nevertheless presumed to be a more reliable or intimate legislative authority.

A second set of questions emerge from prevailing notions of legal pluralism. These notions have a broader significance since they are implicated in the very terms which seek to define cultural diversity in India: they often tend to presume that religion is the singular, or at least the privileged axis of this cultural diversity and that this so-called cultural diversity is synonymous with or dependent on legal pluralism. Feminists need to interrogate these assumptions and discuss the dangers that prevailing ideologies of religious community and cultural diversity present for women as well as the implications these ideologies have for feminist theory as it confronts the nature of the divisions among women. Finally,

another triad of questions arises from legal pluralism: (a) the problematic relation of laws, both uniform and personal, to specific types of social homogenisation and social plurality, (b) the nature of existing patriarchies and whether they are to be opposed through legal pluralism or legal uniformity, and (c) the possible relations of feminist theory and strategy to particular types of homogeneity and plurality.

The opposition that has been set up between personal laws and a uniform civil code is so manichean and politically peremptory that even the earlier ideal/idea behind the uniform civil code – as an enquiry into the possibility of gender equality, democratic rights and full access to equitable laws regardless of denomination – cannot be recuperated without altering the terms of the debate. Such manichean dualities can be undone only if the stake is neither community nor state, but gender justice as a principle and as social horizon, whether this is to be striven for through new sorts of legal homogeneity or through legal pluralism, or, even through legal pluralism accompanied by a hitherto unavailable freedom of choice for women. I propose to discuss the aforementioned issues as a way of clearing the ground in order to shift the terms of the debate.

As these issues indicate, the question of personal law hinges crucially and connectedly on notions of community, religion, state and cultural diversity and the compatibility of each of these with gender justice. In the first part of the paper I will take up these in the form of a critique of the extant ideologies of religious community, of personal laws and their reform by either community or the state. In the second part of the paper I will discuss the ideology of cultural diversity and sketch an alternative notion of cultural diversity through a discussion of religious pluralism and legal pluralism, and then present a preliminary analysis of multiple and overlapping patriarchies in the last section. Religious and legal pluralism alongside multiple yet overlapping patriarchies are in my view, racial co-ordinates in rethinking the question of gender justice outside the constrictive opposition between personal laws and a uniform civil code: a fresh understanding of these can help to formulate a material basis for new laws.

A substantial part of my essay discusses the concept of religious community for a number of reasons. Firstly, in various ways this concept underpins the defence of personal laws and plays into some liberal and majoritarian projects for a uniform civil code. In turn, the academic and the political discourses which privilege the idea of community are moulding and even setting the parameters for the present debate on laws. Secondly, community claims are not confined to minorities but a central feature

of pan-Indian Hindu majoritarianism. Thirdly, the prevailing definition of community is so reductive, static and essentialist that a defence of community in the name of social pluralism defeats its own declared objective of maintaining cultural diversity.

I believe that a feminism which is based on a critique of biologism and of the sexual division of labour rests definitionally on the right to chosen political affiliation and privileges social identities (as the terrain of contest, affirmation or remaking) above birth bound ones. It cannot flirt uncritically with primordialism. Primordial claims cannot be a feminist principle because they are a principle of irrevocable division and will divide women by region, caste, religion and race. We can only take principled positions on the basis of non-primordial collectivities.

This if it is true that religious community is at present to some extent a political identity (though an exclusionary one) it is equally true that there are political collectivities that do not insist on or trade in either the primacy or the exclusivity of primordial identities. In fact most political parties appeal even now to identities other than the religious, so do numerous organisations and movements involving women, peasants and workers. Women's struggles within left-democratic frameworks rest on a view of women as bearers of a distinct political identity and a community of interests neither primordial nor biologicistic nor exclusive of class or cultural claims. Should we strengthen these political arenas where religious affiliations can be downplayed or should we, as present communitarian, identitarian and communal politics would prefer, force them to remould or discard their agendas in favour of religious communities?

Arguments that uphold the autonomy of personal law and place the onus of reform on internal change within a minority community as I will show rest on a thoroughly and dangerously ideological set of interrelated assumptions: the problems of Muslim women appear to arise from Islam and personal law, religion and patriarchy appear to be absolutely identical. Muslims are decontextualised by being presented as living in their own world, a world sustained by religious differences alone. In fact much more than Muslim personal law goes into making up the oppression and inequality of a patriarchy and all of that is at work for non-Muslim women as well. The communalist intensification of religious differences and the increasing primacy of religion as an analytic category for a section of the non-communal well-intentioned intelligentsia are both tending to veil this common reality as well as to displace egalitarian struggles against patriarchies.

The most reprehensible and communal form that a projected uniform civil code has taken is replete with majoritarian and 'Hindu nationalist' assumptions – this holds up the reformed Hindu personal law as an exemplary model for minorities to imitate. However most secular projections of the uniform civil code are also problematic: they have replicated the personal laws in significant ways or have set out to solve the problems raised by personal laws on the same terms. A uniform civil code envisaged as either a melting down of all personal laws into a common mass or as a composite code drawn from what is best in each religion are far from useful. Both as formulas for national unity rest on a homogenisation of patriarchies and replicate the community assumptions of personal laws. Projected uniform civil codes are usually formulated as a *replacement* for personal laws and intended to fill the same space these occupy, a problematic space that rehearses a principle of legal division on the line of public and private domains. Finally projected uniform civil codes have by and large replicated the reductiveness of personal laws in not reckoning with heterogeneity or plurality save as a matter of levelling. As such the new laws can best realise their secular and egalitarian aims and premises only if they are conceptually different from the uniform civil code in the way it has so far been projected.

The struggle for legal rights for women is a product of earlier and common struggles for equality: they are neither a project of community cohesion nor a project of national and social unification. Thus personal laws and most projections of the uniform civil code have been tied not only in a binary but also a symbiotic relation that has stifled even deflected a reappraisal of laws in their entirety.

My own position arrived at through a questioning of certain prevailing notions of heterogeneity and specific forms of homogenisation is in favour neither of personal laws nor of a uniform civil code as it is presently projected: rather it rests on different conception of both homogeneity and heterogeneity that is a notion of common laws that can take into account the multiple existing axes of social differentiation in India even as they transcend such differences in the realm of rights. I envisage a set of universal and inalienable rights for all women accompanied by a legal particularism that is determined neither by religion, community nor for that matter by the present categorisation of family laws but situationally in terms of legal provisions designed to address the specificities of patriarchal arrangements. While we should adopt a strategy which does not isolate minorities it is naive to imagine that any change would occur without conflict with patriarchal interests: such interests are by

no means the monopoly of minorities but are spread across religions. However I am not presenting a finalist solution. Rather I am attempting to establish the analytic parameters for a common directionality as well as a fresh starting point for devising new laws which I will detail at the end of the essay. There has to be a participation of women across castes, classes and denominations in deciding what new common law should look like and the results of that are not a foregone conclusion.

I Religious Community: A Critique

The conception of community that underpins many of the positions committed to the continuation of personal laws is quite tendentious. In this conception community is static, fixed and primordial: religious castes are privileged above all other primordial ties of kinship, language, region, caste or custom, birth bound vertical bonding on primordial religious lines is further privileged above that based on class, contiguity, occupation and certainly above that based on chosen forms of collectivity. The maintenance of religious communities appears to be the favoured social project primarily for non-European countries that were formerly subject to some form of colonialism. This is accompanied by a complementary conception of religion as inert, self-standing, isolated from social processes and from other religions – a conception that rests on a naive conception of faith and community. My objections to these are both historical and political.

(1) COMMUNITIES, CLASS, ETHNICITY AND THE STABILITY OF RELIGIONS

It is well established that present day community claims are irreducibly modern and mutable. I want to stress the *contradictory logics of community formation* especially in northern India: a feature seldom acknowledged by those who believe that politically defined communities are here to stay. Not only does the use of the category community by itself constitute a severe analytic reduction but its own history ensures that it can neither be abstracted from class nor be used to displace class with culture. The peculiar development of capitalism within a colonial political economy paradoxically provided the imperative both for making new communities and for disintegrating earlier communities based on religions, castes and jatis while it also set up a dialectic between class and community as avenues for social mobility and recognition from the colonial state. Community claims were becoming a tried and tested path both to mobility and for bargaining. One feature of even a partial embourgeoisement was cutting free from reciprocal, patterned and ritual

relations with low castes, combined with a belief that community prosperity and organisation could be vectors of class mobility and/or retention of status and class power, in practice too the cross-hatching relation between class and community determined entitlements, property, authority, education and jobs.¹ In the nineteenth century a variety of social processes helped to constitute a double pull and a tense logic of class formation and community claims: census and administrative operations, forms of legal codification, avenues of upward mobility for individuals as well as through caste or denominational clusters. It is a cross-class bonding which undercuts individuation.

The combinations of class formation and community claims were especially evident in the redefinition of major religions in nineteenth century northern India. The structural similarities of reform movements that were thrown up by what was a common historical process are themselves an indication of the confluent and contradictory imperatives of class and community. Not only was there a visible complementarity in reform movements but the re-formation of major religions in the north was virtually a mirroring process. The assertion of identity by new elites, the removal of syncretic elements that drew on more than one religious system or 'bridged' a variety of religions, the excision of popular forms of worship and the purification of religions, the insistence on discrete marriage and funeral rites, the new obsession with scripturalism/textualism, the attempt to establish and function through voluntary associations, educational institutions and the popular press, the policing of boundaries by religious spokesmen in a tacit but unspoken relation of mutuality and reciprocity with each other, their matching visions of uniformity as a principle of community cohesion – all these bespoke a roughly similar notion of religious community though in each case the religion was different. (The structures of Christianisation, Islamicisation and Sanskritisation were remarkably similar though their respective etiquettes and modalities differed.) At the same time these very similarities revealed that religious reformations were at once cross-cut, overdetermined and shaped at their deepest levels by class formation, that common class and caste anxieties were underwriting religious assertions. A logic of caste was also at work within this process. In the late nineteenth century in the north it was often upwardly mobile middle castes who not only universalised a selective version of brahminical texts and domestic ideologies, achieving a certain levelling of high upper caste culture by making it less high and more commonly available in print, but who were the most strident in their self-

distanciation from lower castes. Existing lower caste/class elements and making caste-based communities were equally implicated in class mobility. Thus class mobility occupied every stage (being prior to, part of as well as product of) of the formation of communities based on caste or jati and religion.²

This process of the formation of modern urban classes and the re-formation of religions was at one level consonant with British policy. One push to form and redefine groups and communities came from the typologies of British administrative categorisation which produced *discrete*, well formed bureaucratically negotiable units³ that in fact could only reproduce themselves by repressing all kinds of less easily definable diversity. However despite the confluence of forces homogenising attempts succeeded only in segmentary ways.

Hindu, Muslim and Sikh identities in the nineteenth century were plucked out of a far more shifting and multiple field of practices in the north. Normative elements and orthodoxies already existed in the eighteenth century – these now took a new shape and stridency and occupied new social locales.⁴ And yet despite this denominational categories retained varying degrees of amorphousness both in social perception and as legal categories. Brahmo Samajis, sikhs, Jains and Buddhists etc. were Hindus for some but not for others. Hinduism, Sikhism and Islam were all in the-making through similar strategies and often with similar aims, preoccupied with the Hinduisation, Sikhisation and Islamicisation of inclassifiable or interstitial groups with loose practices by separating the 'signs' associated with each religion. Yet no single version of these religions emerged, though some versions were more hegemonic than others. Nor did they manage to actually produce homogeneous 'monolithic undivided communities' – virtually no single regional and/or jati cluster coincided with a single religious affiliation (as the censuses of the late nineteenth and early twentieth centuries bear out).

However, the docketing and labelling of different religions – produced in the interaction of colonial administration, class formation and politically vocal community claim – often made from communal positions – did form a descriptive overlay that muffled a far more extensive, unclassifiable diversity. It also assisted the gradual erosion not only of the diversity within these religions (largely loose constellations of denominations, sects, orders, movements) but also of their common histories, overlapping beliefs and practices, their many interfaces and the many in-between areas that have been thrown up through continuous interaction and contiguity.⁵ It involved ignoring

religions or belief systems that were unable to spawn communities. In this sense clear cut division assisted the voracious incorporation of a number of diverse sects and practices into the subsequent legal definitions of a 'unified' Hinduism or Islam⁶ said to constitute internally coherent cultural communities and helped to set them up as opponents.⁷ Ironically, it was this severely limited definition of religions, one that was in fact implicated in the partial erosion of extant religious diversity, that is today going under the names of religious plurality and/or cultural diversity. I will return to this later in the essay.

(2) ON SO-CALLED INHERIT OF RELIGIONS

The very notion of a mechanical replication or reproduction of *monolithic sealed* religions is, in historical terms, a falsification. Religious pluralism in India is not 'multicultural' – in the liberal usage of the term – that is, as a physical agglomerate of *discrete* majority or minoritised identities. (This may in the future be the end product of intense communalisation.) Rather, religious pluralism must be characterised as a network of overlaps and differences as well as a field of interactions, and it is this which has made religious practices relatively more resistant to homogenisation, though not of course immune to it.

Further, a dialectic of change is at the heart of the formation of communities. They are made, unmade, recomposed, pulled in several directions. And of course they need not be made on religious lines at all or be an 'effect' of religious beliefs. Both in the past and in the present it has been possible to be religious without belonging to a community: there are innumerable instances where even shared belief, for instance in a *pir* or *guru*, does not constitute a community. Not only did every variant of religious belief not produce a concomitant 'community' amongst its followers but there has been active resistance to religion and/or caste based primordialism and institutions in medieval *bhakti* and *sufi* cults and some of their later day successors. The religious history of the subcontinent has been one that has frequently honoured and enacted the twin principles of personal choice and of resistance to religion and caste based primordialism and accompanying forms of institutionalisation.

If religion has been an arena of birth, bound obedience, it has also been one of individual volitions. To change from one belief to another clearly defined belief, to mix-up beliefs and religious repertoires, to hold concurrent beliefs, to choose beliefs from a non-primordial set, to allow beliefs to strengthen, weaken or fall away – these are processes of choice and selection that from a historical point of view have informed the creation of religious orthodoxies as well

as the opposition to such orthodoxies, and have featured in both 'tolerant' and militant traditions. It is these possibilities that have been one of the preconditions for the prodigious subcontinental proliferation, over the centuries, of subsets and sects within religions as well as of the emergence of new religions that both drew from and broke away from older religions. Whether the many Hinduisms, Islams, Sikhisms and in-between variants are indeed subsets of the 'major' religions, that is, constitute a diversity *within* a wider boundary, or are distinct overlapping affiliated religions that in fact defy boundaries, still needs sustained historical explanation.

At any rate, this fluidity not only calls into question the contemporary privileging of the strategic, organised identities of religious primordialism in the social and legal domain but it also calls into question any static definition of religion. Because generational choices and changes have been a continuous feature, it has been possible on the retroactive basis of past generations to see some degree of *change* as a living social *project*, even when it was not personally available or desired. Consequently, this same fluidity has been an object of foreclosure or pre-emption in different conjunctures. It has even determined the recurrence of an extraordinary prescriptiveness, the emphases on socialisation of every generation afresh in order to guarantee the reproduction of religions as well as increases in orthodoxy whenever avenues of choice have increased. A workable notion of religious plurality would have to take into account the processes of both change and fixity, as well as the conjunctural availability and/or proscription of choice for individuals or groups.

(3) COMMUNITY, COMMUNALISM, CAPITALISM

The tendentious nature of the concept of religious community that I have set out to critique becomes even more apparent if two of its major locations are examined: that is, a defensive placement in relation to Indian communalism and to capitalism. This defensiveness, which accounts for some of the effective appeals of the idea, is replete with anti-modernity sentiments and even carries some valences of left utopianism. I will argue that the first is misplaced and the second misleading.

The most aggressive 'community formation' in India today is Hindu majoritarian. Its communal violence has tightened the grip of religious community as the language of assertion on minorities. However, a defensive relation to 'religious community', even when it comes from a genuine sympathy for beleaguered minorities, cannot effectively challenge majoritarianism and may even strengthen it. This is because arguments either based on or supporting primordial religious community

and impermeable boundaries between religions are similar in many of their premises and procedures to those of the Hindu majoritarianism they have set out to oppose. To assent to 'Islam' is tacitly to assent to 'Hindu' and vice versa. Further, Hindu majoritarianism thrives in a political arena dependent on or mortgaged to competing 'community' claims since it is itself invested in building and encasing an 'inter-community' competition through ideologies of Muslim male virility and uncontrollable demography. Finally, a defence of the idea of religious community reinforces the structural relations between religions and patriarchies, and sharpens the emerging tensions between religions and communalism.

The idea that religious communities can provide a bulwark against capitalism popular among indigenist intellectuals seems, at least in India, to be equally misconceived. Their positioning of 'community' – as a sign of an 'inhomogenised' localism or as mark of the precapitalist still resistant to capitalism and its ideologies or as a sign of autonomy vis-à-vis the nation-state – is naive and untenable. Religious communities are neither local nor precapitalist, nor have their 'leaders' ever made such claims. The processes of community formation would be difficult to separate from the rationalities that accompany and legitimate capitalism while community claims often have a politically transactional character. In recent decades there has been a notable intensification in the commodification of religion, a closer alignment of religion with capitalist processes is visible in the proliferation of sites of institutionalisation (e.g. temples, deras), personnel for exploiting them (sadhus, mahants) and funds (e.g. national and international donations to temples, gurudwaras, the VHP).¹¹ Indeed what is called a religious 'community' may at certain levels of its local, national and/or international organisation amount to economic and institutionalised structures of profit relying simultaneously on intra-'community' exploitation and consent. At many levels, communalism and capitalism become compatible rather than opposed terms. Further, the complicity of the (far from secular) state with a version of 'community' espoused by the 'leaders' of different religions as an electoral device, is so notorious that a defence of community now ironically runs the danger of colluding with the state.¹²

Religious communitarianism, as a projection of anti-modernity, is not an answer to capitalism either within advanced capitalist countries or when prescribed as panacea by intellectuals from 'third world' countries. Anti-modernity has been a dogged companion of European modernity with different ideological locations for instance, as liberal angst over 'western' technology,

hyperindividuation and the onslaught of the market, or as romantic strand in nationalism that located a primordial and essentially unchanged identity in the past or as a conservative modernist lament for the lack or disappearance of authoritative cohesive religious systems and organic communities or as a right wing critique of capitalism predicated on utopian visions of the premodern.¹³ Even if the quality of belated rehearsal in turning towards religious communities in India to provide depth and meaning accruing from tradition is put aside as a type of nostalgia, the standpoint of these invocations as a critique of modernity in a situation where capitalism under the auspices of international monopolies and imperfect market competition continues to produce skewed development and pauperisation where the procurement of basic necessities and the implementation of basic rights is not whelmed and where communalism is intense and violent, still remains open to critique. The effort to contain modernity is odd in a country which has yet to acquire the material coordinates of modernity and where the ideological modifities of containment usually spell soft communalism, *status quo* for the masses, regression for women and/or anti-feminism. There is also the further oddity of a neo-conservative critique of western liberalism in a social formation where liberalism itself is not entrenched and where liberal values have often served as a defence of the limited and beleaguered freedom that women require to struggle against old and new conservatism.

The recourse to valences of left utopianism by defenders of religious communities in India are at once inappropriate, more affective than substantive and stopped of their political intent. One type of left utopianism has viewed specific forms of human collectivity and community in ideal terms as an intrinsic principle of bonding which does not pre-determine or fix and stresses commitment to fellow human beings. This seems peculiarly inapposite when applied to *religious* communities as such, and even more so to the type now obtaining in India which are usually formed on political self-interest, on aggression and othering on defensiveness and fear. While there is an undeniable value in human communities as a non-contractual, anti-market principle of social bonding that can function as an antidote to a dehumanising capitalism, it does not follow that we should now proceed to privilege an obligatory birth-bound religious community over and above collectivities that assume rights of entry, exit and chosen affiliation for their members. But I add that if utopianism is still desirable then how come non-religious challenges to capitalism like the socialist-feminist that uphold and struggle for a utopian principle and forms

of bonding, are not equally or more desirable? Maybe, because the valences of left utopianism carried in this tendentious choice of religious communities as the specialised markers of being outside exchange and the market above other primordial claims and chosen affiliations have been relocated in even recruited for an anti-Marxism, and of a type that is deeply indebted to orientalism and to some of the worst ideological sectarian tendencies in nationalism. This is to say the least somewhat paradoxical since the explicit targets of many indigenist and postmodernist defenders of community also happen to be colonialism and nationalism.¹

It may be more productive, though less popular to speak of communities not as 'given' on religious lines but to speak of the political, economic and electoral processes that are producing and privileging this particular sort of community and facilitating specific types of ideological investment in it. It would then follow that secular feminist interventions could be directed at these processes and not confined to finding just means of arbitration between 'given' pre-formed religious communities (a nagging reminder of colonial policies even if partly justified by the present situation).

(4) RELIGIOUS AND NON-RELIGIOUS COMMUNITY CLAIMS

The question of religious community cannot of course exhaust the issue of primordial community. Primordial community claims co-exist or intersect with claims to non-primordial collectivities – class, work and occupational identities, forms of contiguity in neighbourhoods and villages – which along with gender, have been the bases for non-community specific mobilisation. Many contemporary 'community' claims themselves are not claims for cultural autonomy alone but simultaneously a contest over the distribution and appropriation of resources and a feature of political organisation. If the issues of material resources and political power were to be equitably resolved then the substantive content of cultural autonomy would be different. The democratic assertions in some claims based on community as in the case of dalits, in fact intersect with and even rely on other forms of collectivity. Their invocation of 'material interests' is often a strong notation for or emphatically indicates identities premised on class-based, non-primordial aspects of social identity and the exploitation of labour.

Other forms of collectivity exist alongside in tension or even in a struggle with primordial community claims precisely because the social economic and political forces of capitalism in India pull in both directions. Should we strengthen those

existing or possible political arenas where social inequities can be challenged without invoking or consolidating primordial religious identity and where primordial affiliations can be downplayed or should we as present community-identity and communal politics would prefer force them to remould or discard their agendas in favour of religious communities?

The question is further complicated by the fact that despite increasing communalisation even now religion is neither the only basis of primordial community claims nor the only practical and symbolic co-ordinate of political mobilisation on primordial grounds. In fact religion does not have the foundational status ascribed to it by intellectuals and claimed for it by 'community spokesmen'. Politically volatile or active community' claims (that subsume myriad and diminutive primordial communities) on the basis of geographical territory or region, caste, tribal identity, broad linguistic distinctions (such as Hindi or Urdu) as well as narrower linguistic distinctions (such as local dialects) are being made alongside those based on religion whether configured as broad pan-Indian denominations such as Hinduism, Sikhism or Islam or as smaller particularised sects.

Now if we were to imagine forms of decentralised legal pluralism based on these primordial community claims several problems would arise. Would a *single* basis for definition such as language or territory or caste or religion be compatible with justice? And if so what would be the rationale for suppressing all other conflicting claims? Why for instance should a caste-based community claim be less valid than a claim based on a major religious denomination? On what basis, if any, will any one of them be prioritised and how many will such a prioritisation satisfy? Even in the abstract religion would not qualify as a contender for differential rights on the ground of unilateral past victimage and historical wrong. At present the most dubious but vociferous claim of victimage and assertion of a violent 'righting' of historical wrong is coming from Hindu majoritarianism though by far the greatest historical wrongs have been to low castes and tribals.

Settling for legal pluralism on any one primordial basis brings up the irresolvable paradox of differential rights: the notion of right if it is to be legitimate must be potentially universalisable, eg. right to education to work to vote. So differential rights based on a primordial claim would keep creating new grounds for inequality and dissent even as they set out to resolve some existing areas of conflict. And in such a situation there would be logically no recourse to a language of common, potentially universalisable rights whether as basis for possible equality or as the *basis*

for conflict resolution and arbitration or as basis for instituting need-based particularist rights or even as a *means* for calling the state to account.

It is important to argue this because it would be literally *impossible* to institute a 'decentralised' legal particularism on the basis of *all* primordial community claims – religious, sectarian, linguistic, territorial, caste or life-context. This would be a self-cancelling procedure since the sheer multiplicity even of politically articulated claims would throw one back ironically on notions of the individual and individual rights.

Each and every basis of definitional category for primordial community claims is fissiparous and open to further subdivision either on the same lines that is more and particularised units of any one category, or through being undercut/cross-cut by other categories. Thus a linguistic or religious community can fracture within the country on lines of dialects, sects, castes, region of origin or residence, class, language and so on, while diasporic location of Indians can further fracture primordial groups and set up new logics of differentiation on grounds of nationality and assimilation of local culture.

Again few of these communities will now or in the future exist on co-residential, contiguous or interpersonal bases, not only in languages, castes, religions etc. widely distributed over India and even internationally but spatial distribution relocates them in different economies and in locally varied hierarchies. Not only does spatial distribution deteritorialise communities and community claims in the simpler senses of dislocation or migration, but new forms of contiguity change the identities of persons thereby altering the meaning of a community claim in its local registers and substantive contents.

Such heterogeneity is not merely a jural or jurisdictional issue which can be solved on a passport model of portable identities that can be carried around. It challenges the very definition of community. This kind of heterogeneity within each nomenclature can be assimilated into a legally defined 'community' only through an artificial *decontextualisation* – by making it a given or pre-formed entity and through *closure* – by making it impervious to change and indeed to the very lability of the continuous processes of identity formation.

Two major conclusions are inescapable. First, any single basis of 'community' will not only be ephemeral or provisional, liable to fragmentation by other cross-cutting affiliations, but it cannot represent the full spectrum of social divisions and locations, cultural diversities and aspirations. Second, if at all except geographical territory is movable or mobile, if even claims to territory can be made at long distance, if belonging

does not involve presence, then 'community' claims are disguising a very real heterogeneity – they are in fact at this level hardly, or not at all, claims for recognition of existing cultural plurality. They are claims for homogenising groups of people who have one notional thing in common into mobilisable discrete units, that is, they are seeking homogeneity but are not *a priori* based on it. This is true as much of pan-Hinduism as of pan-Islamism.

II Community, Religion, Women

(5) COMMUNITIES, PATRIARCHIES AND RELIGIOUS IDENTITY

The broad ideological conception of religious communities has uncomfortable implications since religious 'communities' are not only inegalitarian or class differentiated but also specifically undemocratic regarding women. Community identities can be as much punitive as protective for women, and that too, protective on patriarchal and proprietorial assumptions. If, as the more extreme arguments for reform of personal laws from 'within' seem to desire,¹⁴ communities were to legally govern, reform and adjudicate themselves, taking full responsibility for being either agents of change or protectors of the status quo, what will prevent them from trying to be self-legislating patriarchies; from strengthening local, interpersonal patriarchal control; and from continuing to hand power over to mullas, priests, pandits or other chosen interpreters? There is little evidence to show that communities are committed to internal democratisation of gender differences. And if such democratisation will remain as pressing an issue (if not more pressing), even after communities have retained or achieved some measure of legal autonomy, then why not simply struggle for a thorough-going democratisation on wider non-denominational principles of collectivity, in the first place?

Women's own religious beliefs, consent to a religious identity and community as well as their agency in maintaining these, are often presented as a rationale for maintaining personal laws and reforming them only from within. This is a complex issue, partly because it can be argued for women from beleaguered minorities as well as from the chauvinistic majority.

In certain kinds of contemporary analysis, overly anxious to establish that religion is not false consciousness, religion is simply turned into a matter of faith or belief alone, thus eliding the issue that religion prevails as an *institution* more than consciousness, true or false. This formulation not only serves as a catchall but irons out the complexity of the relations between gender and religion; it is then followed by the

proposition that religious belief is giving agency to women. More often than not, the implication is that the presence of such an agency for women makes secular feminism questionable or even redundant. Thus a pernicious continuum is made between primordial denomination, women's belief and women's agency.

As a result, some serious questions are never asked. What is the nature of women's consent? When they consent to the punitive aspects of religious identity or community are they in fact consenting to the patriarchies with which these are meshed, or vice versa or both? Or, is their consent effectively consent to the host of other social factors in which both religions and patriarchies are enmeshed? Thus women's consent to religious definition may go beyond questions of individual faith and reflect the ways in which religions and patriarchies are articulating with other social structures. Should we confuse women's consent to patriarchal assertions of community, their inability or fear to step out of these, in this particular political conjuncture with the sum of their needs and aspirations? For instance women's consent to Muslim community and to Hindutva enacts very different and antagonist relations of power; while women's active investment in Hindutva (a complex historical, political, economic, class/caste differentiated and conjunctural phenomena), may have little to do with religious belief *per se*. Instead of conflating such consent with 'feminist agency' (a current preoccupation with some anti-communal feminists), a different type of analysis could be undertaken. Women's consent to a patriarchy has in the past and still does empower them for *selected* forms of social agency; further, this consent works through appropriating available hegemonic and/or legitimating languages thereby forcing these languages into new ideological locales and pushing their previous proponents into more stringent political self-definition or at worst, into apology and retraction.¹⁵ Or to give another instance, many Muslim women may be caught in a double impasse: first, because a uniform civil code is seen to endanger the identity of physically endangered Muslims, the very claim to gender equality now implies disloyalty or antagonism towards the community;¹⁶ second, belief in Islam now appears to entail being prepared to accept patriarchal personal laws.

It is argued, in discussions and in writing, that opposing minority personal laws denigrates the laudable efforts as well as subsumes the initiatives of women involved in reforming personal laws from within. Undoubtedly, some Muslim and Christian women have religious yet reformist standpoints, oppose a uniform civil code, and, as believers, struggle to remove some gender inequities or 'corruptions' from their

personal laws. I believe that the issue *need* to be posed differently – it should be disentangled from belief and concentrated instead on the nature and pitfalls of reform from within. Second, we have to determine if the strategies of religious reformism from within also have space for those other women who may or may not be believers, but find consent punitive, or who find primordial belonging an impediment to choice, if not an imposition, or who do not consent,¹⁷ or more to the point, who *need alternatives* in order to dissent in an effective way. This is important for two reasons. A feminist politics must account for women's consent to patriarchies, but it can scarcely afford to give political or theoretical primacy to women's will to consent to forms of social oppression *over and above* their will to contest these; since such a primacy is already on offer by a standard form of male conservatism.¹⁸ Nor can feminist politics take on board a divisive (or for that matter a unifying) politics based on essentialist identities whether primordial or biologicistic.¹⁹

(6) THE QUESTION OF REPRESENTING 'OTHER' WOMEN

In this context, confining women to community identity and personal laws becomes a way of dismantling and preempting cross-denominational or extra-religious feminist collectivities. Against the potential dangers of representing 'other' women, that is women of other denominations, we must place the dangers of refusing to represent each other. Refusal of a common ground of struggle is also a form of othering. Particularism can be segregationist in its logic. Unless universality is granted in principle (though not necessarily as a strategic mode of organisation) as the possibility of mutual representation, feminist groups run the danger of replicating the structures of communalism.

The right to scrutinise and interrogate our entire social milieu is a democratic right for all and one that is particularly crucial for feminists, and this cannot be a right confined to or reserved for one's own primordial denomination. If it is suspended in the name of religious community,²⁰ then it will prevent women from critiquing a significant determinant of patriarchal oppression in India, namely religion. Indeed it may altogether silence women – some in the name of belonging and loyalty to their religious group, and others because they have no 'right' to speak of any religion but their 'own'. It is ironic too that inhabitants of a subcontinent, rich in irreverence, in both *comparison* and *critique* of religious philosophies, hierarchies, institutions and practices that were not limited by personal belonging, as well as rife with oppression in the name of religions, should now be

asked to piously desist from criticism of any but their 'own' religion, within the rubric of a postmodernist politics of (self)-representation. Not only does this version of postmodernism, when transposed to the question of Indian personal laws, become unfaithful to its basic tenets of deconstructing the demarcation between within and without, but it ignores the material evidence of the fluidity of religions that I have discussed earlier. More significantly for feminists, this proposition of self-representation rests on a proprietorial view of religions (and as a corollary, even separate 'life-worlds'), as the exclusive property of particular groups, and as I will discuss later, one in which assumptions about owning religions 'naturally' extend to ownership of women.²¹

The women who are (or are sought to be) mined on the bases of systemic, overlapping patriarchies are nevertheless simultaneously divided along other lines. Three such divisions are pertinent to my argument: first, by class, overdetermined by caste, and the accompanying power to oppress other women and men; second, by consent to patriarchies and their compensatory structures and an accompanying delegated power to oppress other women; and third, by the choice of a right-wing politics that gives them a political armoury for 'othering' men and women from other religions.²² And here, the way in which feminists take up particular issues determines whether they are or are not classist, casteist, undemocratic or compromising with patriarchal arrangements. If they are, then, and only then, do these turn effectively into divisions among women, instead of being, as they should be, divisions that must be challenged by feminism.

I do not think, however, that differences in religious faith can by themselves produce equally significant divisions between women. The particularity of religious belief need not by itself either constitute a division along lines of power or alter the distribution of social power. To the extent that all religions are implicated in and enter into the broad process of social legitimisation of patriarchies, a challenge to patriarchies constitutes a threat to specific forms of religious legitimisation. In this regard religious affiliation makes a difference to women but need not produce a conflict between them; especially if women are willing to question the casteist or communal discriminations that inhere in some religious practices and are ready to consider that aspects of religions may be working to reconcile them to patriarchal oppression.

It is only when religious affiliation is translated into a politics and is aligned with institutions that maintain forms of power and privilege that it has the capacity to divide women. Thus, the institutionalisation and communalisation of religions have acted

as a powerful divisive force aggravated by the involvement of some women in entwining religion with the politics of the Hindu right. The right wing appropriation of feminists' agendas or the language of citizenship and democracy is not unique to India and its function here as elsewhere is to divide and derail left, democratic, feminist agendas.

If this is an acceptable line of reasoning then the question arises as to why we should recede from a secular democratic agenda and from a commitment to common struggles? The divisions among women along lines of class, consent and political choices have to be fought through persuasion and/or political confrontation, not through a capitulative politics of difference, exclusivism or hyper-particularism.

One issue posed by feminists in the light of the recent riot-torn communal situation is whether gender unity can withstand communal hostility. Feminist groups, Flavia Agnes argues, are already overinflected with 'Hindu' assumptions – an evidence of this overinflection is their past failure to mount a thorough-going critique of Hindu personal law – and cannot be isolated from the wider political contradictions; moreover, she argues that in the aftermath of the riots, women do not have a separate existence away from their communal identity where legal issues can be discussed on a common platform.²³ Her argument may fit well with another argument claiming that at present religious identities have acquired a pre-eminence and the only way to break out is by working within them or by 'negotiating' them. In practice this could mean that the patriarchal systems operating in the country may henceforth have to be separately opposed by women from within different denominational groupings, while the range of these groupings could now expand beyond designated minorities and stretch to women opposing patriarchal practices from within the fold of Hindu communal organisations. If so, we will be unable to address the fact that the political play of denominational 'communities' with its logic of aggression and defence impedes women's individuation, and now being added on to inequalities in waged and unwaged work as well as in inheritance, is driving women further back.

I think the question of why women consent to religious definition and the answer to this question, as well as the path to a common politics, hinge on our understanding of patriarchies: on the way patriarchies are embedded in or articulating with class structures, caste-class inequality, religious practices, wider dialectics of social legitimisation, and other political formations. It is only if we see patriarchies as self-sufficient, unrelated to each other, isolated from wider social processes, and determined by religion alone that we can support singular, separate struggles against them

along denominational lines. If we see them as part and parcel of the wider social formation then we have to devise modes of organisation and struggle that can encompass all the social inequalities that patriarchies are related to, embedded in and structured or enabled by. Attacking patriarchal oppressions is not a sectoral issue confined to women but central to any agenda for social change. Can we afford yet again to separate the 'women question' from a wider struggle, and this time as victims of the divisions enforced by communalisation? If feminism is to be an egalitarian, democratic and secular force allied with other such forces, then this, along with the very nature of patriarchies (to which I will return), requires a common politics.

(7) COMMUNITY, STATE, RELIGION, PATRIARCHY

It is untenable to draw a sharp line between community and state on either the question of religions or of patriarchies since there are structural, ideological, political and administrative linkages between the two. Indeed the kind of religious communities discussed here have been constituted precisely in relation to the state.

The separation between state and civil society rests on an *analytic* distinction. At a structural level, they can and often do interpenetrate – state structures can be replicated in family or community. The family's patriarchal arrangements, like that of a community, though in somewhat different ways, can be complicit with the state and its juridical institutions.²⁴ The relation of the state to women is patriarchal, undemocratic and class differentiated: the state has persistently defined women in relation to men, used and made labour grids, perpetuated the invisibilisation of domestic labour, governed both land relations and distribution of resources, enforced the rule of property in ways specially unjust to women, created class and gender inequities through 'development', reproduced women's economic dependence, co-opted many women's initiatives, and is now (with the new economic liberalisation) withdrawing from its welfarist functions (which could have mitigated the patriarchies operating in family, community and workplace).

At the political and administrative levels, it colludes with 'local' and 'community' patriarchies. A triangular relation has obtained between personal laws, 'representatives' of a community and the state.²⁵ It is possible to trace a history of both tussle and co-operation between the community and the state's control at different times. Effectively, however, though a demand for separate shariat courts has recently been made, it is the state which administers all the personal laws. Further, the state itself has built loopholes in laws and has sustained discriminatory laws, including personal laws, in order to water

down the constitutional horizon of gender equality. Its own collusions frequently contradict its stated reformist aims. It has tolerated patriarchies in the state apparatus (e.g. police and judiciary), and barely implemented the better laws that do exist.

Similarly the state has supported patriarchal interests on religious grounds both ideologically and in practice. There is a long history not only of representing the defence of patriarchal arrangements, privileges and/or the sexual regulation of women as the *defence* of religion but also of the interested representation of patriarchal arrangements as religious *rights* by 'community' spokesmen. Violent instances, from every denomination, whether minority or majority, can be found in the debates surrounding the Special Marriages Act, the Hindu Code Bill and the Uniform Civil Code.²⁶ The coding of patriarchy as religion by community spokesmen has been and is by and large shared by the state which selected *denomination* above differential class, caste and regional practices and above an uncompromising secularism as the primary basis for defining family laws. Insofar as personal laws curtail women's rights they define and defend male privileges; only the institution of women's rights can dismantle them. Thus male privilege is preserved in personal laws through coparcenary provisions, male testamentary rights, unilateral divorce, bigamy, restitution of conjugal rights, inadequate maintenance, lack of residence, guardianship and custodial rights for women.

Another major dilution of the line between state and community has occurred in the way the state has been called upon to maintain religious boundaries, and has often done so despite the fact that it had successfully established itself as the authority that could 'allow' people to opt for laws (such as provisions in the CrPc) other than their personal laws.²⁷

The state has been asked to *protect* religious boundaries in two different ways – through demands for exemption by minority religious spokesmen, and through demands for a uniform civil code by Hindu communalists. I will argue that despite differences, *both* have *de facto* functioned as demands to close boundaries, deny possibilities of individual exit, and ensure the internal cohesion of a religious 'community' through appropriate laws. (This also raises a question about whether so-called religious communities are indeed internally cohesive, since asking the state to ensure community cohesion through laws suggests that they may in fact be tenuous or precarious.)

In a mode similar to earlier Hindu protests upon the introduction of an optional civil law on marriage and divorce, which lasted from the 1860s to the 1950s, Muslim

religious spokesmen have also persistently perceived the very institution of enabling, optional civil laws as threatening. Their objection to the Special Marriages Act (1954) rested on the belief that its presence would encourage Muslims to circumvent their religious laws and obligations and they asked for exemptions that were not conceded. A similar demand for exemption was made (along with tribals, and later with a section of Parsis) regarding the proposed Adoption of Children Bill (1972). With the notorious Muslim Women's Act, the government helped Muslim religious leaders by blocking off the access of divorced Muslim women to the minimal yet relatively more liberal provisions for maintenance in the CrPc.²⁸

The Hindu communal demand for a uniform civil code, as for instance following on the recent conversion/bigamy judgment, is an attempt to abolish personal law so that Hindus cannot convert and thereby gain access to Muslim personal law. It is not as if Hindu communalists are seriously invested in removing bigamy as a patriarchal practice prevalent among Hindus. Rather, they object to Hindus gaining legal access to polygamy through conversion. That is, they object first and foremost to Hindus choosing to become Muslims. (There is an especial ideological embarrassment here: how will the Hindu right pose as the liberator of Muslim women from a patriarchal personal law if Hindu men are converting to Islam for the sake of polygamy?) And secondly they wish to equalise male privileges.

Hindu male opposition to Muslim personal laws has most frequently been made (in the past as well as now by the BJP) on a competitive patriarchal ground of equivalence of male 'rights' – either the state should encroach on the patriarchal privileges or 'religious rights' of all men or of none – and is suffused with male jealousy.²⁹ The prehistory of current Hindu male opposition to Muslim personal law lies in their failed attempts to fully protect male privileges in the 1950s. In the debates on the Hindu Code Bill, Hindus had not only defended polygamy as having shastric sanction, as being a means for fulfilling the ritual necessity for sons and thus of ensuring spiritual benefit, but had also administered a warning to the effect that if polygamy became illegal Hindu men would have to convert to Islam to marry more than one woman or would be forced to keep concubines.³⁰ The confusion between spiritual benefit and male promiscuity must have been amazing. If men could be willing to renounce Hinduism and convert in order to have more wives then surely male privilege must be stronger than primordial loyalty, since presumably all spiritual benefits would be lost on conversion!

In recent judgments, the judiciary has also assisted in closing routes of exit from

personal law. In the 19th century, and even up to the 1930s, conversion of an individual, family, caste group or community to either Sikhism, Islam or Christianity did not always lead to a change of personal law which was in part retained and engrafted as a custom on personal law.³¹ Since 1887, personal law had applied only in disputes between two people of the *same* religion, whether by birth or by conversion, and ceased to do so if one party converted; subsequently, if a personal law was still applied to such a dispute it was for discretionary and contextual reasons, that is, because it was more conducive to justice and relevant in specific cases. This principle of arbitration has been gradually eroded. A tendentious 1983 judgment gave an unprecedented, formulaic, virtually religious sanctity to Hindu personal law by insisting on a supreme and unchangeable regime of primordially Justice Leila Seth of Delhi High Court ruled in *Vilayat Rafi v. Shilpa* not only that if a Hindu spouse converts to Islam the marriage could only be dissolved under the Hindu personal law in which it was solemnised, but further that "even if *both* the parties to a Hindu marriage get converted to a religion other than Hindu, their earlier Hindu marriage can only be dissolved under the provisions of the Hindu Marriage Act (1955)". An indefensible and dubious extension of the Special Marriage Act (which was meant for inter-religious marriages and justifiably allowed dissolution of marriage, conversion notwithstanding, only under the same Act), was made to Hindu personal law.³²

The consequences of such precedents are visible in the Supreme Court judgment on *Sarla Mudgal and Ors vs Union of India* (1995, 3 SCC 635). This being a dispute between a husband converted to Islam and his Hindu wife – the court could have used earlier precedents in which neither Hindu nor Muslim personal law was applied and sought the remedy in secular laws governing divorce and bigamy under which the offence was already punishable. Instead Justice Kuldip Singh invalidated the application of Muslim personal law through an argument of claims and counterclaims, sought a practical remedy in an application of *both* Hindu personal law and section 494 IPC³³ but rested his statement on an ideologically loaded reinforcement of religio-legal boundaries, in which the very existence of Muslim personal law was represented as an encouragement for Hindu bigamy.

Until the time we achieve the goal – Uniform Civil Code for all the citizens of India – there is an open *inducement* to a Hindu husband, who wants to enter into a second marriage while the first marriage is subsisting, to become a Muslim. Since monogamy is the law for Hindus and the Muslim law permits as many as four wives in India, an *evam* Hindu embraces Islam

to circumvent the provisions of Hindu law and to escape from penal consequences [my emphasis]

He seems to forget that the major inducement to bigamy is not legal pluralism but male privilege and that most instances of Hindu bigamy occur without conversion.¹¹ The judgment invokes a familiar comparative schema between men of different communities: legal change is advocated to suppress Muslim polygamy and Hindu conversion, but bigamy is scarcely an issue in its own right. Instead the rhetoric of the judgment absolutises the rule of Hindu personal law overdramatises conversion,¹² and in what is obviously a complementary move, demands a uniform civil code. A principled attack on bigamy would have distanced itself from Hindu communal rhetoric, confronted gender inequality and all prevailing patriarchies sought to improve secular laws on bigamy, divorce and intra-community marriages and critiqued the ambiguities of Hindu personal law that assist bigamy.¹³

Muslim religious spokesmen want to close all routes from Muslim personal law to common laws through exemptions. Hindu communalists want to block any route from Hindu personal law to Muslim personal law by abolishing personal law. In each case the very existence of other laws seems to undermine community. Though from apparently contradictory positions – the former from a position upholding existing legal pluralism and continuation of Muslim personal law but opposing any further pluralisation by way of either optional or common non-religious gender-just laws, the latter by demanding legal uniformity and abolition of personal laws – both want to foster exclusivity, foreclose choice and movement from personal to non-religious laws (for Muslims) or traffic between denominations (for Hindus). Both want to harden and freeze boundaries. Hindu communalists are, in addition committed to attacking Muslim legal particularity even if it is at the cost of uniform civil code. And the reason why they express little concern about losing their personal law is that they assume that the Hindu personal law will be the model for a uniform civil code, so that *only* Muslim legal particularity will be eroded.

Evidently the acts of defining as well as the definitions of religion and community are predicated on patriarchal privileges, and the state has more often than not been complicit in these because the state itself is implicated in patriarchies in the exploitation of religious identities and in encasing denomination for electoral purposes. For instance, though the state did not accede to a continuation of polygamy in the Hindu Code Bill in the 1950s, it did introduce some new clauses with no textual religious sanction that made conversion

legally punitive for Hindus. These are based on the non-secular assumption that different religions cannot co-exist within a family: conversion is a ground for immediate divorce in the Hindu Marriage Act, the Hindu Adoption and Maintenance Act decrees that only Hindus can adopt Hindus, a widow cannot adopt a Hindu child if she has converted, and a wife is not entitled to maintenance if she ceases to be a Hindu, the Hindu Minority and Guardianship Act rules that ceasing to be Hindu will deprive either spouse of their claim to guardianship of their children while children and descendants of a convert lose their claim to the property of a Hindu relative unless they are Hindu when succession opens.¹⁴ It appears that religious primordiality was more important than primordial ties based on kinship, family and nurture: further conversion is assumed to produce grave incompatibility or repugnance while a change in belief is equated with vicious misdeeds. The state also communalised the Special Marriage Act in 1976 along similar lines.¹⁵

Since communities have themselves become a device which helps the state to mitigate class polarisations and co-opt groups, it is doubtful if consolidating religious communities can 'challenge' the state. In this sense a multiplication of community rights over and above those that already exist (freedom to worship, to open schools and to practise personal laws) may well assist the state but are not likely to guarantee the full protection of the civic and democratic rights of minorities. And the maintenance and institution of community rights over above or opposed to the rights of individual women whose form of every community is likely to intensify male privilege. Since defense of community rights has been an undemocratic way of enhancing individual male patriarchal privileges, it is unethical to support them especially in the name of democracy.

(8) COMMUNITY VERSUS STATE: PROBLEMS OF REFORM FROM WITHIN OR ABOVE

The absolute and binary opposition between state and community on the question of personal law is false; it needs to be dismantled and reconstructed as an argument for the rights of all women. For that matter, the opposition between community and nation on the question of personal law is equally misleading: if a uniform civil code has sought legitimacy from a concept of nation as a homogenous entity, the personal laws have also sought legitimacy from another concept of the nation as a conglomerate of discrete 'major' religions defined through equivalent reductions and homogenisation. However, since the issue has been frequently posed in this way, it has acquired a contentious resonance that first needs to be addressed on its own terms.

Beneath the opposition between a state-

imposed uniform civil code and personal laws that are sought to be reformed from 'within' a community (and the related opposition between reform of personal laws from within and from above by the state) lies an unresolved but entirely patriarchal concern: who will control and regulate women and in whom will the agency for reform be vested? Is patriarchal control and/or reform to be exercised by the state and its institutions or by the community? Will community control act in tandem with the state or independently of it, as in the recent demand for separate shariat courts?

The choice between personal laws and a so called uniform civil code at one level appears to hinge on a choice of patriarchal jurisdictions. Does this choice have any meaning for women? Will the jurisdiction of 'community' representatives usually male, functioning either independently or through a surrogate state be preferable to that of an impersonal state? Significantly, the experience of reform of personal law from within, has in the case of Christians met only with procrastination from the state,¹⁶ while for Muslims it has been one of entrenchment of religious elites and a 'community' patriarchy complicit with the state. The reform of Hindu personal law from above by the state did challenge religious elites¹⁷ but culminated in the promulgation of patriarchal laws by the state instead.¹⁸ The legitimacy of the state is dubious whether in supporting reforms from within or in reforming from above. In both reform of personal laws is a bargaining counter for the state which retains the power to decide whether or not to reform the personal law of any community.¹⁹

Posing the question of laws in binary terms of community versus state thus is pre-feminist and carries the patriarchal legacy of male reformism. Nineteenth-century male reformism: it must be remembered was invested less in eliminating patriarchies than in reformulating them. It is pre-feminist in the way it elides feminists²⁰ as agents of choice, decision and change and makes state and community the major actors. Indeed it is only if feminist agency is omitted or denied (or restricted to the primordial religious group), that the question (as be turned into the male-reformist one) of whose patriarchal jurisdiction women should come under or posed as one of whose patriarchal jurisdiction will be a *better* option – that of community or of the state.

Till now, feminist initiatives to reform personal laws have been balked at often by the state as by the pandits, mullas or priests who supposedly represent the 'community'. In my view, *any attempt to either reform personal laws or to make new common laws with a feminist agenda* will come up against both the state and religious 'community' patriarchal arrangements.

For women, community jurisdiction is as problematic as the state, the patriarchies of neither are acceptable. The former is grinding because it intensifies the difficulty of daily, local, interpersonal relationships, making it difficult to claim democratic rights contravened by personal law. The latter involves problems of implementation, functions through a self-contradicting, increasing delegitimised, often coercive and patriarchal state machinery.

A major difference, however, between state and community is that of a theoretical horizon. In personal law, women claim as wives, mothers or daughters and have a schizophrenic relation with citizenship upholding a pernicious opposition between private and public, between being members of a community and having full rights as citizens. Unlike communities the state is theoretically committed to ensuring the rights of citizens as citizens. In striving for new common laws (formulated differently from existing laws by feminists) ratified by the state, women can define and claim a direct relation to the state, unmediated by community, as citizens with fundamental democratic rights, only as citizens can women potentially challenge divisions based on denomination (on public and private, on legal categorisations and seek, if they wish, secular collectivities. If elements of contestation and struggle are fundamental determinants on construction and implementation of legislation then the history of state intervention is also itself partly a history of struggles against patriarchal relations institutionalised through the state.⁴¹ Finally, the implicit recognition in the Constitution that religions have sustained and legitimised caste and gender discrimination⁴² led the state to be at once a protector of religious freedom and a reformer of injustices based on religion – this contradiction too can be purposively and subversively used by feminists.

Apart from the risks of isolation and failure, a struggle to reform personal laws from within, puts the onus on a small number of persons.⁴³ While making a bid for new common laws, the complexities of the state in encasing religious differences, drawing on and using particular sets of patriarchal relations, should be opposed, at the same time it should be asked to provide juridical spaces, live up to its arbitrating functions and be held systematically accountable as an agency of change and implementation. Such a strategy would have the added advantage of being a struggle in which feminist, left and democratic forces could join.

(9) RELIGION, LAW AND THE PRIVATE DOMAIN

The orientalisms which flourished in imperialised formations turned religion, which they saw as immutable, into a primary

axis of social classification. One long-standing orientalist axiom was that India in its past and present yields no distinction between religion and law. This ascribed fusion of religion and law, accompanied by a corollary characterisation of the Indian masses as desiring and enacting a cosmic holistic life, is now employed by the contemporary successors of orientalisms to defend traditions⁴⁴ of which personal laws are assumed to be a part on the ground that all attempts towards secular laws are intrusive violent and western devices.

The early orientalist identification of religion and law now survives primarily as the identification of religion with *personal* laws and with *religious* community. The present discourse on religious community seeks to make it fully determining in the social, legal and political arena. In a characteristic combination of Eurocentric theory and indigenist sentiment this theoretical tendency continues, implicitly to deny to Indians the dignity of choice and political affiliation while subsuming the question of rights, especially those of women, under primordial denomination.

I doubt if the Indian past or present would bear out the orientalisms. The undeniably wide sprawl of religion in social life is not identical with the so-called indivisibility of religion and law. From ancient times (as in the Arthashastra and the Smritis) to the Mughal period it is possible to see religion as a mode for legitimating law, kingship and extraction of surplus, that is, to see the very indivisibility of religion and law as an aspect of working and workable ideology. Manipulation of the sources of laws and customs date back to ancient India.⁴⁵ Plural systems of legal arbitration, the legal force of local non-religious customs, and the lack of coincidence between any single religion and any one legal system, also challenge a simplistic conflation of religion and law. It is thus possible to approach the question contextually and contingently, to see how the lines between religion and law were drawn differently at different times, along lines of region, caste and strata, delimiting or extending the purview of religion as the case may be.

I will argue that the present legal purview of religion, confined to personal laws that is to matters related to family, marriage and certain types of inheritance and impinging most heavily on the lives of women, certainly puts the orientalist axiom and its modern mutants themselves into the realm of ideology.

From the 19th century the legal purview of religion has steadily narrowed, coming increasingly into conflict with the exigencies of capitalism and its legal structures which seek to promote both individuation and class reproduction. Ambedkar's impatience with the spread of religion in social life and his argument for its legal delimitation came

from the viewpoint that management of class relations and distribution of resources could not be tied to religion.⁴⁶ Since the colonial era there have been successive and cumulative attempts to split religion off from most areas. Male inheritance was one of these. Male individuation was sought even within coparcenary systems but female individuation was blocked off in the name of preserving the family and the personal affairs of religious communities.⁴⁷

Religion no longer determines the laws related to the ownership of agricultural land, tenancy, crime, commerce, international relations and so on but is largely confined to law related to family, marriage and some forms of inheritance, thereby producing an uneasy and unreal division between public and private. Unreal, because in practice the areas in which personal laws operate are interdependent with and related to all the other areas in law and in women's lives. Women are governed not by family laws alone but by most other laws; inheritance in different regional and legal combinations⁴⁸ straddles the public and private domain while the legal compartmentalisation of public and private of work and family life is at once illusory since women's family lives and work capacities are completely intertwined and mutually determining as well as utterly prejudicial for women.⁴⁹ Uneasy, because this division simultaneously sees once religion as a means for the public regulation of private family affairs on the one hand and on the other effectively puts religion into the domain of the private in the sense that its legal purview is restricted to family matters.

Several definitional questions arise from such a division. The peculiar bracketing of laws related to marriage and family as personal laws produces a gendered definition of religion that falls more heavily on women. Does not this display the collective interests of men from different religions in maintaining gendered power hierarchies? The location of religion in the private domain has repercussions too. It serves to transpose the liberal rationale of the family as a private sanctuary ideally beyond state intervention (which has proved so detrimental for women)⁵⁰ onto the religious community and its personal laws. It also shifts the onus of maintaining community identity onto women in marriage and women in familial relations. Finally, this notion of religion assists in the replay of a classic logic, honed by colonial administrators and middle class Indians in the early-19th century in which patriarchies had to be 'at once preserved and reformed',⁵¹ but this time on the ground of personal laws. Is this demarcation of private and public consolingly pre-modern or eminently 'modern'? In other words, is it in fact an instantiation of the clichéd liberal division of public and private, with the public as the

sphere of universality, nationality, impartiality, equality in the eyes of the law, built on consent, and the private as the sphere of particularism built on the natural subjugation of women.¹

It is important to discuss the ideological rationales implicit in several types of conflation of law, religion, community, belief, and women that are being made in defence of personal laws and the social diversity they are presumed to represent.

In arguments resting on the conflation of religion, law, community and belief, any critique of the bases of personal laws is seen as an attack on community rights on religion and on matters of belief. Yet why should group rights or a sense of community not be rebuilt and claimed on lines other than the patriarchal? If the educational and cultural rights of minorities deserve to be protected, why should their or anyone else's 'patriarchal rights' be protected? Or are we going to define patriarchies sometimes as religion and sometimes as culture? Are patriarchies the sole determinants or guarantors of religion? Are patriarchies to be treated as an essential or an alterable part of religion, that is, does the solution lie in atheism or in reform? Why should a separation of law and religion *per se* undermine either the sense of belonging to a community or professing and practising a religion? If it was the case, how come the presence of common laws in most areas other than the family as well as of some secular laws governing the family have not already destroyed religion and belief?

In my view, there can only be three implicit rationales for a conflation of religion, law, community and belief, and the corollary fear of any critique of the principles or bases of personal laws. The first is that religion should be ratified by the state, is family law. This is fairly dubious and could simply amount to a means for maintaining patriarchies. The second is that once family law is split off from religion, the triad of religion, community and faith will be weakened. This amounts to saying that religion, community and belief depend on the continuation of patriarchies, or worse that group rights cannot but be based on a supersession of women's individual rights. In either case this is strictly feminist. There is a third implicit rationale, which is that while all other laws can be shared by different denominations, and by believers and non-believers alike, family laws must be singled out for religious legitimisation and can only be changed, even on lines of gender justice, if their religious legitimisation is not challenged. This third implication also has serious consequences for women: it is tantamount to saying that women in their family relations must both signify and be kept forcibly in an ideologically pre-capitalist and pre-contradictory realm, never mind if the world is changing. Even

if women acquire further rights through reform of personal laws, these rights must be seen to fall under the rule of religion, be ratified by it, and must not contradict it. And since all three rationales come into play *only* in the domain of family law, the conclusion is inescapable that the covert conflation is in fact one of women with religion and belief and community identity. That is, women are uniquely required to be guarantors and preservers of a pre-capitalist enclave produced by modern political and economic procedures. This is so conservative a position, so rehearsed over 200 years, and so obsessed with creating cultural spectacles geared to neocolonialism and global consumption,² that it does not even deserve to be entertained, least of all from a feminist standpoint.

It is also possible to outline another slightly different conflation in which the legitimacy of personal laws is derived from identifying them with social plurality while social plurality hinges on a conflation of law, religion and women's rights. Would the delinking of law from religion destroy cultural plurality and diversity of beliefs and religious practices? Surely it would only curtail sanctification of patriarchies through religion and its further ratification by law. (Indeed it may partly *free* religions from the tyranny of legal definition, it need not stop the practice of religion in non-patriarchal ways. Or is it that the introduction of the same rights for all women will destroy plurality, that is, is it that *uniformity* of rights makes for social plurality? This latter is both anti-modernist and anti-feminist. Or is it that the nominal existence of personal laws is crucial regardless of how much their content is altered through reform? But if that is the position of the upholders of social difference, then surely there is a tokenist non-substantive particularism alone.

(10) PERSONAL LAWS AND HOMOGENISATION

A major sticking point in these positions is a fear of homogenisation. However, the belief that personal laws express religious plurality, and the expectation that they will continue to do so if reformed with a view to gender equality, is borne out neither by the history of their formation nor by their contents.

The pluralism that personal laws supposedly represent is in fact premised on an enormous reduction while the very notion of religion which underlies personal laws is one formed through a process of homogenisation. The British homogenised personal laws through codification and further codified custom through the accumulation of case law, scarcely incorporating the enormous diversity or variations of belief, sect and practice in different regions and classes that existed even within the rubric of the major denominations. Subsequent reforms of

personal law have shown no respect for or commitment to this substantial diversity. In fact the reformed Hindu law and the Shariat Application Act helped to create newly unified versions of Hindu and Muslim. This did not happen by default; the reformers of personal laws first directly confronted then sought to erase the diversity of customs in order to homogenise the various Hindu and Muslim communities' across the subcontinent. Even now, reform of personal laws from within 'without or above' is likely to continue this process and intensify the conception of sharply defined, bounded and exclusive religions on which such laws are based. And what is worse, it resembles a specific logic of communalisation on which much of the present politics of electoral blocs rests.

The reforms of Hindu and Muslim personal laws so far have produced two different models of homogenisation though both are in part facets or extensions of a common history of 19th century reformism. The colonial regime had already introduced a degree of Anglicisation privileging textual over customary law in what have been called processes of Islamicisation and Brahminisation,³ and it had codified customary law in piecemeal ways. As the realm of common statutory law expanded, creating the still extant division between the public and the private, the personal laws governing the private domain came to be labelled religious laws, though they were either actually state enactments or the contents of their rules had substantively changed.⁴ Subsequent reforms of these personal laws⁵ made similar attempts to homogenise the variety of regional customary laws, though only with partial success.

The reform of Hindu personal law after independence displays certain notable characteristics. Firstly, the state veered between secular and religious legitimisation. The first proposals for the reform of Hindu law used a religious basis but the final proposals (e.g. for divorce) could not be traced to religious texts, and the claim of pandits to be legislators was disallowed, at the same time some rules were allowed to continue because they were religious, even though they contravened Constitutional principles of gender equality.⁶ Consequently the Hindu Code Bill was both Hinduising and de-Hinduising in an arbitrary way: it made the law both less and more religious.

Secondly, it produced a tendentious legal description of a 'Hindu'. It purposively included the Buddhist, Jain and Sikh despite protests. The plea of Sikhs and some Buddhists to be governed by their own laws was rejected. So too was that of Jains on the ground that their few differences from Hinduism were not fundamental.⁷ It further included anyone who was *not* a Muslim, Christian, Parsi or Jew, and it also mentions

that this code would apply to any Hindu, Buddhist, Jain or Sikh who has merely deviated from the orthodox practices of his religion but has not embraced the Muslim, Christian, Zoroastrian or Jewish religion. Next, it was extended to cover even those who did not profess Hinduism and were not active followers. Finally, it was reluctant to make or continue regional exemptions.

The bill thus attacked most principles of religious plurality and choice. It first recognised the existence and claims of in-between and unclassifiable areas: discrete belief systems, overlapping religions, non-believers, regional specificity, and then proceeded to deny them any legal provenance. The negative description of a Hindu as one who was not a member of the four excluded religions produced a Hindu so tightly minated to his/her birth that even non-belief could not provide an exit. Even though the Constitution provided for the right of non-belief and atheism,¹ the reformed Hindu law took away the freedom of legal self-definition and self-designation from individuals born in Hindu families. Thus despite its criss-issimilationism, it instituted a new primordialism: even as it described more people as Hindu than had ever been done before and included people who had not like in-betweens so defined, it made the whorled try. And what was worse, this description of Hinduism solely in relation to four excluded religions meant that these religions inevitably became its legal others. This could be partly related to the punitive laws on conversion discussed earlier: once non-belief had been de-recognised as a mode of exit from personal law, it remained only to try and seal the remaining possibility of exit through conversion. Since the legal definition of Hinduism had been artificially so enlarged, presumably all that a Hindu could now convert to was to the four excluded religions. Thus even the social meanings of conversion were narrowed: since much mobility that would have amounted to conversion in the past would now look like movement *within* the spacious ambit of this Hinduism. With the Hindu Mahasabha's shuddhi campaigns from the 1920s and the accompanying fear they whipped up about Hindus converting to Islam, conversion had become a volatile issue entangled in communal violence and remained so in the aftermath of partition. Though the attack on religious Hinduity also had other antecedents in the colonial period which had made Christianity and Islam the main opponents of Hinduism, and even this negative definition of Hinduism can be seen taking shape in the 1891 Census,² the state now virtually handed a completed agenda to the Hindu communalists. Ironically, all this was subsequently defended in the name of Hinduism being at once a culture and a cultural synthesis.

When the reform proposals were discussed in the Lok Sabha it was claimed that Hinduism was not a religion but a culture, a synthesis of the varied beliefs, customs and practices of different people.³ The Hindu as legal entity became difficult to distinguish from the one desired by the Hindu Mahasabha.⁴

Finally, the criss-issimilationism of diverse schools: Hindu law premised in a northern upper-caste model,⁵ it one level attempted to create a homogenised Hindu patriarchy through formal levels. Even women who had more rights in some areas of inheritance were now to make do with less under the Hindu Code Bill. It preserved and unified mixed customary law derived from the Mitakshara, that is prejudicial for women. However, there was no uniformity in some clauses (such as inheritance on adoption), while some unexplained exceptions were made with the result that many customs and practices of Hindu laws continued to operate.

Finally, the messy and inconsistent break from an upper-caste shrautic origins in a model made it difficult for the Hindu Code Bill to either fully absorb lower-caste and class practices into homogeneous laws or to consider them separately. These were carelessly overridden,⁶ with the exception of customary divorces which were saved since 80 per cent of lower-caste Hindus already followed various customs of divorce. The code tried to let it as an agent of unification at a minimum level of different castes or patriarchies, but with uneven results. Ironically, attempting to iron out the inconsistencies and ironing diverse customs in Hindu law may amount to another round of homogenism: the Hindu.

The reform of the 1930s homogenised Muslim personal law on somewhat different lines: it involved monslaught on customary law and customary variations as well as on the way customary law constituted contiguous syncretic collectivities that were not the firm communities it introduced. Legal homogeneity among Muslims is a basis for common religious identity, entrenched religious elites, and achieved a predominance of scriptural law *through legislation*. Many of these features make the homogenisation of personal law appear to be a facet of those 19th-century reformist movements that had set out to Islamise by purging syncretism. Like the reforms of Hindu law, it had also set out to fasten Muslims to their personal law.

Till the 1937 codification of the Shariat Application Act, Muslims had followed Islamic law in certain matters and customary usage in others while regional laws and usages had been continuously engrafted as customs.⁷ Haryana Muslim landowners preferred customary law (more consonant with class and patriarchal interest) over and above the shariat law. The objectives of

this bill were legal reform, securing uniformity among Muslims in all their social and personal relations, to thereby do justice to the claims of women for inheriting family property who under customary law are debarr'd from succeeding to the same".⁸ More specifically, it was initiated by the ulama to bring Muslims of Punjab, North West Frontier and Central Provinces, to a uniform custom in law under a central personal law that would apply to all Muslims in the country. The improved women's property rights but by replicating the customary domain of corruption and deprivation, home and its own task is that of reformation. Muslim women governed by a range of customary law now came under a more textual regime. The ulama wanted to establish the principle that Muslim personal law and its customs should be applied to Muslims. The bill attacked local customs and usages as too amenable to local consensus, uncertainty and diffuseness in laws by divesting them of their norm and uses as well as of evidence of Muslims to their own laws. A compromise with Hindu who wanted an option between the shariat and customary law, benefiting property rights of under-landholders, options were allowed for adoption wills and testaments.

This piece of homogenisation continued with the passing of the Dissolution of Muslim Marriage Act 1939. This was an amalgam of liberal features from four schools of jurisprudence: a Muslim woman limited right to seek divorce. The 1937 Act lacked the discrepancy between women's husband rights to property and customary practice in such a way that attacking custom became a means for homogenisation. The 1939 Act using the same rhetoric of restoration made a notable departure from classical Islamic law in ruling that apostasy of women would no longer be a ground for dissolution of marriage. What is, as could have been a provocation, encouraged intra-religious marriages, tolerance and individual choice, the fact that it was restricted to women (male apostasy remained a ground for dissolution of marriage) over a different ideological location. It curtailed the opportunity for women to get out of a difficult marriage by apostasy, and was initiated by the ulama in order to convey that a number of Muslim women were knowingly Islam or changing conversion to quickly for divorce under Hindu law, and then fear that women would continue to do so. Women could simply be coerced into better life, to divorce, while providing judicial protection for not using or employing discretion in the application of a personal law. Cases of the conversion of married women seeking to dissolve the marriage could now continue Muslim heirs of shuddhi and of the abolition and

conversion of women may have played a role alongside the notion of women as 'community' property. If the 1937 Act asserted the rule of personal law over a singular Muslim community the 1939 Act asserted the rule of personal law and community over Muslim women, but in doing so it reversed the methods of the earlier Act: now men were more fully governed by classical Islamic law than women. Boundaries were tightened to keep women in. Conversion would not affect the marital status of a woman but nor could it any longer free her from conjugal bonds or from her husband's personal law.

Significantly, conversion functioned as a customary loophole for seeking divorce not only for Muslim but also Hindu, Christian and Parsi women. In some cases where the courts declared their marriages not dissolved by conversion, the reasoning seems patriarchal.⁷⁶ For instance, in *Rubasa Khanum*, a Parsi woman converted to Islam, claimed her marriage was dissolved; the judgment praised the exemplary modernity of the 1939 Act, interpreted her action as a unilateral repudiation of marriage and upheld the sanctity of the Zoroastrian vow.⁷⁷ Male unilateral divorce both legally and extra-judicially was a norm, but women moving from one religion to another to seek a divorce threatened *civisme*. Hindu, Muslim, Parsi, Christian, since it challenged religious boundaries, male proprietorship and patriarchal laws.

If patriarchies like violence have to be legitimated, and on the same ground, as representing the whole community, then community spokesmen have as much interest in suppressing difference as communalists, and as I have tried to show, the state itself has been invested in tendentious ways of suppressing difference. In this context, reform of personal law has been homogenising, whether it was carried out from within or without. Ironically all these reforms claimed to be working on behalf of improving the status of women.

The belief that reform of personal laws will at once uphold gender justice and guarantee social diversity⁷⁸ is groundless. Indeed reform of personal laws from within or above is, in our context, itself an issue of the reduction of diversity, the suppression of cultural differences, and the negation of space for choosing, changing or disavowing religions. Personal laws have been a principle of homogenisation on religious lines, from the colonial to the contemporary period; they have selectively and arbitrarily universalised high textuality, regional or upper caste practices, and reformulated patriarchies both in their initial codification and in successive reforms. Further, they failed to tilt the customary domain and incorporate its more egalitarian aspects, oscillated between bourgeois patriarchy and non-interference in 'native' religions or

capitulated to upper caste/class patriarchal interests.

My further questions is – how much of the 'religious character' and 'diversity' of personal laws will remain after a further reform on the lines of gender justice? Even if we were to differentiate our feminist perspective and our sensitivity to social plurality from these earlier attempts, would reform of personal laws from the point of view of gender justice be less homogenising? Gender justice can only push all the different personal laws into a *similar* direction since there are not at the moment an infinite number of ways to bring it about.

The question then needs to be posed not as one of homogenisation per se but of its nature, principles and limits. New common laws for women would also be homogenising; however, while personal laws sought to unify denominational groups, such laws would seek common rights on a non-religious, egalitarian and emancipatory principle. I will return to this but let me say here that fully developed precedents for an unoppressive form of homogenisation, based in an intelligent relation with social diversity, that adds to existing legal and customary rights and eliminates existing legal and customary disabilities, are unlikely to be found in colonial India or in contemporary laws.

III Cultural Diversity

(1) AN IDEOLOGY OF CULTURAL DIVERSITY

The issue of cultural diversity has two diastically different locations. One is an ideology of cultural diversity and the other is a renewed reckoning with the diversity of existing social practices in order to formulate laws that are not unilaterally destructive of all forms of diversity.

As my earlier discussion indicates, the ideology of cultural diversity rests on the assumption of discrete homogeneous communities each governed by its own tidy, primordial, determined package of legislation. They are deprived of internal diversity, looseness, and open boundaries, as well as assumed to cohere along lines of religious identity. Religion is the singular determinant, and that too a religion not subject to regional or class variations. Ironically, it is precisely this ideology that also informed the processes of homogenisation through personal laws.

I will argue that existing diversity challenges the very principle according to which cultural diversity is presently defined as the property of pre-formed, sealed religious communities, transgenerationally outside the ambit of change and choice, and on the basis of which community rights are defended/recommended. And further, I will argue that if we do reckon with the diversity of existing social practices then

the very principle of social plurality would have to include the 'rights' to change, make, break, segment and re-form 'communities' – without these it would be merely a principle of fixation, not a principle of plurality.

In the Indian context, those features attributed to cultural diversity that become distinctly ideological can be enumerated. First, the spatial coexistence of many sharply defined, sealed religions, ordained by birth, never chosen or changed, each the separate possessor of its own tenets, own way of life and own culture – virtually a proprietorial notion of separate ownership. The privileging of religions defined along potentially hegemonic lines suppresses all other axes of cultural diversity and ironically suppresses the diversity within religions themselves. Second, these multiple religions become the main opposition that India offers to western modernity, rationalism and the language of rights. Third, the maintenance of cultural diversity rests on maintaining or procuring community rights – which in practice boil down to personal laws – and opposing a homogenising uniform civil code, an opposition that is maintained without questioning the underlying categorisation of public and private or the homogenisation sought by personal laws. Fourth, the definition of community itself rests on a conflation of religion and culture, and more seriously, of both with patriarchy, running the danger of turning the defence of cultural diversity into a defence of diverse patriarchies.

Several persons have equated personal laws with plurality while elements of this definition can be found in many places, the concluding proposals of a recent essay by Partha Chatterjee brings them together and carries them to a logical conclusion by recommending self-governing minorities, defined as religious groups, whose cultural right needs to be defended.⁷⁹ In a somewhat rhetorical confrontation of 'them' and 'us', our cultural diversity, community rights and non-western post-colonial modernity make up one bundle weighed against their 'unitary rationalism of the language of rights', individual rights and western modernity. He believes that 'cultural diversity and the right of people to follow their own culture' which a secular/democratic state must protect is a

demand [that] cannot be easily squared with the homogenising secular desire for let us say a uniform civil code. The respect for cultural diversity and different ways of life finds it impossible to articulate itself in the unitary rationalism of the language of rights. There is no viable way out of this problem within the given contours of liberal democratic theory which must define the relation between the relatively autonomous domains of state and civil society in terms always of individual rights. As has been noticed for many other aspects of the

emerging forms of non-western modernity, this is one more instance where the supposedly universal forms of the modern state turn out to be inadequate for the postcolonial world [my emphases].⁸²

The notion of diversity implied in his essay seems to be one of a finalist cultural differentialism in which India is a spatial agglomerate of separately owned, solipsistic cultures – Muslim, Hindu, Sikh.⁸³ The threat to this cultural diversity would seem to arise not so much from pressures of the market but from political mobilisation, on the basis of a unitary language of rights, against inequality and gender discrimination.

Since the content of religion as an operative category, and the history of 'community' legislation and its effects on women remain unexamined, (the question of women is not directly raised), while minority cultural rights seem to be, by and large, confined to the right to personal laws, a conflation of religion, 'culture' and patriarchy results. Further, the idea of difference seems to be based on an active deferral or denial of commonality – in this case the privilege of having a basic quantum of shared, individual democratic rights, citizenship for women and an accountable state. A diffuse, over-encompassing notion of post-colonial, non-western modernity combines with the inadequacies of enlightenment rationality to tacitly preclude 'non-western' women from any other horizon of self-definition but their 'own' culture. This is rather daunting since it is on women that personal laws press the most heavily. As Sabina Lovibond has eloquently analysed, dismantling the as-yet-incomplete project of modernity for egalitarian, feminist social movements runs the danger of political quietism, parochialism and anti-feminism.⁸⁴

In Chatterjee's essay we have the added paradox of a self-consciously pluralist, anti-essentialist, anti-enlightenment postmodern position, that is led by its very over-investment in excoriating the enlightenment as responsible for all the sins of the Indian polity, to propagate a version of cultural diversity that is based on an essentialist, bureaucratic description of religious community, premised on fixity; this description of religious community is a product of the artifice of the colonial regime, formed in the exploitative relations of colonisation, marked by the settlements, compromises and patriarchal assertions of both emerging and ruling classes, and crystallised through community claims predicated on a series of 'unifications'. While religious communities are pitted against the essentialising procedures of the enlightenment, they are never themselves interrogated as bearers of a host of essentialisms. Further, this definition of religious communities as 'sealed', has in the Indian context been shared by the Hindu,

Muslim and Sikh communalists, indigenists, as well as liberal theorists trying to accommodate community rights.

The idea of cultural diversity becomes largely ideological whenever any exercise of the right to assimilate ideas of rights, justice, equality, and citizenship by non-western moderns is challenged *per se*, regardless of its political affiliations, aspirations and social effects, on the sole ground that the ideas originated in the 'west', since (in nearly tautological fashion) these ideas destroy cultural diversity. Cultural diversity in India (and some of its definitions) are themselves partially a product of colonisation, but in this ideology, cultural diversity begins to carry an undercurrent of 'authenticity' through the prohibition on the appropriation of anything 'western'. Is cultural diversity then to be based on the stasis of perpetual othering? Or (in Kwame Anthony Appiah's phrase), on the 'manufacture of alterity'?

Thus the first question in an argument for cultural diversity sensitive to gender justice would be – in which social terrains is diversity being privileged? With some regional variation, substantial areas of social life have been 'legally' homogenised by the state. Since ownership of agricultural land, crime, commerce, tenancy, international relations are 'public' domains, they are either presumed to be homogeneous or to require homogenisation. The onus of maintaining cultural diversity rests on 'personal' or 'family' laws while the very principle of cultural diversity so defined is based on an insidious and discredited division of public and private. Is there a hidden patriarchal agenda, that is, are old prejudices simply being rebottled in new academic languages? Is the 'personal' a male sanctum, and are familial patriarchies the privileged site of cultural diversity?

Another favoured terrain of diversity is rights and this has alarming implications for women. Is the institution of common rights for women an agency of homogenisation and deculturation? And is depriving women of uniform rights a way of preserving cultural diversity? The doubts about a proliferation of the language of rights can imply a return to premodern and customary languages of 'entitlement' and 'obligation' which were embedded in patriarchal arrangements.

In which situation is such a diversity being privileged by a section of the intelligentsia? Are they opposing capitalism, the relations of exploitation that underlie it and the culturally homogenising imperatives of multinational capital or merely displacing their unease and confining their protest to the cultural effects of capitalism? Is an argument for a diversity of personal laws based on sealed denominational communities simply a new addition to the range of anti-modernity

positions that have accompanied capitalism, overdetermined by notions of pluralism that have been introduced and debated in cultural contexts very different from the Indian? And is this particular form of pluralism resistant or hospitable to multinational capitalism and its redivisions of labour and capital?

And can we have the one sort without the other, that is, global capitalism without individual rights? Can women function under capitalism (which exploits individual labour) unprotected by commensurate rights between individuals and rights protected by the state? The limited rights available under personal laws are not commensurate with present needs. We also need to differentiate between forms and agencies of homogenisation and heterogeneity associated with capitalism – market, media, technology – from those associated with religion and law. Surely we can question the historical terms in which the abstract idea of universal rights, as derived from a purportedly ungendered or de-gendered rationality, were initially expounded, without giving up the concept of rights *per se* the validity or invalidity of these concepts would then emerge from an intelligent exchange between the material and necessarily different situations of women on the one hand, and on the other, the promise of rights made initially in the name of abstractions. That is, between abstract and concrete rights, with the understanding that any concretisation of a universal principle must be contextual. This cannot emerge from a prescription of anti-modernity for the 'third world'.

(12) IDEOLOGY OF DIVERSITY AND A UNIFORM CODE

The ideology of cultural diversity makes its appearance not merely in defence of personal laws but also in defence of uniform laws. Most especially in the reiterated suggestion from liberals of making a uniform civil code that derives from the best of all religions. Any serious appraisal of religions, their relation to patriarchies, is alien to the theoretical horizon of these positions, however good their intentions may be towards women. The uniform civil code is expected or assumed to occupy the same area – personal, religious, gendered – as is currently occupied by the personal laws.

A recent essay by S N Roy exemplifies the way certain types of demand for a uniform civil code can simply rehearse the same ideological assumptions about religion, community and cultural diversity, as most arguments for personal law. He describes the uniform civil code as a minimum common basis for inter-communal harmony with the capacity to reduce present hostility. He considers 19th century reforms to have been reforms from 'within' carried out by 'Hindus', and upholds

them uncritically as a model for Muslims now, even castigating their failure to reform from within in a similar fashion. Reform from within, he says, will take away the BJP's tool for communal hostility. In case reforms from within cannot take place, he argues, then 'secular' elements from all religions should arrive at a 'consensus' for a uniform civil code, so that it is not imposed on any one. In the process, the basic tenets of religion should not be harmed; only the misusable elements (such as talaq and polygamy) can be taken out.⁶⁵

In a remarkably uncritical and voluntarist view, 19th century reforms are recast as religious reform from 'within' effected by a fully formed 'community' and the onus is now put on Muslims, while the projected uniform civil code becomes a device for inter-'community' conflict arbitration. Such a uniform civil code will not be less religious than personal laws – it will be a compound of the benevolent aspects of all religions; no critique of religion seems to be required. Nor will it be different – it will only be a selection, on the principle of omission, from existing personal laws. Nor will it be based on an analysis of patriarchies – the laws may be for women but in practice they are a matter of religion-based arbitration by secular elements of religious communities. Nor indeed will it be secular – it will seek legitimisation from secular elements whose own authenticity rests in belonging to a 'community'. This is a version of the uniform civil code that resolves the question of personal law by sorting the wheat of religions from their chaff, by being a more transcendent religious law, 'personal' to all rather than one religious group. It rests on the same communitarian and gender-blind premises that I have discussed earlier.

It may help to move from questions of community, and, in the light of its cross cutting constitution, follow two other questions – a fresh definition of cultural diversity and the extent to which it depends on legal pluralism – before discussing how much diversity the laws can address in relation to rights for women.

(13) CULTURAL DIVERSITY: FROM ANOTHER STANDPOINT

In my view, a reckoning with social heterogeneity would have a standpoint radically different from that of the ideology of cultural diversity. This involves articulating diversity as an historical explanation and disentangling different types of plurality – religious, legal, customary as well as those which result from the systemic inequalities of castes and patriarchies – in order to formulate an alternative politics based on evaluation. The ideology of cultural diversity is committed to a stance of anti-modernity and resists evaluation of anything 'non-modern.' Whereas the

nature of existing cultural diversity necessarily entails evaluation to distinguish between strength and hazard as well as between cultural diversity and social disparity. Further, accepting this ideology of cultural diversity based on discrete religious communities may involve simply opting for different patriarchal arrangements.

The history of social plurality in India has to be disentangled from concepts of ethnicity and multiculturalism in their liberal and postmodernist registers. The segregationist differentialism carried in the liberal ideas of the ethnic and 'multicultural' not only implies many cultures residing together with a boundary distinguishing one culture from another,⁶⁶ but does not square either with precolonial social formations or with the type of colonisation India underwent.⁶⁷ Postmodernist pluralism privileges a kaleidoscopic hypermobility, bricolage, and spatial concurrence over those processes of material structuration which determine the nature, priority and relationships between cultural differences: since national boundaries are perceived as a major antagonist of pluralism, its politics rests on the autonomy of little identities and decentred networks that can enter into global intra-communal alliances.⁶⁸ Theoretical difficulties aside, I do not see how the question of rights for women can be posed from within a claim to infinite pluralisation or from outside the parameters of the nation-state. Further, the structured cultural networks that obtain here makes both integrating or balkanising attempts equally wilful and artificial.⁶⁹

(14) RELIGIOUS PLURALISM AND CULTURAL DIVERSITY

As far as religions are concerned, religious plurality is not a product of the mere existence of many religions – *of being more than one* – but of the nature and quality of their substantive social interactions, the field of overlaps and choices and the determinate historical repertoires so created. Diversity would also partly be that historical principle and process which has in precolonial, colonial and contemporary India continued to challenge discrete religions and their boundaries. It would be concerned with medieval (and later) traditions of comparativism, the richness and complexity of historical fashioning, the contexts in which religions were shaped, lived out, contested or became hegemonic, as well as with the significance of conversions in shaping a multi-religious formation. It would investigate how far 'cultures' in India are and are *not* separately owned or separately made, and make distinctions between the composite and the syncretic. It would be concerned with the nature and location (in terms of class and region) of syncretic spreads, and would see

both the purging of syncretisms, the reassertions of fluidity and renewed avenues of multiple choice as a continuing process. The ideology of cultural diversity based on given religious communities with impermeable boundaries, assumes that the purging of syncretism is *completed* and irrevocable. It represses recognition of those diversities that can still be a cultural strength and ignores contemporary evidence of religious fluidity. There is a vast gulf between the theological systems and ideological purity of dominant religions and everyday religious practices of ordinary people that mix concepts, rituals, symbols from different systems.⁷⁰ Popular religions exist at the intersection of many denominations, may implicitly call them into question and are now produced as much through urbanisation and urban subcultures as they were in the past by local agrarian subsets of superstition and belief.

The alternative standpoint I propose would, however, reject religion as the singular determinant of cultural diversity. Just as religion is not the sole type of primordialism, and primordial community is not the only available form of social collectivity, so religion is not the *singular* axis of cultural diversity. One major reason for this is because cultural diversity is an effect of multiple primordialities⁷¹ in dynamic relation with class and other non-primordial collectivities. I would also reject as unhistorical the perception of religion as an undifferentiated axis of cultural diversity.

The inflation of religion as the singular axis of cultural diversity involves collapsing politically articulated difference with social plurality *per se*. The actual cultural diversity in the country exists in a politically unarticulated and politically unselfconscious realm. And it is this rather than four personal laws, a product of political articulation by the state and community spokesmen, that constitutes genuine plurality. It would be a sorry state of affairs indeed if plurality could only be preserved now through the artifices of contemporary 'Hinduism' or 'Islam'. Ironically, 'deen' and 'dharma' have crystallised as realms of political difference, while social commonality is taken for granted since it never obtrudes on the political arena of communal conflict save as tolerance or human decency. In fact the unselfconscious and inarticulate character of commonality leads to the assumption that it has no history and is not accompanied by historical memory – historical memory becomes the monopoly of only those who claim antiquity, loss, decline and seek rejuvenation.

Finally, regarding religion as the solitary axis of diversity has produced an extraordinary fetishisation, arising, as also in the case of religious community, from a narrow focus on the byproduct or endproduct without at the same time

analysing social processes. A democratic, sensitive social project cannot and should not be inimical to cultural differences or diversity; nor can it afford, however, to fetishise them. People, practices and institutions change as well as fossilise, and some changes may be actively desired or desirable. One possibility is to see cultural diversity as the *end product* of short and long historical processes, rather than as *direct* object of annihilation or preservation. A 'mobile' cultural diversity *cannot* be the direct object of preservation, *rules* cannot be prescribed for maintaining in-between spaces. The major question as I see it, is not about religious pluralism or cultural diversity *per se* but about the social processes that have produced these phenomena in the past and can sustain them now under capitalism. We can only support those *social processes* which permit more religious fluidity over and above those others which do not.

(15) RELIGIOUS PLURALITY AND SYNCRETISM

If we discard the notions of sealed religions and religions as sole determinant of diversity, and theorise religious plurality as characterised as much by syncretising interactions or processes as by the making of discrete religions, how do we evaluate these syncretisms? Syncretism is neither free of ideologies, nor does it have a single or singular moral, political and cultural valence. Its meanings may conjuncturally alter."

Syncretism is a site which has been resistant to orthodox patriarchies. For instance, the in-between areas produced by syncretism, conversion, or atheism, have posed a continuous threat to the interrelated formation of religious orthodoxies, community claims and (usually upper caste/class) patriarchies. They have been most resistant to (and threatened by) clear-cut definitions, legal codification and homogenisation, and have provided a degree of fluidity and social choices. The categorisation of some laws as 'personal' has itself acted as a denominational pressure, enforcing unsought clarity of definitions and the tyranny of the denominational 'name' on those converts who have followed bits of different 'religious' laws or those for whom conversion was a form of rejection of religious or patriarchal oppression (some low caste groups or some women). Non-believers and atheists, men or women, are as threatening for present-day votaries of religious community as for orthodox believers. Their legal rights seldom enter the debate and are assumed to be covered by the Special Marriages Act! In such a context the (usually anti-modernist) characterisation of unbelief as 'western' becomes ironic – the refusal to be named can singly or together invoke premodern traditions of atheism, an enlightenment

secularism and/or resistance to the way denominational 'description' assists communalisation.

The definition of syncretism as 'influence', whether as benign or malign, can be distinctly ideological and needs to be discarded. Syncretism both resides in and is a product of a wide field of interaction. Commonalities resulting from coexistence cannot be reduced to influence, whereas a notion of two-way interaction has the advantage of speaking of structures and conjunctures, attending to the common contexts and mutual re-formations involved in cultural change. An influence-centred theory of interaction involves a passive relay and reception, a possibility for re-constituting ancestry/roots, a filiacentrism regarding originator of influence. Resting on a them-and-us on singular lines, it can lend itself to a reification of roots and projects of purification. Change is perceived as internal to religious traditions not a function of contexts. Each religion becomes a discrete, autonomous unit which squelches away little nuggets of 'influence' into its own hoard and discards them at will. This was one of the ideological premises of Sikhisation, Islamisation and Hindurisation – influence was something to be weeded out. Syncretism was defined in hard versions of Sikhism and Islam as 'reversion' to pre-conversion practices and in hard versions of Hinduism as the corruption wrought by the invasion of Islam and Christianity. Under the guise of erasing influence they tried to erase the social space of interaction with a canny knowledge that prohibiting interaction may be the best way for wiping out syncretisms.

However, questions have to be raised about the specific structural locales and social agency of syncretism – that is, whether it is imposed or the product of co-existence and gradually accumulating choices, whether it aims to results in erasing other differences, the nature of the resistance or challenge posed by a specific interactive network to existing structures, whether it is implicated in class, caste, gender and nationality based discrimination. Syncretisms have to be conjuncturally evaluated according to their own selective procedures, functions, transactions, and teleologies. For instance in-between areas have also functioned as nodes of incorporation and assimilation and can be equivocal buffers from 'religious orthodoxy'. Syncretisms especially in the customary domain, may be the site where patriarchal consensualities operate: that is, an area of shared oppressions for women. Thus though syncretism is a corrective to ideologies of religious community, birth-bound identity and cultural diversity, it cannot be offered as a panacea since it has itself to be opened to an equally rigorous interrogation.

(16) DISPARITY AND DIVERSITY

Syncretism has never been articulated as a concrete coherent political position from which lessons of resistance can be learnt by feminists. Before it can be so articulated, syncretism and other forms of diversity have to be opened to even sharper questions of patriarchal ideologies and privilege by confronting the subtle conifications of and explicit refusal to make distinctions between social diversity and social inequalities.

Cultural diversity is formed in a complex play of power, resources, geography and political systems. Ideas of 'essential' difference have been a notorious basis for discrimination. Do 'differences' produced on the basis of class, caste, race or gender, the products of systemic inequality, now need to be preserved as indices of cultural diversity? Can plural practices resulting from the discriminations or exclusions of caste and gender usefully be called diversity, and if so is it a desirable diversity?

While we cannot afford to politically confuse cultural diversity with social disparity, we have to simultaneously recognise that in our history disparities have indeed produced specific forms of diversity. For instance, diversity can also be a product of the differential distribution of patriarchal oppressions/protections and customary rights/disabilities. This in fact can be an evaluative standpoint from where the question of *which* cultural differences are sought to be maintained can be addressed: that is, do they help women and substantively enlarge their choices or simply entrench diverse patriarchal arrangements. Unless cultural diversity is confronted with such questions it runs the danger of becoming a localised replay of the angst of colonial anthropologists or of the bad faiths of bourgeois anxiety vacillating between destroying and preserving its 'others'.

(17) RELIGIOUS PLURALISM, CUSTOM, PATRIARCHIES

Similar questions have to be addressed to the diversities in the customary domain. The customary domain is not reducible to personal laws (these are a compound of new statutes, derivations from customary law and a suppression of customary variation) and is far wider than religious plurality since it incorporates primordial and non-primordial forms of social organisation, and relates to most material aspects of life. The conflation of custom, religion and fixity, as by British administrators led by William Jones in the late-18th and early-19th century, is utterly misleading.

Customs display innumerable relations to textual religion or scriptural tenets ranging on a continuum from co-operation to antagonism. They may be formed in ignorance, in tacit contravention, or in rejection of religious texts, or through

exclusion by scriptural texts (as of low castes). They may be a way of resolving the needs of changing social formations against a fixed, static body of texts, or part of the gradual and relatively non-conflictual adaptation of religions to social change. They may take advantage of discrepancies in texts, invent practices not covered in texts, authorise present needs or desires, and may defend obvious deviances on the ground of custom.

Customs thus are differential or varied embodiments of more or less univocal texts. What is more important, they show that religion is not and has seldom been the unalterable letter of the law. Custom is the battleground on which the full, embodied sociality of religious texts is established. To complicate matters further, many of these relations of custom to religion are replicated in the range of relations between custom and statutory laws whether personal or general.

In some situations, not all customs have united men and women across denominational lines, on rationales of region, class and/or syncreticism, but at others they have reinforced caste and religious divisions. Syncretic customs, including some of women's religious practices, take effect in a context of sociological norms and social tolerances.⁹⁴ But custom is also a major field of patriarchal assertion in the form of class and caste differentiation – subject to both consensus and conflict. Upper caste customs can be guarded as privileges and lower groups not be allowed to practice them. Customs are equivocal about patriarchies – they may grant or deny entitlements to women, and as a form of local pressure can work both for and against women. Customs which challenge religious texts or commentaries or assist cross denominational social unities may be as patriarchal as those that conform to texts or maintain religious boundaries.

Thus if the customary domain is indeed the largest single determinant of cultural diversity, it is also the most difficult and necessary to evaluate for a secular feminist project. It may provide lessons in the way social processes challenge high textuality and throw up secular norms or non-religious law but it is far too ambivalent to be a source for laws.

(18) LEGAL PLURALISM

There are two existing types of legal pluralism, as established through the laws and functioning of the state, and as practised in the realm of non-state customary arbitration. Both have helped to sustain regional and religious diversity but as entwined with class, caste and gender inequality. If they have helped to maintain social plurality, they have given similar assistance to diverse patriarchies. However, there is no simple fit between legal pluralism and religious pluralism, and this could help

in thinking of the boundaries between law and religion historically, contextually and contingently.

Legal pluralism has a complex, tortuous history. Ancient Indian law was structured around demarcating different categories of persons on lines of caste, gender or denomination (atheists were a persistent 'other'). Thus one source of legal pluralism was the order of castes that determined claimable entitlements, obligations, privileges, as well as punishments and violations for each group on a descending scale. Consequently, no right was theoretically universalisable, and no crime was the same, that is, open to identical punishment. The *Smritis* further allowed for discrete, overlapping, intersecting patriarchal arrangements for different castes. The logic of northern conquests and expansion was another source of legal pluralism. For instance the *Manusmriti* enjoins leaving the customs of the conquered intact (opening both text and custom to conjunctural use). This logic brought into play a variety of practices ranging from non-interference to partial incorporation (as of tribal groups), and produced a long-standing tension between the customary and the textual.⁹⁵ New interpretations and commentaries as well as different schools of law, often tied to denominations, made for a theoretical pluralism, compounded by customary variations in regions and social groups. The inconsistency of texts as well as the leeway they gave to well-instructed brahmins to decide cases for which there were no general rules, both made for a structured looseness and a built-in heuristic space that was sought to be kept as the monopoly of brahmins. However, there probably existed a multiplicity of jural sites based in tribal organisation, caste division and localities alongside the powers vested with the monarch and in the state.⁹⁶

Some of these features can still be seen in the medieval period, though a common criminal law was introduced, sometimes with provisos of differential application on the basis of denomination (Akbar tried to minimise these), and new legal principles were also sectorally introduced. A new notion of contractual, alienable and claimable 'rights' was implied in *haq* and entered into different relations with earlier concepts of 'entitlement'. There is also evidence for the multiplicity of jural sites in a number of regions.⁹⁷

The colonial regime only effected piecemeal homogenisation; it introduced many legal changes but did not or could not end legal pluralism. The British discovery of, alliance with, and/or usurpation of local sources of power and authority dates back to the selective non-interference of the late-18th century, and was a source of legal heterogeneity. So too was the oscillation of the colonial state between

non-interference and the desire to selectively institute a version of bourgeois patriarchy. British policies involved attempts to homogenise certain laws, especially those governing land relations and crime, an extremely problematic codification of personal laws, a practical extension of the principle of denominational categorisation beyond Hindu and Muslim personal law, but effectively allowing for immense regional variation depending on which problem was being tackled where and in which political conjuncture.

Laws in the presidency areas differed, and often on patriarchal lines: in some places selected and reconstructed versions of Hindu upper caste laws were sought to be universalised – for instance the *Manusmriti*, was scarcely popular in the south; in other areas like Punjab customary laws were sanctioned.⁹⁸ Despite the fears of homogenisation it raised, the Special Marriages Act functioned as a form of legal pluralism making civil marriage available for the English educated, the 'secular', those who favoured choice of partner, and/or wished to make inter-caste marriages. Disputes between persons who were neither Hindu nor Muslim, in presidency areas, were arbitrated through the application of English law, or by applying existing custom or even the law of the country of origin.⁹⁹

The areas under indirect rule followed differing trajectories. Some princely states like Baroda and Indore instituted a civil marriage act before the presidency areas.¹⁰⁰ Others became patriarchal havens – for instance those which did not institute a minimum age of consent even when it was instituted in the presidency areas, provided avenues of selection. Both Hindus and Muslims crossed borders to obtain child marriages more beneficial to patriarchal arrangements – a 'diversity' that did not benefit women.

While the colonial state was divided or inconsistent, people often exercised choices, in matters relating to marriage and family, between non-British customary law and statutory British law depending on what seemed more appropriate, easily available and favourable. Customary law was not fully codified while personal laws had only partly homogenised the variety of regional and customary laws, and people often used a combination of personal and customary laws. The rule of personal law was far from absolute; laws for Christians, Muslims and Hindus varied according to domicile throughout the colonial period.¹⁰¹ Further, different laws in different states under direct and indirect British rule alongside the continuation of non-state jural sites produced legal shopping. Simultaneously, most people were under the jurisdiction of caste-law which remained relatively independent of court-law and could be as inhibiting and nervous.¹⁰²

The present forms of legal pluralism also exist at both state and non-state sites, and some of these are simply continuations of earlier forms. The state enacts its own brand of legal pluralism through politically motivated, selective interference and non-interference in personal laws.¹⁰¹

At one level, the contradictions between Constitutional provisions for gender justice and fundamental rights and some of the statutory laws (both personal and general) have produced a multiplicity of competing interpretations, some of which are useful for feminists and some not. This is complicated by the contradiction in the Constitution itself, recognised by its architects, between the freedom of religious practice and reforms oriented to gender justice.

At a second level there is a plurality built into the laws through the variations in state laws¹⁰² through continuation of colonial laws, partial codification and internal inconsistencies,¹⁰³ as well as through available options and exemptions positing different principles and/or categories of persons. For instance, personal laws, exemptions for tribal women and for some bodies of customary law, a small pool of general laws, sections of the criminal code relevant to women, the Special Marriage Act and Indian Succession Act – all govern family relations but are not framed on identical principles. The distinction between religion-based and secular laws is not clear-cut. Some particularistic provisions from personal laws have seeped into non-religious laws. Other interrelationships between the two also exist or have been introduced.¹⁰⁴ The mutual contamination of religion-based and secular laws seems to function through connections, segregations and dispersal. Some areas like inheritance are governed piecemeal by personal and non-religious laws. Personal laws work in tandem with other statutory laws – neither domain is autonomous – while there are some routes of access from a personal law to some secular laws.¹⁰⁵ (This is not to speak of an unmediated plurality arising from the unhomogenised, labyrinthine, and unrationalsed aspects of the law as a whole.)

In some cases, combinations of customary and personal law are still available, while in some other cases customary laws alone are practised. Customs are legally established and become efficacious through precedent and case law, they can in theory overrule statutory law but in practice this tends to be arbitrary. Statutory law does recognise certain customary areas if precedent can be proved and if no statute has previously cut across or overridden it.¹⁰⁶

Custom is the interlace between law and practice¹⁰⁷ and was given different recognitions in different legal systems – for instance brahminical, mughal and colonial. Customary variations are not subjected to

any single convincing rationalisation. At present one aspect of custom exists in a selective relation to statutory law, seeking either exemption or inclusion. However, there is a vast domain of customary and juridical practice and extra-legal jural sites that is either tacitly propped up by statutory laws or demarcated (and so restructured) by being left out, or unsanctioned by statutory law and court procedures bearing no direct relation to them – or even has a relative autonomy from them. It is implemented by customary arbitration, caste councils, caste and village panchayats as well as village elites. Here the faces of practised patriarchies are visible whether in widow immolation, punishments for incest, marriage or 'community virginity tests'.¹⁰⁸ These forms of customary arbitration, with their independent roster of customs, laws and 'crimes,' personal to local groups, can be more punitive than law courts. And with no recourse. Indeed their greater flexibility and efficient implementation, can for the same reasons lead to greater oppression and become a feature of local patriarchal coercion. Patriarchal customary practice enforced by the punitive capacity of local yet powerful consensualities – the frequent coincidence of jural 'communities' with the holders of economic, social or cultural power (for example village elites), effects all sections of the oppressed including women.

In many cases such jural groups have been coming into conflict with the new legal system – often local institutions and the daily power of village elites are at stake. But these conflicts are not of a single type. Therefore in each case feminists have to ask the question of whether the shift from customary to statutory enhances or reduces the agency and the rights of women. The question is one of extraordinary complexity since local customs are imbricated in the local economy of types of agricultural production, division of labour and labour requirements, ecology, nature of commerce, caste divisions, distribution of land and the market for land, as well as related to and responsive to changing economies, the pressures of the market, the law itself and to caste and class mobility.

The centralising laws of the colonial and contemporary state have thus co-existed with a number of uncentralised, operative jural sites, jurisdictions, juridical and arbitration processes. (Indeed some centralising laws were, in theory, consciously instituted *against* these multiple jurisdictions.) While the presence of these jurisdictions does imply levels of non-intrusion in civil society on the part of the state – it does not imply any commitment to social pluralism. In ancient India, legal pluralism was partly an *effect* of state expansion accompanied by selective non-interference in the customs of conquered peoples, displaying a tacit investment in

social hierarchies. With both the colonial and contemporary state, legal pluralism and jural multiplicity continue to imply varieties of pragmatism while with the contemporary state they further imply a reneging on the promise of democratisation. This is so because prior to 1947 no state had been even theoretically committed to social and gender equality.

However, in part legal pluralism has also been an effect of the continuing implication of civil society itself in inequality and patriarchies. The range of choices that extra-judicial systems provide has never been accompanied by the institution of equality, nor are these necessarily *enabling* for women.

We can idealise neither existing statutory nor customary laws. The patriarchies enforced in non-state jural sites have to be resisted as much as those of the state and its laws. Given this equivocal character of legal pluralism, whether statutory or extra-statutory – a feminist legal project would need to keep in mind the difficulties of squaring legal reform with the ground realities of extra-judicial legal pluralism, given the small number of women who take recourse to the legal systems compared to those governed by the extra-judicial domain. Further, if until now neither legal homogeneity nor heterogeneity *per se* have been a guarantee of justice for women or the removal of patriarchy, then the question of legal inequality has to be addressed to both the state and civil society and its customary practices. Even supporters of reformed personal laws or of a uniform civil code cannot escape this question.

The question of rights for women then cannot be reconciled or even posed within religious pluralism within existing types of statutory and extra-statutory legal pluralism or within existing forms of legal homogenisation. The crucial question of the most enabling forms of homogeneity and diversity can be approached only through a discussion of multiple patriarchies.

(To be Concluded)

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Notes

1 In framing the demand for a uniform civil code as an implementation of a directive principle in the Constitution the BJP seeks not only to prove its own legalism but to present itself as fulfilling the promise of independence both in its ideals and in its legitimacy. In doing so it is pretending to forget its own illegality and denigration of the Constitution during the destruction of the Babri Masjid. Further, in order to propagate the uniform civil code, it is now quoting chapter and verse from the same Nehruvian secularism which are otherwise its special targets such as Ambedkar, Muslim and Masani (Madan Lal Khurana, *The Times of India*, August 12, 1995). This exercise is intended to blur their own ideological affiliation to the Hindu Mahasabha that had opposed reforms of Hindu law. It is also intended to disguise the fact that their propagation of a uniform civil code has the same rationale as the destruction of Babri Masjid: that it is revenge by self-designated victims of a historical injustice, now the uniform civil code is to be a revenge by victims of a judicially reformed Hindu law that took away some male privileges. At present the BJP is staking its claim for one nation and one code on the equality and dignity of womanhood. Their uniform civil code would be the amalgamation of the best from each community, the best from various codes would be culled and incorporated while the bad and outdated would be deleted (read judge Gnananand Reddy, *The Times of India*, August 3, 1995; Sushma Swaraj, *Indian Express*, July 31, 1995). Advani promises that a uniform civil code will strengthen the secular fabric and deliver gender justice (*Hindu*, July 18, 1995) and some spokespersons are putting themselves as above religious division. They claim that the uniform civil code will not be an imposition of Hindu personal laws on minorities, it would also do away with the evils afflicting the Hindu society (*Indian Express*, August 2, 1995). For instance, the discrimination against Hindu women in matters of custody and inheritance (*Hindu*, July 21, 1995) while some take protective positions as a minority women. Desecration of wives with pitiful alimony is common among Christians and Hindus in Meghalaya according to Sushma Swaraj. However, their anti-Muslim bias leaks out in a number of ways. First in showing up the backwardness of Indian Muslims by pointing out that Islam is capable of reform and has been reformed in other countries (D. K. Jain, *Indian Express*, August 2, 1995) without acknowledging how their own aggression retards reform and change by putting minorities on the defensive and silencing minority women. Second in pointing at the exemplary nature of the Hindu personal law's accommodation to change (Sushma Swaraj says if the Hindu civil code could be evolved why not those of other groups) and thirdly in localising polygamy as a 'Muslim' issue (V. H. Dalmia VHP president, *The Times of India*, August 3, 1995) partly by focusing on the handful of Hindu men who converted to Islam in order to marry again and forgetting the innumerable Hindu men who commit bigamy without bothering to convert.

Further their political strategy in which the women's wing of Mahila Morcha will pick up gender justice through a uniform civil code makes it clear that the emphasis on gender justice is a form of moderate Hinduism (*Hindu*, July 18, 1995). This is borne out too by its wariness in concretising either the content of the proposed code (the uniform civil code will be drafted by constituting a law commission [Sushma Swaraj, *ibid*]) or even of the proposed anti-polygamy law for BJP ruled states which has remained a controversial issue in inner party debates (*Statesman*, July 24, 1995). Vajpayee felt that even drafting the anti-polygamy law was best left to the centre (*Indian Express*, July 23, 1995).

2 For some of these complex logics of pre-modern and 19th century corporate jati mobility see Hitesranjan Sanyal, *Social Mobility in Bengal* (Calcutta: Papyrus, 1981) pp. 47, 44, 48, 49.

3 For a discussion of this process in the Hindustani belt in the 1870s see Kumkum Sangari, *Differentiating between Hindu and Muslim Women: on Domestic Sites* presented at seminar on Appropriating Gender: Women's Activism and the Politicisation of Religion in South Asia, Bellagio, August 1994.

4 The fact that religious reformation was at the time understood as a politically efficient compound of class, caste and community claims is well illustrated by the massive conversion of the Punjab chieftain to Islam, Sikhism, Christianity as well as the Arya Samaj. For an account of these as well as other lower caste conversions to these religions see Duncan B. Forrester, *Caste and Christianity: Attitudes and Policies on Caste of Anglo-Saxon Protestant Missions in India* (London: Curzon Press, 1980) pp. 73, 81, 2, 87, 88.

5 As Lucy Carroll has pointed out, those seeking patronage or protesting proscription had to speak in the name of a bureaucratically recognised category ('Colonial Perceptions of Indian Society and the Emergence of Caste Associations', *Journal of Asian Studies*, 37 (1978), p. 249).

6 Forms of Hinduisation emerged in the 18th century as shifting pragmatic modes of legitimisation accompanied by enlarging avenues of mobility and the growth of an intermediary strata following the parcellisation of the imperial empire. On this latter see Burton Stein, *Toward an Indian Petty Bourgeoisie: Outline of an Approach*, *Economic and Political Weekly*, 26, 4 January 1991. According to Harjot Oberoi, the production of a uniform Sikh identity in the 18th and 19th century through class formation was an aid to bargaining with the British and buttressed by the colonial state through institutions like the army which recruited on the basis of religious affiliation; this process of Sikhisation worked at the expense of participation in popular religions and festivity, syncretic worship of non-Sikh deities, the fluid diversity of sects within Sikhism, as well as the ambiguous categories and borders between Sikhism, Hinduism and Islam. See *The Construction of Religious Boundaries: Culture, Identity and Diversity in the Sikh Tradition* (Oxford University Press, Delhi, 1994).

7 For instance the labelling and compartmentalising of major religions meant

suppressing or eroding huge variations among Sikhs, Muslims and Hindus as well as shared practices among them. Of the 40 million Hindus returned by the 1891 census, one and a half million were unable to record the deity they worshipped, two and a half million worshipped Muslim saints and four million indulged in varieties of animism and superstition' (William Crooke, *Northwestern Provinces of India*, Cosmo, rpt. Delhi, 1987, pp. 240, 42).

8 From the late 19th century an increasingly negative and absorptive definition of Hinduism as all that was not Islamic, Christian or Zoroastrian at first made both Christianity and Islam the main opponents of a newly unified Hinduism and later after independence mainly Islam. Whether Dalits can be said to belong to the Hindu fold remains an open question: there are histories of successive partially successful attempts to Hinduise and incorporate them into a reformed Hinduism by upper castes as well as histories of resistance by Dalits ranging from anti-brahminism to emphatic refusal to be defined as Hindu.

9 Ironically, some of this is visible in the choices of some of the forebears of the Hindu right such as Lala Lajpat Rai. Born into an Agarwal bania family, his grandfather belonged to a Jain sect, his mother was a Sikh, his father was a partial convert to Islam while Lajpat Rai himself, after some dabbling with the Brahmo Samaj, chose the reformed Hinduism of the Arya Samaj.

10 It is worth keeping in mind that one component of contemporary communal riots has been the appropriation and destruction of the other community's capital: shops, factories, stock, real estate. For the survival and growth of capitalist institutions in symbiotic co-existence with highly exploitative modes of surplus appropriation see Ananya Kumar Bagchi, 'From a Fractured Compromise to a Democratic Consensus', *EPW*, 26, 11/12 Annual Number, March 1991, p. 615.

11 On this point see Frederic Jameson, *Postmodernism or the Cultural Logic of Late Capitalism* (Durham: Duke University Press, 1991) pp. 304, 05, 337, 390. Jameson's remark that when contemporary religious doctrinal reaffirmation appears within 'an environment of complicated modernisation and rationalisation, it may be considered to have a simulated relationship to the past rather than a commemorative one' is also pertinent in this context.

12 For a discussion of this meaning of community see G. A. Cohen, 'Back to Socialist Basics', *New Left Review*, 207 (1994), p. 9.

13 In the precolonial period influential groups (such as Muslims and Rajputs) were formed from both immigrants and prior residents, occupied every social strata including ruling elites, were both law-makers and subject to local laws with a complex intertwined history. Religious group had ups and downs: there were intermittent religious persecutions of different religious groups over the centuries, but no single religious group has a history of only victimage.

14 For instance Partha Chatterjee recommends self-governing religious communities. His concern is to find a 'defensible argument' and a 'strategic politics' for minority cultural rights in the present situation. He bases these rights in the self-justificatory potentials of a

- minority – and these are in turn based on the consent that each “religious group” will seek from its members through some form of internal elective democracy and representative institutions (such as the Gurudwara Prabhandak Committee) thrown up from political processes within each minority group (“Secularism and Toleration” *EPW* (July 9 1994) pp 1775–77). There are several evident difficulties in his formulation. The somewhat voluntarist assumptions that religious groups can generate internal political processes separate from the wider polity and that these will be democratic are fairly problematic. His ideal that an elective process will throw up true representatives of each religious group does not take operative power structures into account while the belief that community representation will be just in its own terms (to women?) seems ungrounded. The conception of community consent does not tackle consent to gender inequality where and how women will become agents in the internal transformation of religious groups or challenge their regulative powers is left undiscussed nor does the essay consider the likelihood that the democratic aspirations of many women may not or cannot be tied to communitarian or denominational identities.
- 15 For a discussion of the question of consent and that of women committed to Hindutva see Kumkum Sangari “Consent Agency and Rhetorics of Incentive” *EPW* 28.18 May 1 1993.
 - 16 On this point see also Archana Parashar *Women and Family Law Reform in India* Sage Delhi 1992 p 184.
 - 17 For instance muslim and non muslim women protested against the Muslim Women’s Bill in 1986 while Shahbano was made to withdraw her case by religious leaders (Prasher pp 311–13).
 - 18 It is worth remembering that after the Deorala widow immolation the imagination of metropolitan ideologues overdetermined by a nativist anti colonialism was gripped by the idea of a voluntary sati as an expression of the widow’s own free will and that their notions coincided with the views of those locally involved in this and similar episodes. See Kumkum Sangari “Perpetuating the Myth” *Seminar* 342 February 1988.
 - 19 Lovibond’s attempt to describe in anti essentialist universalist politics may be useful. She points out that “the ultimate goal of liberation movements is not to invent new identities along the lines laid down by existing structures of domination but to dismantle these structures and so release the energies of each individual for the work of active (as opposed to reactive) self definition. In this sense a universalist politics, far from leading to essentialism calls into question every essence arising from social arrangements which could be amended through collective choice.” See Sabina Lovibond, “Feminism and Pragmatism: A Reply to Richard Rorty” *New Left Review*, 193, 1992, p 74.
 - 20 Chatterjee argues through a Foucauldian notion of ‘governmentality’ for an acceptance in the present political context of a situation where a group could insist on its right not to give reasons for doing things differently provided it explains itself adequately in its own chosen forum” (p 1775). He does not explain the principles by which such inscrutability will be withheld from ordered to majority religious communities or to minorities within majorities. For instance one ground for defence of widow immolation after the Deorala episode was that westernised women were strangers to the niceties of Hindu belief and therefore had no right to oppose it.
 - 21 In our context self representation may have communalist and proprietary patriarchal overtones in a new lease of life.
 - 22 For an elaboration of these see Sangari “Consent Agency”.
 - 23 Haver Agency “Women’s Movement within a Secular Framework” *EPW* 29.19 (May 7 1994) pp 1123–7.
 - 24 Madhu Kishwar has pointed out that exploitative family structures which keep women subordinated by crucial support from the state through laws and rules of behaviour which legitimise the authority of the male members over the lives of members of the family (“Some Aspects of Bondage: the Denial of Fundamental Rights to Women” *Manushi* 31 (January/February 1983)).
 - 25 Not only did the government accept religious political leaders as sole spokesmen for the entire community but the state has been party to the construction of the shariat as immutable (Prasher p 172). Hasan has also emphasised the mutual complementarity of government and religious leadership in reinforcing community identity and the narrow construction of this identity in terms of personal law. Congress ideology and political practice reduced minority rights to personal law and reduced this in turn to religious rights. The protests of Muslim women against the Muslim Women’s Bill involved confrontation of both state and community but liberal and progressive opinion was ignored. See Zoya Hasan “Communitism: State Policy and the Question of Women’s Rights in Contemporary India” *Bulletin of Concerned Asian Scholars* 25.4 1993 pp 11–14. Minority Identity in *Forging Identities: Gender Communities and the State* Zoya Hasan (ed) Kali Delhi 1994 pp 63–68.
 - 26 Hindus imitated this style of defence in their opposition to the proposed Special Marriage Act from 1868 to 1872 and to its later amendments in the 1920s and 1950s; this among other things was made on the ground that the Act challenged the notion of marriage as sacramental and indissoluble threatened to construct the unrestricted polygamy of Hindu men undermined the ways in which religion prevented the free choice of spouse and regulated sexuality undercut the patriarchal authority of the family and the social authority of caste. Muslim opposition which first appeared in the 1930s and 1950s was focused on the way it sanctioned intercommunity marriages (I owe this information to Amrita Chhachhi’s excellent and as yet unpublished paper entitled “Of Blood and Race: the Special Marriage Act Debates 1862–1976”). In the arguments against the Uniform Civil Code and Hindu Code bill patriarchal arrangements continued to be defended as religious rights. Hindus were vocal in defending polygamy and opposing property rights for women on religious grounds. An identical conception of patriarchal arrangements has underwritten the defense of minority personal laws by community spokesmen. The underlying assumptions of these interested representations were so well understood in the 1940s–1950s that Raj Kumari Amrit Kaur Hansa Mehta Ambedkar and Ayyar argued against freedom of religion and religious practices in the constituent assembly debates on the ground that inclusion of the word ‘practice’ would be used to prevent reform (Prasher pp 223–25).
 - 27 On this latter point see Prasher p 274.
 - 28 Prasher pp 161–6. In 1939–40 Muslims objected to the Uniform Civil Code clause in the Constitution. The Minorities Commission to whom the Adoption bill was later referred recommended that religious groups should not be excluded because communities within religious minorities have the freedom to believe, profess and practice their own version of their religion (ibid pp 17–23). Regarding the Muslim Women’s Bill it has been pointed out that rather than opposing state intervention in the internal affairs of the Muslim community, Muslim fundamentalists in fact secured the backing to enforce control over women (Amrita Chhachhi “Forced Identity: the State, Communitism and Fundamentalism and Women in India” in *Women Islam and the State* Deniz Kandiyoti (ed) Temple University Press Philadelphia 1993) p 167.
 - 29 The defence for an equivalent of male rights was evident in the common argument in the 1950s (one still being made) that by not enacting a uniform civil code the government was encroaching only upon the religious rights of Hindus but was actually not touching similarly on the rights of others (Prasher p 232). The most vociferous opposition to the Hindu Code bill in the 1940s came from the Hindu Mahasabha. Shyam Prasad Mukherjee argued for a uniform civil code instead of reform of Hindu law but with a caveat had to be optional. So even at that time the opponents of the Hindu Code bill that is defenders of patriarchal privileges were also proponents of a uniform civil code! (See Rishi Sonu “Tiwari and Nehru and the Hindu Code: A Victory of Symbol over Substance” *NMMI Occasional Papers* April 1992 pp 15–18).
 - 30 Prasher p 114. Shabirullah “Defining Women through Legislation” in *Forging Identities* p 59. In fact some argued that Hindu would accept monogamy only when Muslims did (ibid p 57). Others compared compulsory monogamy to racial suicide: it would destroy India the way it had destroyed the Roman Empire (Sonu pp 20–21).
 - 31 A. M. Bhattacharjee *Muslim Law and the Constitution* 2nd ed Eastern Law House Calcutta 1994 pp 33–34. John Malcolm *Sketch of the Sikhs* London pp 1812 p 133.
 - 32 Bhattacharjee *Muslim Law* pp 89–91, 99–104.
 - 33 The learned judge seems unaware of the figures for bigamy and polygamy presented by the Census Commission of India 1961: tribals 15.2 per cent, Buddhists 7.9 per cent, Jains 6.72 per cent, Hindus 5.8 per cent and Muslims 5.7 per cent. See also *Report of Committee on the Status of Women* Government of India 1975.
 - 34 The bill even suggests framing a Conversion or Religion Act to check abuse of religion! It would be somewhat farcical if it did not fuel communal organisations seeking to whip up hysteria over conversions; the VHP announced soon after the bill’s enactment that it was working towards setting up 1000 Hindu missionaries to meet the challenge!

- Islamisation and Christianisation and the consequent demographic decline of Hindus (*Hindu* July 3 1995)
- 35 Hindu personal law assisted polygamy by validating customary rituals and ceremonies, if sapta-padi and vivahahoma cannot be proved then the marriage becomes invalid (Agnes p 1125 and Flavia Agnes *State Gender and the Rhetoric of Law Reform* SNDT University Bombay 1995 pp 199 200)
 - 36 For a discussion of these and other clauses and their creation of new anti secular biases in some areas see A M Bhattacharj who points out that many of these clauses violate Art 15 of the Constitution (*Hindu Law and the Constitution* Eastern Law House Calcutta 1994 pp 130 42 see also J Duncan Derrett *Religion Law and the State in India* Faber and Faber 1968 London pp 332 33 342 K G Kannabiran 'Outlawing Oral Divorce: Reform through Court Decree' *IPW* 29 25 June 18 1994 p 1510 Bhattacharj *Muslim Law* pp 112 13 Prasher p 100 Madhu Krishnar 'Codified Hindu Law Myth and Reality' *IPW* 29 33 August 13 1994 p 2156 While the laws do not altogether preclude inheritance on conversion they do make it more difficult and arbitrary
 - 37 See Prasher for details p 77 Since 1976 for instance Hindus who marry under Special Marriage Act inherit under Hindu personal law and not under the Indian Succession Act This amendment by which Hindus would continue to be governed by Hindu Succession Act could deter a Hindu from marrying a non-Hindu woman because then he would forfeit his rights to ancestral property (Agnes *State Gender* p 700) The Act also has loopholes that can be used to prevent intercommunity marriages (Chhabhai in *Forging Identities* p 87)
 - 38 Christian women seeking reforms have produced a draft bill of Christian Marriage Act with the unanimous assent of heads of churches which is in abeyance since early 1991
 - 39 Prasher p 149
 - 40 For instance the new testamentary provisions introduced in the Hindu Succession Act with regard to ancestral property rendered property more mobile in the hand of individual male owners prevented fragmentation of urban family business or family agricultural holding and assisted fathers to obviate the newly given right of property to daughters thereby taking away women's limited customary rights and making the man's will paramount (Soni pp 45 46 Krishnar p 2156) In fact the testamentary provisions were explicitly offered as a loophole through which to avoid giving women property (Prasher p 128) For a detailed discussion of gender inequalities in this Act see Bina Agarwal *Gender and Legal Rights in Agricultural Land in India* *IPW* Review of Agriculture 30 12 March 1995 p A 43
 - 41 On this point see Prasher pp 271 273
 - 42 For the feminist agency of not merely women's agency but the organised initiatives of women and men committed to distributive justice and women's equality within a democratic and egalitarian framework it does not include women committed to a right wing politics
 - 43 Rachel Harrison and Frank Mort 'Patriarchal Aspects of Nineteenth Century State Formation in Capitalism State Formation and Marxist Theory', Philip Corrigan (ed) *Quarter* London, 1980 pp 81 82
 - 44 The clause on social reform was added due to the stated fears of Ambedkar and others that freedom to propagate and practice would perpetuate these injustices
 - 45 It also carries the inflections of voluntarism The historical coordinates of reforms during the colonial period were predicated on struggles within denominations class formation degrees of embourgeoisment effectively part of a historical process in which public male agencies were formative and preceded those of women The same historical process cannot mechanically repeat itself and more creative broad based strategies need to be evolved
 - 46 For a discussion of new orientalist discourses see Kumkum Sangari 'Introduction Representations in History' *Journal of Arts and Ideas* nos 17 18 June 1989
 - 47 In fact brahminical law had a regionally variant status and was often reduced to a useful embellishment for kshatriya hegemony
 - 48 In the debates on the Hindu Code bill Ambedkar noting the consequences of a conflation of religion and law complained 'The religious conceptions in this country are so vast that they cover every aspect of life from birth to death There is nothing which is not religion and if personal law is to be saved I am sure about it that in social matters we will come to a standstill There is nothing extraordinary in saying that we ought to strive hereafter to limit the definition of religion in such a manner that we shall not extend it beyond beliefs and such rituals as may be connected with ceremonials which are essentially religious It is not necessary that the sort of laws for instance laws relating to tenancy or laws relating to succession should be governed by religion I personally do not understand why religion should be given this vast expansive jurisdiction so as to cover the whole of life and to prevent legislation from encroaching upon that field (*Constituent Assembly Debates* vol 7 p 781) K M Munshi too wanted to split religious imperatives from class reproduction He argued against the protection of personal law from state intervention in secular areas of religion or those that fell within the purview of social welfare or reform he said of succession or inheritance related personal laws were believed to be a part of religion it would contradict the Constitutional promise of sex equality (Parasher p 227)
 - 49 Male individuation did not conflict with the family or religion in the way that female individuation did and still does The Hindu Gains of Learning Act (1930) provided for individual ownership of the income a person earned by virtue of his 'learning' it no longer had to be part of the coparcenary This trend continued after independence and with the Hindu Code bill men were allowed to keep their own earnings giving them the double benefit of male individuation as well as continued share in the coparcenary As Agnes points out while a space was carved for men's individual property rights within the joint family 'stridhan' for women was rolled back (*State Gender* p 191) For a discussion of some of the gaps between male and female individuation see Kumkum Sangari, 'The Amenities of Domestic Life' *Questions on Labour Social Scientist* 21 9-11 September November 1993, p 20
 - 50 Prasher p 249
 - 51 For discriminatory and patrilineal forms in devolution and tenancy rights in agricultural land as well the variations in these in each state and in specific personal laws see Agarwal, pp A 39 43-45 51-52
 - 52 Legal compartmentalisation simultaneously reflects and assists a wider process of class differentiation by devaluing or excluding certain categories of women's labour from work See Sangari, *The Amenities* pp 23 11 20
 - 53 The conception of the family as private and beyond the appropriate intervention of the law has been an important dimension of legal reinforcement of women's subordination, it has been used to insulate from legal review the discrimination women face within the family (Ratna Kapur and Brenda Cossman 'On Women, Equality and the Constitution Through the Looking Glass of Feminist National Law School Journal', 1993 p 56)
 - 54 See Kumkum Sangari 'Relating Histories Definitions of Literacy Literature Gender in Early Nineteenth Century Calcutta and England' in *Rethinking English* Svan Jushi (ed), Tiranka Delhi 1991 pp 39 50 58
 - 55 Sangari 'Perpetuating the Myth' p 30
 - 56 Prasher pp 72 3
 - 57 Prasher p 76
 - 58 Personal laws were a compound of custom statute usage and case law (Bhattacharj p 66) For the transformatory effects of case law see Bernard S Cohn *Law and the Colonial State in India' in History and Power in the Study of Law New Directions in Legal Anthropology* June Stur and Jane F Collier (ed) Cornell University Press Ithaca 1989
 - 59 Prasher pp 272 99 100 The Anti Hindu Code Committee headed by Swami Karpatri was claiming that only pandits could sanction change (Karti in *Forging Identities*, p 49)
 - 60 For instance of Punjab which had till then been under customary law For details of these provisions see Prasher pp 102 03 108
 - 61 Article 25 says that the right to freedom of religion must include the right not to believe many religion in order to be entirely atheist
 - 62 The 1891 Census of the North Western Provinces faced with the amorphousness or syncretism of lower caste and class popular religions eventually classified Hindus by 'striking out the members of fairly recognisable religions' such as Islam and Christianity and calling 'everyone else a Hindu' (Crooke pp 240 42) The further expansion of the term Hinduism both backwards in time and by assimilating more and more sects occurred in the early 20th century and bestowed a spurious unity (Heinrich von Stietencron 'Hinduism On the Proper Use of a Deceptive Term' in *Hinduism Reconsidered* Gunther D Sontheimer and Hermann Kulke (eds) Manohar Delhi, 1991, pp 13-16 Even Gandhi who believed in continual harmony had opposed conversion to non-Hindu faiths (Forrester p 82)
 - 63 Prasher p 104 In fact this legal definition of the Hindu was further extended in order to protect male coparcenary rights to those Hindus not married under Hindu personal law by the 1976 amendment of the Special Marriages Act
 - 64 Veer Savarkar of the Hindu Mahasabha, who hated conversions of Hindus, wanted a national definition of a Hindu that could embrace Sanatan, Sikh Brahmo and Arya Samaj and argued for a 'racial and cultural

- unity" (Dhananjay Keer *Savakar and his Times* A V Keer Bombay 1950 pp 130 230 65 Prasher p 109 Kishwar p 2163
- 66 The Hindu Code bill imposed patriarchal inheritance on many groups that did not practice it. Since it was designed to bring about a unity of Hindus through legal uniformity it overrode textual and customary laws or practices even when they were beneficial to women (Kishwar p 2152 2158 2163). The rights of Jain women to hold property absolutely (Prasher p 120) would now get watered down by the testamentary provision. For its other gender injustices see Prasher pp 107 118 19 128 29
- 67 Customs relating to ceremonies of marriage to prohibited relationships and to customary divorces were saved and could continue to be operative but no explanation was provided (Prasher pp 109 111)
- 68 The coparcenary clauses of the Hindu Code bill would chiefly be applicable only to upper caste/class Hindus since as Tick (and points the prolonged association of upper groups was with joint undivided families and of the poor with stem household) (*The Ancient the Oriental and the Primitive* Cambridge University Press Cambridge 1990 p 475)
- 69 Prasher p 109 Datta *Religion Law* pp 357 58
- 70 Bhattacharya p 37
- 71 Bhattacharya p 76 Effect in *Forging Identities* p 43 45 Chhabhi in *ibid* p 82
- 72 Matraee Mukhopadhyay "Between Community and State: the Question of Women's Rights and Personal Laws" *ibid* p 111 Prasher pp 147 48 it did not apply to agricultural land 99 percent of all property (*ibid* p 118)
- 73 The Act had adverse effect on women in matrilineal communities (Agarwal p A57). Significantly M S Aney opposed the bill on the ground that it would constitute a barrier between Hindus and Muslims who intermarried at many levels (Effect in *Forging Identities* p 44)
- 74 Such an option existed in Cutchi Memons Act of 1920. See Prasher pp 146 48 150 Bhattacharya p 26 Shalinda Lateef *Muslim Women in India: Political and Private Realities* Kali Delhi 1990 pp 70 71
- 75 Lateef *Muslim Women* p 71
- 76 Prasher p 155
- 77 John L Esposito *Women in Muslim Family Law* Syracuse New York Syracuse University Press 1982 p 81 Prasher p 151 Chhabhi in *Forging Identities* p 82
- 78 Judges had used Muslim personal law in case of conversion by a non Muslim wife to Islam to release her from a bad marriage as well as to release a Muslim woman from a marriage she loathed by converting from Islam (Bhattacharya pp 86 87 90 91)
- 79 Rain Kumar 1891 Calcutta 244 *Budans v/s Latam* 1914 IC 697 MHC Nandi Zannab v/s the Crown ILR 1920 Lahore 440 *Rabara Khanum v/s Khodadad Binnani Trani* 1946 BLR 864 and AIR 1947 Bom 272
- 79 Significantly Muslim personal law was not applied to this case because both parties were not Muslim but the same reasoning was not extended to Parsi personal law – in effect the husband's personal law predominated. They entered into a solemn pact that the marriage could be monogamous and could only be dissolved according to the tenets of the Zoroastrian religion. It would be patently

contrary to justice and right that one party to a solemn pact should be allowed to repudiate it is fundamental. It would be tantamount to permitting the wife to force a divorce upon her husband and although he may not want it and although he may have vowed which both of them have taken would not permit it. (Bhattacharya p 88)

- 80 Most recently expressed by S P Sathie who notes that reformers differed in laws for different communities from the standpoint of uniform principles of gender justice equality of sexes and liberty of the individual. Such uniformity can mean the diversity of the laws of Uniform Civil Code. Implication of Supreme Court Intervention *IFW* 30 35 September 1995

81 Critique pp 173 5 6

82 Chhabhi p 1 3

- 83 Azim Azmi clearly shows how problematic such a differentialist pluralism is in the context of Euro American universalism. Comprehending both a liberalist ethic and secularism as minor myths it is like erecting heterospliter [which] want cultures to converge into a priority without negotiating. Thus we find loss of racist and anti racist discourse like the concept of non-negotiable life styles. He critiques the fundamentalist misunderstanding of difference in cultural relativism where the relations between self and other are of difference and universality then could not meet pluralities mere geographical contiguity. The non European world is relegated to irreducible and therefore irredeemable particularism. Each culture for example Islam is represented as a monadic universe of oligarchy and imperiability consisting in its manifold instance of explicit symbols of essential self. He points out that Islam is not culture but religion having towards very diverse cultures and thus a very multiform entity. The manifold historical formations the Empire in the Arab the Indian are each highly differentiated but these differences or the cluster of such differences are globally articulated and unified by the economic political cultural and ideological facts of dominance. Each historical unit is moreover indivisible and Empire is no exception to this. In the light the notion of incommensurability and its cognates appears quite absurd partly because historical units are not homogeneous self enclosed and entirely self differential entities as would be required by the assumption of univocal irreducibility. Such assumptions elide history lead to barren and naive relativist interpretations dressed up as intercultural philosophical hermeneutic and to absolute relativism (*Islam and Modernity Versus* London 1993 pp 5 71 40 41)

- 84 Lovibond has persuasively argued that feminists cannot be indifferent to the modernist promise of social reconstruction or the enlightenment promise of emancipation from traditional ways of life and their arbitrary authority. From the point of view of feminists tradition has an ineliminable historical record. Yet it is in the ancient sexual relations that traditional values are proving hardest to shift. Thus for feminists the project of modernity is incomplete. What then we need to make of suggestions that the project has run out of steam and that the moment has passed for remaking society on

rational egalitarian lines? How can anyone ask me to say goodbye to emancipation and modernities when my own emancipation is still such a patchy hit and miss affair? Lovibond critiques the distrust shown by postmodernist pluralist modernist social movements toward sexual equality. Her description of a "cultural disaster" is almost precisely appropriate for Chhabhi's essay. The postmodernist discovery of the lost and customary the values of a portrait of mythic female virtue – *the female divine* – is a common theme which should neither be made common nor be excluded from a universal culture. The attraction for the fundamentalist is a recent form of self-consciously patriarchal patriarchy.

She points out that feminism is not to be made a fortress in a fort. All into question patriarchy and the culture of patriarchy. Lovibond's distinction between and resources work and feminist and to pursue systematic approach to question of wealth power and labor and to take the universal issues of system, culture, politics, the will to open up a new space to the culture of patriarchy and to the culture of patriarchy. Lovibond's distinction of society on cultural line. Otherwise the new pluralism is simply too good and therefore not true enough. In the proposed return to custom or culture. Lovibond's distinction of patriarchy and feminism in *Female Person* p 15 16 Rev Boyce and Ali Rahnai (ed) *St Martin Press* New York 1990 pp 101 102 103 104 109

For a further point on the universal value of the revolutionary bourgeoisie freedom in equality, it once promoted its own culture and returned it gave embrace more than other subordinated classes began to take the inequalities seriously (*The Love of Revolution* Verso London 1991 p 57). The contradictory character of enlightenment value of once embrace a rationalist ideology but this doctrine in the political universalist situation is as true of the 19th century as of the colonialism of Europe. As Simon Amin shows the universalism of the enlightenment was underlain by a narrow Eurocentric exceptionism and exclusivism (*Unecolonism* 1982) p 105

- 85 S N Key Uniform Civil Code *Frontier* July 29 1993 p 5 6. The judgment in the Sarla Mudgal case also implicitly upheld the Hindu personal law as a model for secular uniform civil code in a way that is difficult to distinguish from Hindu majoritarianism.

- 86 Peter Ronald de Souza *Righting Historical Wrongs* (unpublished ms 1995) p 12

- 87 A differentialist of histories of the constitution of ethnicity could be extracted from colonialism. The imposition of colonial rule on tribal modes of production on those that were feudal or tributary the subsequent migration of colonised groups to metropolitan countries and the demography of white settler colonialism have themselves produced at least four distinct registers of ethnicity with many specific subjects and with each of producing its own further constellations. Unlike many colonised countries India already had complex and variable patterns of demographic settlement and migration over the centuries accompanied by new knowledges and technologies as well as a non settler British colonisation without a substantial influx of migrants on a wholesale

decimation of native populations with its accompanying logics of guilt and reparation. In the precolonial period influential groups were formed from both immigrants and prior residents while no single religious group has a history of *only* victimage.

The static, ascriptive definitions of ethnicity (and corollary policies of multiculturalism) as they have emerged in relation to immigrant populations in Europe derive from a conflation of 'origins', race and culture, at the expense of the dynamic multiple constitutive components and differences in the so named 'race'. Ethnicity claims are promised little except a superficial cultural 'autonomy' since processes of economic assimilation and concomitant homogenisation have continued apace.

The close association of ethnic identity claims with community claims stems from the way emigration can function to reduce differences of stratification: mute or erode complex local hierarchies, regional chauvinisms and class differences, producing a coherent community identity for emigres. (See for instance Winston James 'Migration, Racism and Identity: the Caribbean Experience in Britain' *New Left Review*, 193 1992, pp 24-25, 29, 35.) Further, as the integrative capacity of class and class mobilisation declines, ethnic identities and community mobilisation have become the language of social action.

Multiculturalism can function as an attempt to break with the model of hierarchical assimilation in Euro-American countries where migrant workers are at the bottom of the ladder. (See Kevin Macdonald 'Identity Politics' *Arena* June/July 1994, pp 19-20.) Minorities in India cannot be similarly identified as underclasses or victims of forcible transplantation by the capitalist labour market and have been historically subject to both processes of exclusion and inclusion/assimilation and othering.

88 Postmodernist multiculturalism is presented as an alternative to liberal pluralism. While the latter was shaped by a modern anthropology stressing the organic unity and homogeneity of cultures, the former is allied to a postmodern anthropology stressing permeability of cultural boundaries, the impurity and contamination of cultural systems, and multiply constituted subjectivities. Critical of Eurocentrism, ghettoising discourses, and hierarchies between minor and major communities, it rejects unified, fixed, essentialist identities or communities, advocates a relational multiculturalism committed to changing power relations, and to giving sympathy and an epistemological advantage to the oppressed.

Earlier variants of postmodernism were primarily interested in the psychic interfaces of hybridisation between Europe and its so-called 'others' as determined by colonisation, indifferent to those forms and processes of hybridisation on the subcontinent that were prior to or unrelated to colonisation, and largely ignored the interfaces of hybridisation among non-Europeans. These omissions, paradoxically, helped to assimilate India (and other imperialised formations) into the liberal problematic of ethnicity and multiculturalism. The preoccupation with colonisation has continued, a celebratory, transgressive, border crossing, hybrid, syncretic, multiply

valenced multiculturalism, is envisaged as a protest against or a reversal of colonial violence. But some recent versions now extend to precolonial syncretism and non-European multiculturalism, as well as to the cosmopolitanisms produced through the conjunctural overlays of European colonisation. These otherwise sharper recognitions of precolonial formations and social disparities are, however, located in a dream of decentred hypermobility or flux in which all types of mobility exist on a level plane of equivalence – whether of culture, power, subalternity, communities or multiple individual identities. Material structuration is replaced by a spatial concurrence of all that is from the 'past', i.e. a coexistence of diversities in postmodernist terms which approaches if not simulates the synchronicity of the marketplace. (For a recent example see Ellen Shohat and Robert Stam in *Late Imperial Culture*, Michael Spinkner (ed), Verso, London 1995.)

With the end of earlier forms of colonialism the major obstacle to this multiculturalism defined as a systematic principle of differentiation appears to be present national boundaries. The answer seems to lie in an autonomy for restructuring intercommunal relations within and beyond the nation-state, according to internal and partially overlapping imperatives of diverse communities. However plural or mobile these communities may be, I do not see how such intra-communal alliances can help to resist economic imperialism or the famine imposed by economic exploitation or to formulate an ethical horizon against which to pose the question of common rights.

89 The cultural history of the subcontinent involved a prolonged process of alliances, collaborations and antagonisms between incoming groups and earlier inhabitants leading to many types of 'mutual' re-formation at each stage. For instance the transnational ideological configurations formed during the early colonial period are one such instance of 're-formation' (see Sangari 'Relating Histories').

90 de Souza, p 8.

91 In regional and linguistic groupings such as Jat, Punjabi, Rajput numerous denominations exist including Christian, Hindu, Muslim and Sikh.

92 For earlier attempts to critique instances of syncretisms that consolidate patriarchal ideologies see the section on Kabir in Kinkim Sangari, 'Murabai and the Spiritual Economy of Bhakti', *EPW* July 1990, and Sudesh Vaid and Kinkim Sangari, 'Institutions, Beliefs, Ideologies: Widow-immolation in Contemporary Rajasthan', *EPW* 26 17, April 27, 1991, p WS14-15.

93 For instance if texts are contradictory regarding widow immolation then the textual sanction had to be bolstered by customary sanction.

94 Devahing women's belief systems was part and parcel of the attack on syncretic customs in the north in the late-19th century, a large number of women occupied neither orthodox Hindu nor Islamic spaces in their religious practices. See Sangari, 'Differentiating between Hindu' and 'Muslim' Women'.

95 On the lack of practical unity of 'Hindu' orthodoxy as well as the tension between customary law and the shastras see Goody, p 229.

96 In actual practice law would often depend on the king's will, subject to variation, while its transcendent horizon remained unaltered. J Duncan Derrett, *The Dharmashastra and Juridical Literature*, History of Indian Literature 4/4 Wiesbaden, Otto Harrowitz, 1973, p 13.

97 For instance in 18th century Maharashtra there were three normative centres – peshwa, caste group and dharamadhikari – making it possible to punish a person three times for one offence. (Sunil Guha 'An Indian Penal Regime: Maharashtra in the 18th Century' NMML Occasional Paper, 1994.)

98 See Sangari, 'The Attenuities of Domestic Life'.

99 Prasher, p 302.

100 Reforms of Hindu law in Mysore and Banda were more comprehensive than in presidency areas. (Derrett, *Religion, Law*, pp 327-356.)

101 Agarwal, p A52. Prasher points out that several legislative measures mention local customs rather than religious laws (p 68). For choices between customary and personal law see Derrett, *Religion*, p 359.

102 On caste law see Derrett, *Religion, Law*, p 287.

103 See also Hasan in *Forging Identities*, p 60.

104 Such as Goa, Maharashtra and Andhra.

105 In some respects personal laws are universalisations of specific region and caste based laws (such as the coparcenary provisions in Hindu personal law) and/or sustain an 'internal' inconsistency or diversity despite universalising attempts. Some provisions are merely a continuation of laws in force prior to the drafting of the Constitution: some are unchanged carryovers from British laws. Hindu law remains uncoded in areas related to caste councils, joint family, partition, religious endowments in all aspects except control of finances – and to compound confusion, falls into an amorphous area described as customary/personal law (I owe this latter point to Raveex Dhawan).

106 For instance in the Special Marriage Act, see note 37.

107 I owe this point to Vrinda Grover.

108 I owe this point to Vrinda Grover.

109 E P Thompson, *Customs in Common*, New York, New Press, 1991, p 97.

110 Events of widow immolation in contemporary Rajasthan have been not only structured in full knowledge of prohibitory law but also assembled around the inability of existing law to deal with either community crimes or the nexus between religion and patriarchal ideologies (Vaid and Sangari, p WS 60). Last year, when a young married woman was raped, the Mina caste panchayat decided, in the absence of her husband, that since this had brought shame upon the community she could neither file an FIR nor be given medical attention; she bled to death. A Sauri caste panchayat authorised punishment of a bride for failing a customary community virginity test – she was tortured, stripped and paraded publicly in the village (*The Times of India*, June 28, 1995). A great deal of work needs to be done on the role of family, kin-group, caste association, class segment in determining what is customary, who the arbitrating 'communities' will be, and the choice between the customary and statutory.

Structural Adjustment Programme and Indian Agriculture

Towards an Assessment of Implications

Sukhpal Singh

In the wake of the Structural Adjustment Programme initiated in the early 1990s, it is inevitable that the agricultural and rural sector will experience its share of threats and opportunities. The severe effect of economic and policy changes in the agricultural sector will be felt in the areas of agricultural trade and capital investments in agro activities. This paper looks at the emerging evidence on these two critical aspects of agro sector in a way that there will be serious distortions with the emergence of the new trade regime both internal and external and the dominance of agribusiness corporations by way of corporate and contract farming. The penetration of the market into the rural economy will put pressure on the already marginalised sections and make small and marginal producers an assetless workforce. The only available mechanisms to reduce this impact will be productivity or conservation of various types like co-operatives, informal groups and the political pressure groups.

I Introduction

The Structural Adjustment Programme (SAP) envisages rapid industrialisation with modernisation for attaining faster growth of gross domestic product (GDP). The basic logic of the SAP is that industrialisation will set in motion forces which generate commensurate growth impulses in other sectors of the economy as well. The condition which the SAP introduces for this kind of industrialisation and growth are: (a) substitution of the market and of private enterprise for planning and public sector leadership in industry, (b) reorientation towards export production in place of import substitution and (c) removing the capital goods industries bias in resource allocation and letting the market do the allocation. In the context of agricultural and rural development, SAP demands as a consequence of the above condition for industrialisation and growth downgrading of the priority to food self-sufficiency and emphasis on more commercialised and export oriented rural and agricultural economy [Krishnawamy 1994].

It is quite important to note that the agricultural and rural sector which is the mainstay of two-thirds of the population in India is also the focus of attention now for significant policy changes and private initiatives as part of the SAP.

Already steps like reduction in subsidies and removal of some restrictions on domestic and international trade in agricultural commodities have been and are being taken. At the state level, major reversals in the area of how agricultural production is organised are under way. All this is being attempted with a view that the agricultural sector can really act as the most effective safety net

in the process of adjustment programmes both in terms of giving positive results as well as preventing some of the negative effect of a market economy [Rao 1994]. The experience of the first four decades suggest that for growth to be effective, the rate has to be fairly high, say 6 per cent to 8 per cent per annum or more. Secondly, the composition of growth is as important as the rate of growth and agriculture led growth is likely to have a more significant impact on poverty [Vyas 1993].

In this paper we look at the likely implications for the agricultural and rural sector of the new policy environment both domestic as well as international. Section II discusses trade related aspects of the new regime and Section III looks at the role of agribusiness firm. We conclude by raising a few issues of concern to the agricultural and rural sector.

II Trade Liberalisation and Agricultural Sector

The central theme of the new policy pick-up in India is to move towards free export and import of agricultural commodities so that the level and structure of product prices can be brought in line with international prices. However, it has been demonstrated by many studies that agricultural production is more responsive to non-price factors like irrigation technology, credit infrastructure and so on. Thus, concentrating on non-price factors is crucial for faster agricultural growth. However, this will require not only larger financial resources but also better and more efficient use of such resources, especially in favour of rain fed and poor regions. This is basically an organisational and institutional problem involving major

changes in the way the government and its agencies are involved in agricultural production function [Vaidya et al 1993].

Available indicators suggest that 50 per cent of increment in total plant output in India came in year attributable to variable like technology and structure which are unlikely to be responsive to incentives or investment in the private sector. These considerations which imply the fact that non-price factors, especially technology and infrastructure, are likely to be more important than the price consequences of trade liberalisation apply with even greater force to be in mind that a liberalised trade generally (ie not just in agricultural commodities) would boost agriculture by removing the barriers against it.

Though trade liberalisation in terms of reduction in import restriction and tariffs and export taxes can help reduce the net export bill of the present policy, but this does not necessarily mean an increase in the real domestic rate (RDP) or the other micro economic policy change in the fiscal, financial and monetary structure to offset the increase in RDP resulting from trade liberalisation measures after the expansion in production for export [Valde 1989]. This has a effect of economy wide demand policy in countries like Argentina, Chile and Colombia showed that it was larger than the effect of sectoral or direct policies for agriculture like price incentives. It was found that adjustment policies reduced real protection to various agricultural commodities very substantially. The responsiveness of the agricultural sector to (price) incentive in these economies showed that a price increase of a certain degree in agriculture has cumulative effect on output and overall growth. Therefore, the cost of economic policies which

discriminate against agriculture cannot be justified in terms of overall growth.

Another argument in favour of opening up the agricultural sector for exports comes from a large and persistent surplus in foodgrains in the world markets which is reflected in almost continuous downward trend in foodgrain prices. Therefore, it is argued that there is no reason why India should not take advantage of favourable price trends, should a need arise in terms of import of foodgrains. However, it is important to remember that major actors in international trade in food grains are few and they act as price leaders. The downward trend in prices is partly at least due to the mounting subsidies in the US and the EEC. There is a distinct possibility that this may halt or even be reversed despite the implementation of new GATT agreement. However, the export orientation in the case of commercial crops like cotton, tobacco, jute, etc., is fully justified as they satisfy the major conditions, i.e. there is a genuine and growing surplus after meeting domestic requirements, the ratio of export to domestic prices is favourable and there is growing international demand for these commodities [Vyas 1994].

The GATT agreement, it is argued by the official and other liberal circles, will enlarge the access of Indian exports in the world market, especially in developed countries and thereby bring in greater efficiency in resource use in the agricultural sector. The critics of the GATT agreement fear that it will not provide a level playing field to the developing countries like India in the world markets because of many non-economic obstacles [Krishnaswamy 1994]. Further, it is important to remember that like India, many other countries would also like to maximise their exports of agricultural commodities in the newly available world markets. Therefore, the world market prices over a period of time may no longer be attractive to agricultural exports from India [Thomas et al 1994]. Secondly, there are still a very large number of people in India whose food requirements are not adequately met because they lack what A.K. Sen calls entitlements. Therefore, the logic of agricultural surpluses availability on which the export argument is based may not really be tenable from a social point of view. It is also argued and quite emphatically that food after all is a strategic commodity in today's conditions and it will be impolitic to make this a plaything of the market at the national level as food security cannot be brushed aside as an old-fashioned or ultra-nationalist argument in the world conditions prevalent at present [Krishnaswamy 1994].

The proponents of the GATT agreement argue with the help of statistical evidence that the GATT proposals in the area of agricultural trade, i.e. market access, domestic support and exports, will not have any negative impact on the Indian agriculture. It is found that the domestic support levels in India are negative in most of the agricultural commodities which is in sharp contrast to the levels prevailing in developed countries. Further, they also point out that the GATT agreement would lead to the expansion of trade volumes in general and in agricultural commodities in particular and will lead to an increase in the prices of these commodities, besides bringing stability in world prices. So far as market access is concerned, it is argued that the provision in this regard does not mean that there will be a flood of imports because (i) if the prices of agricultural commodities in the domestic market are below international levels, imports will not be able to compete and (ii) if the country from where the product is being imported is indulging in dumping, special provisions of the agreement allow for imposing additional tariff [Gulati and Sharma 1994].

However, quantitative studies of the GATT agreement reveal that the welfare implications of these proposals will vary across groups of countries from as high as an increase of 2.1 per cent of GDP in the case of other west European economies to as low as 0.6 per cent of GDP in the case of the rest of the world, which includes all the African countries, all Latin American countries except agricultural exporters like Brazil, Argentina and Cuba, and all of the Asian countries except the four tigers and the big powers, i.e. China, Japan, and the Philippines. It is found that the gains from new trade agreement for the developing countries will be mainly in agriculture, minerals and light industries, that too in employment only. So far as welfare implications of new agreement for these countries in terms of generation of income and output are concerned, it will be negative in agriculture and significantly positive in textiles and services. On the whole, the developing world, i.e. countries from Asia, Africa and Latin America, will benefit the least from this agreement. The major beneficiaries will be the EEC, the US, Canada, Japan and the Western European economies and the four Asian tigers [Nguyen 1993]. Besides, the share of agricultural commodity in total world exports has also been declining in relative terms over the last one-and-a-half decades. This, coupled with the fact that the terms of trade in agricultural commodities have not been favourable in the past, will mean

that pinning hopes on agro exports may not be an objective judgement. Besides, there are other implications inflicted on the rural economy as a result of the agreement to the treaty by the Indian government which result from the patents provision and investment measures.

The linking up of the Indian economy with the world economy especially in the area of agricultural commodity trade will lead to greater price instability as the prices of most agricultural commodities in the international markets are more volatile than those in the domestic market. Under free trade, prices of rice and wheat are likely to go up and those of oilseeds to go down. As oilseeds are largely grown in dry land areas or where irrigation facilities are inadequate for growing high value crops, free trade will adversely affect the realisation to the growers in these areas and thereby accentuate the regional and inter-farmer inequalities.

The export of agricultural products is desirable only in areas where there is scope for value added and thus employment generation and wherein the terms of trade are favourable to developing countries. The terms of trade are unfavourable and unstable in unprocessed agricultural output, the export of which should be avoided in order to ensure domestic availability of food at reasonable prices.

The liberalisation of agricultural trade within and outside the country and doing away with state support will also mean that the relatively agriculturally developed regions/states will benefit at the cost of backward areas/states. This has implications for accentuation of regional disparities and conflicts. It is not clear how market instruments will take care of such problems which could happen across crops and regions, e.g. sugarcane growers of Maharashtra benefiting at the expense of sugarcane growers of Uttar Pradesh.

III Growth of Agri-business

Under the new economic policy (NEP), the agri-business sector has emerged as an important area for export and employment promotion and government support. The assumption (or rather belief) is that it is crucial to provide marketing and processing facilities to the agricultural production sector for its viable growth and development. The new approach to agriculture in terms of agri-business, means that the character and structure of Indian agriculture will be sought to be so transformed as to make its organisation, finance and management little different from those of private manufacturing and trading sectors. This essentially means industrialisation of rural

production and becoming important in agriculture as a separate sector which will become increasingly a sub sector of industry in the agro industrial chain of production [Goodman et al 1987, Krishnaswamy 1994].

Since the requirements of export markets tend to be different from those of domestic (agri business markets, the organisation of rural and agricultural production will necessarily undergo a change in favour of large scale operations and farming. Therefore, there will be attempts in fact, there are to organise corporate and contract farming and pump capital by agri business firms in the agricultural production sector. There are also serious attempts being made to do away with the ceiling on land holdings which the agri corporations and large farmers are finding is a constraint in their business plans.

However, it is important to look at the long term implications of the growth of agri business for the marginalised sections of rural producers if the ultimate aim is to help these sections of society. The experience of Latin American and African countries shows that agri business, companies and corporation operation of the contract system to ensure quality and quantity of raw material at appropriate time and cost in India captured mainly by agri business firms in wheat and is being allowed primary states under the liberalised environment, and contract and co operative farming is already present in many areas. However, the trend seems to be more towards contract farming as the cases of Pepsi HC and other companies suggest [Singh et al 1994].

In fact, the penetration of market into the rural areas, especially the land market, is likely to affect the asset base of the small and marginal farmers who are increasingly selling or leasing out land to the agri business corporations [Acharya and Acharya 1995]. This is very likely to lead to alienation of land from the owner producers and convert them into wage workers.

Another argument in favour of market economy operations in agriculture is made by citing the example of Punjab state where agricultural growth has taken place largely in private hands without measures like co operative farming or co operative marketing and processing organisations. However, what is important to remember is that the model of development which Punjab has followed necessarily demanded that kind of support organisations and arrangements. This particular model of agricultural growth has led to marginalisation and pauperisation of small land holders whose holdings became unviable as the costs of cultivation rose. That is why there has

been a net decline in the number of marginal and small holdings. This is being interpreted as consolidation of holdings by some people. At what cost has this consolidation been achieved? This so called consolidation is the result of the process of over tenancy in Punjab where marginal and small farmers have to sell their land to large mechanised capital resource rich farmers. When this holds in terms of employment and social tension implications nobody seems to consider further, the system of contract farming has benefited only the large capital rich farmers and small farmers would not like to join with increasingly resource poor farmers for the procurement of raw material. The village also is not a free contract farming does not stand on a valid relationship and ultimately rural class because by the time contracts run out, though whether they become dependent on the agri business firm for the sale of the output. Also, in my opinion, the imposition on the farmers of terms of business to be in quality, price and penalties [Feder 1996, Ghose et al 1990, Korten 1992, and Nanda 1995].

Besides this, the changes in cropping pattern due to the entry of agri business firms lead to decline in production of cereals which is the main food for the rural poor. Thus they become dependent on the market for their food, which may not be available at reasonable prices [Rath 1985]. Even the promise of employment generation is empty, only as the employment generated in the processing factories is low in number of jobs for men in the crop sector due to changes in cropping pattern. A recent study shows that rural minimal development led to significant fall in rural employment and generated only a small number of jobs that too only for women is they are available at low cost [Young 1993].

The differentiation of the peasantry which agri business leads to is a very serious matter and has implications for increasing inequalities in the rural society. Even Swaminathan one of the architects of SEAC (Small Farmers' Agri Business Consortium) claims that the SEAC will help to take the benefits of modern agri business to the small and marginal farmer and landless labourers only if it remains pro nature, pro poor and pro women [Swaminathan 1993].

IV Conclusion

The introduction of market economy in the agricultural and rural sector which is likely to intensify in the coming years

requires a serious effort to design strategies that will direct the market along the line of larger development objectives while ensuring growth. The resource poor in general and the rural poor in particular are handicapped in responding to market signals at two levels. First, they find entry into the markets very difficult, especially those who do not have assets or skills. Second, even when they enter the market they are not able to obtain fair returns. The latter is because of the low reserve price they set for themselves and the high transaction cost when in the other transaction party is a farmer. There is a need to develop a mechanism of risk which the poor have to take into account. The state has to play a role in making markets fair to the rural poor by ensuring the reserve price of the poor by limiting the reduction of transaction cost and increasing intervention in the market.

While entering into the market to find a way to survive, the rural poor within a market economy will be increasingly forced to meet the requirements of the long run competitive economy as a result of the entry of the agri business firms and limited welfare state. Moreover, it is likely that they will lose their livelihood in the Indian context even faster than crowds out private firms and is critical to reap the benefits of a competitive advantage.

As far as employment is concerned, it is important to note that recent trends suggest that the entry of agri business with respect to input technology is such that the intertemporal potential of the rural sector has become less particularly in the pockets of low land productivity and in the second half of the higher agricultural output or employment which may be more important but it could be a matter of fact that agricultural trade liberalisation may have an effect on the non food and oilseed production which is expected to decline have a direct effect on the rural linkages in the most other crop. And employment in the cotton textile sector is also likely to be affected adversely despite higher raw cotton production because free trade is likely to reduce the international competitiveness of this industry. It is possible of course that more positive results may follow if trade liberalisation causes a massive take off in fruit and vegetable production and processing. But this will depend on the development of infrastructure and export market links and in any case does not really require that agricultural trade be liberalised generally.

Perhaps what is required is a shift in the focus of state intervention and support and

not its withdrawal from the rural sectors of the economy. It has to cater to the unorganised sectors of agricultural and non-agricultural economies in order to help them participate in the market mechanism so that they could also benefit from the new growth opportunities. In the rural sector, these sectors include dry land farming regions which need infrastructural and market support, and the green revolution regions which require more liberalised policy and regulatory framework so far as agriculture is concerned. The coping mechanisms which will become increasingly crucial to organise and promote will include co-operatives in production sectors, and saving and credit groups in the financial sector and pressure groups in the social and political sectors which will decide the fate of production and financial sector activities.

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Energy Self-Sufficient Talukas

A Solution to National Energy Crisis

Anil K Rajvanshi

The study of a taluka in western Maharashtra has shown that all its energy needs by 2000 AD can be met by proper use of agricultural residues and energy plantation in a self-sufficient system. This overcomes and replaces petrol, LPG, diesel, kerosene and electricity. The study also suggests that biomass energy based supply option has the capacity of providing employment to about 50,000 people in the taluka. This energy self-sufficient taluka may provide an alternative development model to megacity based centralised energy model.

LAST year India spent about Rs 21,000 crore in importing petroleum products. Though the foreign exchange reserves of the country are in good shape, still the petroleum import resulted in substantial outflow of precious foreign exchange. Besides, there is also a tremendous shortfall in electricity generation. In the Eighth Five Year Plan, about 40,000 MW additional electricity generation is required. This will cost Rs 1,20,000 crore, which the government does not possess. These intricate reserves resulted in opening up of power sector to foreign investment and the ministry of energy estimates that about Rs 75,000 crore will be invested by foreign investors in coming years. However, most of these power plants will run on imported fuels like natural gas and coal etc. If the international situation becomes unstable, then these power plants may shut down thereby throwing the whole economy into chaos. Thus, not only the energy situation in the country is bleak but there can be serious question about its national security being compromised.

India, a developing country, has very low per capita energy consumption. In March by 2000 AD India will consume about 6,400 kWh/yr per capita as compared to 10,260 kWh/yr per capita by the US [Rajvanshi 1993]. Besides, there is also a high level of unemployment in rural areas and the energy demand of rural population is not being an efficient conversion of biomass energy sources. This paper proposes that the best way to meet the country's energy need and reduce our dependence on imported fuel is to develop energy self-sufficient talukas. Such talukas can provide food, fuel, fodder and fertiliser to its population and can also provide employment in the process. If it is possible for residents of a taluka to produce all the energy they require, then it will be a major step towards creation of a truly sustainable society.

The quality and quantity of energy dictates how the societies will evolve. Thus, they are like dissipative structures [Prigogine 1980]. For a self-organising structure, a critical mass is required before it can sustain and grow. Small villages appear to be energy and economic sinks. A heuristic approach shows that a taluka level system does possess the necessary infrastructure and has the potential to provide the critical mass for energy self-sufficiency. A taluka or tehsil is an administrative block comprising of 90-100

villages and has a population of the half lakhs. The taluka officials have a strong role to play in the energy self-sufficient system to provide food, fuel, fodder and fertiliser for sustainable development.

With the present energy crisis in the developing countries, it is obvious that they should not depend on the distant energy resources. It is a high time to take a different route to win them. A self-sufficient energy system is a level of self-sufficiency. Also with increasing global competition, the populations of the countries are requiring quality of life and in the process, they have to sustain a political, economic and social stability. This is the reason for the alternative decentralised energy model for sustainable development. An attempt is made in this paper to show that a taluka directed biomass based energy production system does seem to have the ability to produce the above model. The role of a self-sufficient taluka in Maharashtra.

THE CHOICE OF TALUKA PHILTA TALUKA

Table 1 shows the basic data for Philta taluka. The taluka produces approximately 2,10,000 ton/yr of agricultural residues mainly from crops such as sugarcane, wheat, sunflower, pomegranate, bajra, pearl millet, safflower etc. [NSRI 1991]. Except

the residues from sugarcane, all others are presently burnt by the farmers. At present the farmers do not have the technology of either transportation or the technology of compacting or converting into briquettes and use as fuel elsewhere. Also, the burnt residues are not a requirement for the animals' cows etc. The taluka is poor in electricity and has no electricity supply. The taluka has a large number of ponds which can be used to generate electricity and provide the benefit to the people and the environment.

Table 1 shows the energy consumption pattern for Philta taluka for 1984 and 1991. As the taluka is not only for the energy production but also for the consumption of Philta taluka, the energy consumption is not a major concern. Except for wood, which is used for the preparation of the taluka. About 8,40,000 MWh energy is imported every year into Philta taluka. This is about 80 per cent of the total purchased energy. In 1991, the total amount is about Rs 6 crore/year. This number would be much higher if proper electricity prices are fixed. For agriculture sector, there are fewer indications that in near future it will be so. At present the cost of electricity for agricultural purposes is about Rs 0.14/kWh. The table also shows that the two most costly energy sources, electricity and LPG, have the highest rate of growth, i.e. 16.2 per cent per annum respectively.

TABLE 1. PHYSICAL DATA (1991-1992)

Taluka area	11 Taluka
Cultivable area	88,371 ha
Irrigated area	18,000 ha
Canal flow rate	10 million m ³ /s
Area under forest	9,000 ha (No. of trees 1,00,000)
Annual rainfall	500 mm (Average 1,111 mm/yr)
Total taluka population	2,59,311 (Increase over 1981 by 1 per cent p.a.)
Agricultural residue production	2,10,000 tonnes/yr
Total fodder requirement	95,000 tonnes/yr (for cattle only)
Total cattle	49,355
Sheep and goats	1,50,000
Crushing capacity of two sugar factories	3,200 tonnes of cane/day
Synthetic fertiliser use (N-P-K)	8,400 tonnes/yr (N-P-K 3:1:1)
Pesticide use	Rs 1.3 crore/yr
(systemic or contact insecticides, fungicides, weedicides, etc.)	

Notes: 1. All the data in the table is from Rajvanshi (1991) unless otherwise indicated. Taluka = 10,000 ha.

2. The data on pesticides and fertilisers was obtained from shops in Philta taluka. The data on the indicators are that some of the materials also go outside the taluka. Hence the numbers in Table 1 are on higher side.

ENERGY SUPPLY OPTIONS

The strategy for taking care of energy requirements of Phaltan taluka is based on biomass resources. Thus, the cultivable land area of Phaltan taluka has to provide for food, fuel, fodder and fertiliser for its inhabitants. If all of these can be provided then the taluka can become energy self-sufficient. Besides it can also show the limits to growth. As a future possibility, if some mechanism is found by which residents of the taluka only consume the energy they produce from their area then it can point towards a truly sustainable society.

From Table 2 it is also evident that energy in the form of electricity, liquid and gaseous fuels accounts for 93 per cent of the total energy purchased in the taluka. Hence renewable energy supply options should replace this energy sources. Besides, the supply options may become operational earliest by 2000 AD. Hence it is instructive to develop the strategy to supply the energy demands for 2000 AD. Table 3 shows the possible energy consumption for the taluka in 2000 AD. The data are generated by taking into account the historical growth rates from Table 2.

It is proposed that the energy supply options will have the following components: (a) Liquid fuel production via: (i) Ethanol production from sweet sorghum, (ii) Ethanol production via molasses from sugar factories, (iii) Pyrolysis oil production from biomass residues, and (b) Electricity production via 30-40 MW biomass based power station and cogeneration from sugar factories.

Ethanol Production from Sweet Sorghum
Area under jowar (sorghum) in the taluka is 48 500 ha [NARI 1991]. Most of this area is grown under rainfed conditions and can easily be put under sweet sorghum (S.S.) crop. This can be done since there is little difference between the anatomy of grain sorghum and sweet sorghum crops. Under rainfed condition S.S. varieties developed at Nimbkar Agricultural Research Institute (NARI) can produce about seven tons of fresh stalks/ha and 0.25 tons of grain/ha. Thus Phaltan taluka has the potential of producing 340 000 tons of sweet sorghum stalks and 12 000 tons of grain. Sweet sorghum stalks are an excellent source of fodder for cattle and hence after taking care of all fodder requirements of the taluka about 340 000 tons of sweet stalks remain. Data have also shown that one tonne of S.S. stalks can produce 40 l of 95 per cent (v/v) ethanol. This yields a production capability of 9.6 million litres of ethanol per year in Phaltan taluka. This alcohol can be produced from a 32 000 lpd distillery which is a medium-sized unit [Rayvanshi et al. 1989].

With the increasing emphasis on green technologies, most of the modern distilleries can also produce biogas from their effluent. Their norms are production of 28 m³ of biogas/m³ of effluent produced [Szendrey 1984]. Hence 9.6 million litres/year of ethanol distillery will produce $\sim 3.8 \times 10^6$ m³ of biogas. This can easily be used as energy for ethanol distillation and can thereby release

65,700 tons (dry)/yr of sweet sorghum bagasse. This bagasse has potential to generate ~ 8.7 MW electricity via a biomass power plant.

Ethanol production via molasses from sugar factories
Phaltan taluka has two sugar factories with total crushing capacity of 3 700

tons of cane per day. They produce about 23,300 tons of molasses during their crushing season. This molasses can generate about 5.6×10^6 l of ethanol (95 per cent v/v) [Paturau 1993]. The biogas generated via effluent treatment can be used for running the distillery. At present one distillery attached

TABLE 2. ENERGY CONSUMPTION (YEARLY) DATA FOR PHALTAN TALUKA (1991)

Fuel	Quantity	Units	Fuel Calorific Value	Total Energy ($\times 10^3$ MJ)	Growth Rate Per Cent Per Annum	Per Cent of Total	Use/Remarks
Electricity Urban	19.5 $\times 10^3$	kWhr	3.6 MJ/kWhr	34.47 (12.05)	16.2	33.0	Residential 18.7 per cent Industrial 17.5 Per cent
Rural	76.25 $\times 10^3$						Agricultural 56 per cent Res. 7.2 per cent
Petrol	14.57 $\times 10^3$	litres (l)	32 MJ/l	466 (12.43)	9.7	4.5	For cars and two wheelers
Diesel General	56.97 $\times 10^3$	l	35.5 MJ/l	203 (10.96)	9.0	19.36	Mostly for tractors, jeeps and some for pumpsets
State Transport buses	1.851 $\times 10^3$	do		6.59 (4.53)	5.5	6.3	Only for S.T. buses
Kerosene	4.285 $\times 10^3$	l	34 MJ/l	145.7 (10.45)	5.0	14.0	Mostly for cooking lighting and two wheelers
LPG cylinder	5600 Each has 14.3 kg gas	Nos	44.2 MJ/kg	3.54 (1.2)	16.7	3.4	Mostly for cooking
Biogas	9926 l each is 6 m ³ /day capacity	Nos	20 MJ/m ³	12.81 (1)		12.4	For cooking
Wood	4015	Tons	14.8 MJ/kg	5.9 (4.14)	5.2	5.7	For cooking bakeries and brick kilns
Coal/coke etc. charcoal*	306.6	Tons	28 MJ/kg	0.85 (0.83)	0	0.8	For coking bakeries etc.
			Total	633.4 (46.6) $\times 10^3$ MJ			

- Notes: 1. Data for 1984 in parentheses.
2. The electricity consumption was obtained from MSEB offices both at Phaltan and Lonand towns.
3. Petrol consumption was obtained from the three petrol stations in Phaltan and one in Sakharwadi.
4. Diesel consumption was obtained from diesel stations. The state transport data was obtained from Phaltan bus depot.
5. Kerosene supply data was obtained from the supply officer, Phaltan taluka office. Anecdotal data suggests that a major part of kerosene is diverted for running the two-wheelers.
6. LPG cylinders data was obtained from all the suppliers in Phaltan.
7. Biogas plants data was obtained from Panchayat Samiti office. This office gives the subsidy to the biogas plant owners for installing them.
8. Data on wood, coal, charcoal, coke etc. was obtained from the wakhars (wood suppliers).

TABLE 3. ESTIMATES OF COMMERCIAL ENERGY USE IN PHALTAN TALUKA IN 2000 AD

Fuel	1991 Consumption	Growth Rate Per Cent Per Annum (Table 2)	2000 AD Consumption	Energy ($\times 10^3$ MJ)	Per Cent of Total
Electricity	9.575 $\times 10^3$ kWhr	16.2	3.7 $\times 10^4$ kWhr	13.32	55.9
Diesel	7.478 $\times 10^3$ l	9.0	1.62 $\times 10^4$ l	5.76	24.2
Petrol	14.57 $\times 10^3$ l	9.7	3.35 $\times 10^4$ l	1.07	4.5
Kerosene	4.285 $\times 10^3$ l	5.0	6.65 $\times 10^3$ l	2.26	9.5
LPG cylinders	5600 numbers	16.7	226420 numbers	1.42	5.9
Total				23.83	100.0

o a sugar factory uses steam from it, and uses wood during off-season

Pyrolysis oil production from biomass residues Pyrolysis oil is produced by rapid pyrolysis of biomass [Cottam and Bridgwater 1994]. This oil is highly oxygenated with heating value of ~18 MJ/kg. It is equivalent to No. 6 heating oil and has been experimentally evaluated as turbine oil substitute [Cottam and Bridgwater 1994]. Recently it has been used as diesel substitute in compression ignition (CI) engines [Solantausta 1993]. Thus conversion of biomass residues to pyrolysis oil is projected as the most competitive liquid fuel from biomass [Solantausta 1993]. On an average, 1 kg (dry) of biomass produces 0.75 kg oil, 0.1 kg of char and 0.15 kg producer gas [Beckman and Graham 1994].

As seen from Table 1 Phaltan taluka produces ~210,000 tons of agricultural residues. Out of this, ~96,000 tons of residues are from grain sorghum (jowar). Since all the grain sorghum area will be replaced by sweet sorghum the residue production will be ~100,000 tons/year (with residue collection efficiency of 88 percent) [NARI 1991]. The area under cultivation in the taluka is 75 percent of total area hence it is estimated that this much residue production will remain more or less constant in future.

The pyrolysis oil can replace diesel for land residue and hence only that amount of agricultural residues should be used which will produce enough pyrolysis oil for above replacement. Thus, the amount of residues come to 60,000 tons/year. The rest 40,000 tons can go for electricity generation.

This residue can produce 45,000 tons of oil, 6,000 tons of charcoal and 9,000 tons of producer gas. The gas is used internally in the plant for oil production and hence oil and char are the only useful products for external consumption [Cottam and Bridgwater 1994]. For this oil to be used as diesel substitute in CI engines, about 10 per cent diesel will be required as a pilot injection since only 90 per cent of diesel consumption will be saved [Solantausta 1993].

Electricity production from biomass Phaltan taluka will at least require 3.7×10^8 kWh of electricity by 2000 AD (Table 3). This amount of electricity can be produced as (i) Cogeneration by existing two sugar factories in Phaltan and (ii) From a biomass-based power station using 40,000 tons of agricultural residues, and wood from energy plantations based on fast growing tree species.

In Phaltan taluka there are two sugar factories with total crushing capacity of 3,700 tons of cane/day. They are old units with inefficient machinery. With improved high pressure steam boilers they have capability of generating 50 kWh of surplus electricity per ton of crushed cane [Bouvet 1993]. Thus, they are capable of producing $\sim 3.9 \times 10^7$ kWh of surplus electricity during crushing season. This season lasts normally for 7-8 months (personal communication, Phaltan Sugar Works, June 1994). Similarly, surplus bagasse (65,700 tons) from sweet sorghum distillery can produce 7.6×10^7 kWh whereas 40,000 tons of agricultural residue can

produce 4.6×10^7 kWh of electricity. Thus, the shortfall in electricity production will be $\sim 21 \times 10^7$ kWh. This can be met by running a biomass powered plant on fast growing tree fuel [Rajvanshi 1991]. All the above residue together with wood fuel from trees will be fed to two 22 MW power plants. Thus with the norm for energy plantation of 600 ha/MW area under tree plantation will be

about 16,000 ha. Around 9,000 ha government 'forest' land in Phaltan taluka which is under non-existent forest could easily be utilised. The remaining 7,000 ha land could be a combination of wasteland and farmers' land where energy plantation will be grown as a crop for remunerative purposes [NARI 1991].

Table 4 shows the energy supply options

TABLE 4 ENERGY SUPPLY OPTIONS FOR PHALTAN TALUKA BY 2000 AD

Biomass Energy and its Quantity	End Product Quantity	Plant Capacity	Fuel Cost (Rs/ton)	Energy Produced ($\times 10^6$ MJ)
Sweet sorghum 240,000 tons/yr	a) 9.6×10^4 l of 95 per cent (v/v) ethanol b) 65,700 tons of bagasse	32,000 litres/day distillery	0.54 (1)	1.92
Molasses from sugar factories 24,300 tons/yr	5.6×10^4 l of 95 per cent (v/v) ethanol	16,000 litres/day distillery	0.54 (1)	1.12
Agricultural residues 60,000 tons/yr	45,000 tons pyrolysis oil 6,000 tons charcoal	200 tons/day pyrolysis plant	1.5 (1)	8.1
a) Energy plantation on 16,000 ha land	2.184×10^8 kWh of electricity	Two power plant of capacity 22 MW each	3.6 (1)	1.25
b) 65,700 tons of bagasse	0.76×10^8 kWh of electricity			
c) 40,000 tons of residues	0.46×10^8 kWh of electricity			
Cogeneration from sugar factories	0.39×10^8 kWh of electricity	Existing sugar factories with total crushing capacity of 3,700 tons/day	5.6 (1)	1.4
		Total		26.59 ($\times 10^6$ MJ)

TABLE 5 FUEL REPLACEMENT STRATEGIES

Supply Options	Can Replace	Technology Options	Techn. Status	Fuel Required (Table 3) ($\times 10^6$ MJ)	Energy Available (Table 4) ($\times 10^6$ MJ)
Electricity	Electricity	Biomass based power plants	D	13.5	13.65
Pyrolysis oil	Diesel	CI engines	UR	5.9	8.1
	Kerosene	Modified burners	UR	9	
Ethanol	Petrol	Modified CI engines	D	1.07	3.04
	LPG	Alcohol stoves	D	1.43	
Char	Wood/coke etc. in small industries	Charcoal gasifiers	D	10.3	1.5
		Total		24.85	26.59

Notes: D = Developed, UR = Under research

* This is based on 5 per cent per annum growth rate of wood (energy consumption in Table 1) and constant rate of coke/coal etc. consumption

TABLE 6 COMMERCIAL ENERGY COST IN 2000 AD FOR PHALTAN TALUKA

Energy	Requirement in 2000 AD (from Table 3)	1994 Unit Price (Rupees)	1994 Cost (Rs crore)	Projected Cost (for 2000 AD) (Rs crore)	Per Cent of Total
Electricity	3.7×10^8 kWh/yr	0.6/kWh ¹ (2.8/kWh ²)	22.2 (103.6) ¹	39.4 (183)	17.3 (80)
Diesel	1.62×10^7 l	8.2/l	13.28	33.53	28.3 (10.4)
Petrol	3.35×10^6 l	19.66/l	6.6	11.67	14.0 (5.1)
Kerosene	6.65×10^6 l	4/l ³	2.66	4.7	5.6 (2)
LPG cylinders	226420 Numbers	96/cylinder	2.17	3.65	4.6 (1.7)
			Total	83.05 (276.75)	99.8

Notes: 1 Existing heavily subsidised price for rural areas

2 MSEB opportunity cost

3 This is an average price of kerosene

4 Figures in parentheses are for Rs 2.8/kWh electricity unit price

for Phaltan taluka in 2000 AD. It is also instructive to look which supply option fuels can replace the existing fuels. Table 5 shows the replacement strategy. From this table it is evident that total supply options yield more energy than is required for the taluka in 2000 AD. This excess energy can be used by citizens of taluka thereby increasing their net per capita consumption or it can be exported (especially alcohol). It is also evident that the supply option strategy may undergo further refinement. However, the point to emphasise is that the taluka can generate enough biomass to take care of all its energy needs by 2000 AD.

TECHNOLOGICAL ISSUES

The above energy supply scenarios can only become a reality if the technology is fully developed and it can supply the energy economically to citizens of Phaltan taluka. The following technology issues will therefore have to be addressed:

- (1) Harvesting and baling/compaction of agricultural residues will have to be mechanised for ease of transportation and also for reduction of cost of biomass.
- (2) The pyrolysis oil technology is still in early stages of development. However, enough confidence has been achieved on pilot plant basis such that vendors do have plans for setting up 200-250 tons/day pyrolysis oil plants. Pyrolysis oil has been successfully tested as furnace fuel oil but its use in small stoves for cooking still needs to be developed [Hullman et al. 1994]. Pyrolysis oil use in a diesel engine is still in R and D stage. However, early encouraging results have shown that with diesel pilot injection (10 per cent) and additives like ethanol it should be possible to run any diesel engine with pyrolysis oil [Solantausta 1993].
- (3) The technology for producing power (via 30-40 MW plants) from biomass is fully developed as is the technology for producing alcohol from sweet sorghum [NARI 1991; Ravvanshi et al. 1989]. Similarly, ethanol based cookstoves

have been used in many parts of the world.

- (4) Production of combustible gases for thermal applications using charcoal gasifiers is a well developed technology. Large scale horticultural farming is coming up in Phaltan taluka. Simultaneously, food processing units have also been set up. These units consume large quantities of heat energy (~80 per cent of their total energy needs) for processing. It is envisaged that horticultural biomass residues can fuel biomass gasifiers for direct heat applications in these units.

- (5) Taluka's geographical area also lends it to become a water basin. With average rainfall of 500 mm/year, a total of 585 million m³/year water falls on the taluka area. With proper watershed development and management (e.g. building more water percolation tanks), the crop productivity of the taluka can increase. This can further increase the availability of crop residues besides giving more remuneration to the farmers.

ECONOMIC ISSUES

Precise economic analysis of the above energy scenarios is difficult to do since it is dependent on variables like biomass cost, diesel and petrol cost, and also electricity pricing policy for rural areas. All these are quite unpredictable and are dependent on government policies and international situation.

However, a simple analysis based on historical trends has been attempted. Table 6 shows the money that will be paid by the taluka for importing energy in 2000 AD. The cost accounting is done for 1994 prices at energy levels of 2000 AD (Table 3) and then corrected by 10 per cent per annum inflation rate so that cost for 2000 AD is obtained. Historical data for changes in energy prices do show an average of 10 per cent increase and hence as a first order exercise the inflation correction seems reasonable [TFRI 1992].

It is evident from this table that the pricing

of electricity is artificial and is based on political considerations for rural areas. The data from Maharashtra state electricity board (MSEB) shows that if MSEB sets up a thermal power plant today the electricity cost will be Rs 2.8-3/kWhr (Personal Communication, Ashok Harne, MSEB, September 1994). This includes line and transmission loss charges of Rs 0.6-0.7/kWhr. Thus if proper pricing is done for rural areas (eg Rs 2.8/kWhr is charged) then the energy cost for electricity increases to Rs 183 crore and the total energy import bill for the taluka will be Rs ~227 crore.

Table 7 shows the economics of supply options. Detailed costing for these technologies has been done in literature cited. For 2000 AD prices, 10 per cent inflation rate correction has been made.

From this table it is clear that the major cost is in the production of electricity (64 per cent). However, it should be noted that the present electricity pricing for rural areas is heavily subsidised and it is quite likely that by 2000 AD a uniform electricity pricing policy will have similar rates as shown in Table 7 [Pankh 1993].

Thus it is clear from this study that renewable energy options based on biomass are very attractive as compared to fossil fuel ones, only if proper rural electricity pricing is done.

Increased energy production through agro-based systems will also increase the net income for the farmers. Thus, it will be Rs 2.4 crore from sweet sorghum stalks, Rs 14 crore from energy plantation and Rs 10 crore from agricultural residues which will result in a total of Rs 26.4 crore/year net income for the taluka farmers [Ravvanshi et al. 1989; NARI 1991]. Besides, with the labour input norm of 2 labourers/day per hectare of irrigated land, there is a possibility of employment of 30,000 labourers in the taluka. The potential of other levels of labour force joining, once the agro-energy system is finally set up, is also great. This has been aptly shown by existing sugar factories in rural Maharashtra [Attwood 1993].

TABLE 7 COST OF SUPPLY OPTIONS FOR 2000 AD

Energy/Fuel	Quantity	Plant Capacity	Biomass Cost (Rupees)	1994 Prices		2000 AD Prices*		Total Cost (Rs crore Per Year)	Per Cent of Total
				Capital Cost (Rs crore)	Unit Cost (Selling Price in Rupees)	Capital Cost (Rs crore)	Unit Cost (Rupees)		
Electricity from biomass	3.4 × 10 ⁶ kWhr	2 × 22 MW	1/kg	132.0	2.28/kWhr	234	4.04/kWhr	137	64.0
Cogeneration from sugar factories	0.39 × 10 ⁶ kWhr	7.7 MW	N	12.0	0.54/kWhr	21.2	0.96/kWhr	3.72	1.74
Ethanol from sweet sorghum ¹	9.6 × 10 ⁴ l	32,000 lpd distillery for 95 per cent (v/v) product	300/ton S.S. stalks	9.6	14.5/litre	17.0	25.68/litre	24.65	11.52
Ethanol from molasses ²	5.6 × 10 ⁴ l	16,000 lpd	2000/ton molasses	2.0	12.5/litre	3.5	22.14/litre	12.4	5.8
Pyrolysis oil ³	15,000 tons	200 tons/day biomass through put do	1/kg	15.0	4/kg	26.5	7.08/kg	36.1	16.88
Charcoal	6,000 tons	do	N	N	-do- Total	N	-do-	~213.9	

Notes: * All prices for 2000 AD are calculated from 1994 prices with 10 per cent per annum inflation rate.

Sources: 1) Ravvanshi 1991; 2) Schaffer (1993); 3) NARI and Eswari Bio Energy Private Ltd (1992); 4) Personal Communication PRAJ, July 1994; 5) Cottam and Bridgwater (1994).

With almost all the agricultural residues taken for energy generation, the fertiliser issue can become critical. However, there exists enough potential for making fertiliser from night soil and composting of weeds and vegetable waste so that the possibility of fertiliser issue to be solved exists.

Phaltan taluka consumes about 2,870 tons (T) of synthetic nitrogen fertiliser every year (~420 T of P_2O_5 and 100 T K₂O are also used) (Personal Communication, Fertiliser Shops in Phaltan, June 1994). From night soil and cattle dung which does not go into biogas digester, there is a possibility of producing ~1200 tons/year of nitrogen fertiliser [Stoner 1975]. Recently, farmers in Phaltan have started to use vermiculture techniques for composting vegetable waste and weeds [Bhiday 1994]. With more profits from cash crops like vegetables, the acreage under them is increasing. Composting of these wastes can make a good organic fertiliser and may provide for rest of the nitrogen fertiliser needs of the taluka.

Recent data have shown that ploughing back of agricultural residues in the fields helps sustainable agriculture [Greshop and Raj 1992]. But it should be pointed out that farmers will try to maximise their profits from land and an income generation scheme of supply of these residues for energy purposes will perhaps appear to be more attractive to them.

MANAGERIAL, POLICY AND ENVIRONMENTAL ISSUES

The following issues will have to be addressed before the above energy scenarios can become operational.

- The agro-energy systems require interaction with a large number of farmers. Thus biomass resource mobilisation is one major activity of such enterprises. The existing sugarcane co-operatives do provide a charter for such agro-energy units. However, recent criticism of these factories as a base for corruption and political patronage points in the direction of a joint stock company as a more favourable possible management set up [Aitwood 1993].
- For the ethanol economy to become operational, it is necessary for the government of India (GOI) to take a policy decision of allowing the use of ethanol both for IC engines and as a fuel for cooking. Appropriate measures such as use of additives will have to be taken so that it is not diverted for potable purposes.
- The pyrolysis oil production and utilisation technology is still in the nascent stage. There is, however, a need for setting up a pilot plant to evaluate the technology and efforts should be mounted for its use in CI engines. Rapid and extensive R and D is required in this area.
- Provision of all commercial energy by biomass at taluka level has tremendous implications for the GOI. Such model replication in other talukas can save the

country foreign exchange in import of petroleum products and also reduce the burden of provision of utility infrastructure to far-flung areas of the country. Hence tax incentives should be given to parties who would like to set up such utilities in taluka areas. Similarly government policy should be changed regarding buying of large areas of land by companies for setting up agro-energy industries.

- Energy self-sufficient talukas have a potential to offer an alternative development model to the megacity-oriented existing model. This might lead to decentralised, rural-based high technology society which probably will be the future of all nations. Hence, it is advantageous for the developed countries to partake in this experiment. Thus, the international agencies should help in setting up agro-energy companies in taluka areas of India.
- Finally, the environmental considerations will overshadow all other considerations in the energy scenario. Recently, it has been shown that open biomass burning is as dangerous for ozone depletion as CFCs [Mano and Andrea 1994]. The use of biomass residues (which are presently burned in open fire at Phaltan) for energy production offers an environmentally safe way of using them. Besides, the use of biomass for energy production will create conditions for more biomass production thereby also helping in wasteland development and consequently in environment improvement.

It should again be emphasised that though the above mentioned energy plan may undergo further refinement, the idea behind presenting it was to start a debate on the need of setting up energy self-sufficient talukas. There may, however, be some talukas in India where the level of agricultural residues may not be enough for the above type scenario. However, wind, solar, hydroelectric and other renewable energy systems may provide the necessary energy. Thus energy self-sufficient talukas may provide an alternative development model to megacity-based, centralised energy-driven model of developed countries.

It has been shown that it is possible to meet completely the energy requirements of Phaltan taluka for 2000 AD from agricultural residues and from biomass specifically grown for this purpose. The economics of supply options from agro-energy industries is dependent on the proper electricity pricing policy for rural areas. If the rural areas are charged the normal electricity price, then the economics of biomass energy supply options becomes attractive.

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Writing History

Anita Chakravarty

It is surprising that Ramachandra Guha ('Subaltern and Bhadrakol Studies' August 19) should claim (1) that writing about the elite 'is emphatically not subaltern studies' and (2) that history should be written only from 'the field and the archive'—the law court and the newspaper office—and not from the library.

One of the first things we learnt as students in the mid-1980s about subaltern studies was that subalternity was not a thing that belonged to some social groups: it was a relation. It is perfectly possible—and in fact is most often the case—that those who are in a position of domination in one relation are simultaneously in a subaltern position in another. Surely every researcher today is aware that even among the most oppressed and disprivileged groups there are relations of domination within—those between men and women, the old and the young, between one low caste group and another. Why does it seem to Ramachandra Guha that a study of new forms of subordination of women in middle class families (Dipesh Chakrabarty's essay in *Subaltern Studies VIII*) is not about subalternity? One might also say that a most productive move in the recent works of the *Subaltern Studies* group is precisely their problematisation of the subalternity of the nationalist elite—a formulation that clearly has major implications for our understanding of the new patterns of domination under the post-colonial regime.

Guha's complaint about 'abandoning' the archive for the library—with its sentimental evocation of the historian as a craftsman with soiled hands—is so patently ridiculous that it hardly deserves comment. However, there is a more special point that needs to be made here. Historians of modern India have always known, but have rarely thought about, the fact that the material in our official archives—with negligible exceptions—are all in the English language. This enabled generations of historians of modern India to practise their 'craft' without using—and in many cases without even knowing—a single Indian language. The first attempts by *Subaltern Studies* historians, trying to work their way out of this historiographical tradition, were marked most notably in Ranajit Guha's pioneering work by innovative techniques to 'read' the presence of an insurgent consciousness from what were most often English-language colonial accounts. But the question of finding traces of subaltern voices in an Indian language archive remained

unanswered. Yet it was surely obvious to everyone that the vast masses of the Indian people did not think, speak, dominate or revolt in the English language.

One possibility, of course, was oral history, which has been used very fruitfully in many studies on modern Indian history in the last two decades, perhaps most consummately in the recent book by Shahid Amin reviewed by Ramachandra Guha. But the limitations of oral sources are well known, and for the development of any sustained historiographical practice they could be an important supplement to—but never a substitute for—the archive.

Perhaps the most significant contribution of recent works in *Subaltern Studies* to the craft of the historian of modern India is the sustained way in which they have focused attention on—and indeed shifted the terrain of debate to—the field constituted by the printed literature of the last two hundred years in the modern Indian languages. It has already become clear that this is the principal archive for modern Indian history, containing far richer treasures than the official archives, especially for the historian of the subaltern classes. Contrary to what Ramachandra Guha believes, this does not make it very easy for the historian—not at all. As someone who, as a research student, has made the move from the official archive to the library, I know that working with printed literature, at least in Bengali, is far more arduous, time-consuming and frustrating than working in the archives. This is for the simple reason that this 'other archive'—that of the printed literature in Bengali of the last two hundred years—does not physically exist in any one place, even as a library. A researcher usually has to hunt around in a dozen libraries in and around Calcutta, without the benefit of usable catalogues; for the fortunate few who have the opportunity, the best source is still Vernacular Tracts collection at the India Office Library. I cannot believe that the situation is any better for other Indian languages.

In fact the recent move into cultural history in which *Subaltern Studies* historians have played leading part has meant that this 'other archive' is now literally beginning to be put together piece by piece, with new bibliographies, catalogues, reprographs and microfilms. The possibilities for subaltern history are immense. Only a tiny fraction of what was printed in the 19th and 20th centuries has entered academic history-writing, even for the literary disciplines in the Indian

languages, since the majority of printed matter did not qualify as worthwhile literature and were not preserved in libraries or written about by scholars. Putting together this alternative archive will mean not just that techniques of 'reading against the grain' could be applied to texts produced by the Indian elite in the Indian languages, as has been done most impressively by recent feminist scholars. It also means an unprecedented chance to lay our hands on a large body of written materials produced by distinctly non-elite sections of the people. It is foolish to suggest, as Ramachandra Guha does, that a 'library' of printed literature, even for colonial India, contains only the writings of the elite. On the contrary, what is now rapidly becoming clear to researchers in cultural history is the enormous volume of printed literature that could be sought out which carry the materials of subaltern history at a level of immediacy that it is impossible to find in any other source.

One can understand that a European historian such as Hans Medick, whom Ramachandra Guha cites, will not know of this peculiar problem with languages and sources that Indian historians have faced in the writing of their own history. It is astonishing that Guha, an Indian scholar, does not seem to be even remotely aware of the sea change that has taken place in modern Indian historiography in the last decades and a half. Indian history cannot be written any more except with materials in the Indian languages and for this the official archive as historians have known it for so long will no longer suffice.

A final point. *Subaltern Studies* has been admired and criticised in academic forums all over the world. But there has been a persistent strand in some of the criticisms that continues to be made in India which betrays a different anxiety. One of the achievements of *Subaltern Studies* scholarship is the systematic demonstration of the close complicity of elite ideologies, whether liberal, Gandhian or Marxist, with the emergence of new forms of domination and subordination in post-colonial India. This has made the enterprise of scholarship fraught with tension. It does not allow the scholar—the elite historian of the subaltern classes—to write without thinking reflexively of his or her own relation to the projects of power in his or her own society. This is hardly conducive to the writing of history as it was taught to us. Whatever be the shortcomings of the recent *Subaltern Studies*, it has at least ensured that simple-minded histories, based on what Ramachandra Guha calls 'the lived experience' of the people (a phrase that would make any decent philosopher squirm), will henceforth find few takers.

National Accounts Statistics of India - 6

Net State Domestic Product

IPW Research Foundation

THE final set of statistics in this six part NAS series present estimates of Net State Domestic Product (NSDP) and per capita state domestic product as well as comparable state wise data on NSDP by economic activity. These data are compiled by the directorates of economics and statistics of respective state governments at both current and constant prices. Over the years the measure of per capita State Domestic Product has also required direct participation of import in it that it is used by the Planning Commission for inter state allocation of some parts of the plan resource and by the Finance Commission for distribution of proceeds of union excise duties and additional excise duties amongst different states.

I Methodology and Data Sources

Since the early 1950's there have been concerted attempts by the CSO to provide a lead and to co-ordinate the estimates of state domestic product (SDP) specifically. First in 1957 the CSO set up the Working Group on State Income (WGS) to undertake technical examination of the estimates of state income prepared by the then state statistical bureaus (SSBs) from time to time to make recommendations on the important gaps which could be filled to improve the estimates and to generally provide a standard set of concepts, definitions and methodology for the estimation of SDP.

The estimates of SDP are prepared broadly following the WGS recommendations. The estimates of state income can be conceptually prepared by adopting two approaches. The first is the income originating approach where the measurement corresponds to income originating due to factors of production physically located within the geographical boundaries of a state and represent the value of goods and services produced within the state. The second approach relate to the income accruing to the normal residents of a state and corresponds to concepts of net national product at the national level. However due to non availability of data on flow of factor incomes the WGS felt that SDP estimates be prepared by the income originating approach only.

At the second stage the Regional Accounts Committee (RAC) appointed by the CSO in 1972 recommended a set of consolidated accounts for each. Amongst the building blocks required for such consolidated accounts about ten states have prepared estimates of gross fixed capital

formation for a few years (CSO 1991). The CSO has been apparently providing the necessary lead in this respect (Katyail and Rao 1991). At the third stage the WGS was replaced by the Technical Working Group for improvement of database for state income and related aggregates (TWG) in July 1981. The TWG reviews afresh the recommendations of the RAC as well as the problems of the state governments in implementing them.

Though there is now considerable degree of conformity in the concepts and methodology in the estimation of SDP it has always been the case that source material and data availability varied in different states. In addition state statistical systems are at different stages of development. As a result of these problems the CSO has discontinued even the collating of state government estimates and publishing them in the NAS.

II Inter-State Comparisons of NSDP

The data depicted in Tables 26-27 and 28 show that Maharashtra and Uttar Pradesh dominate as the highest SDP states followed though at some distance by West Bengal, Andhra Pradesh, Tamil Nadu, Madhya Pradesh and Gujarat (Tables 26A and 26B). The ranks of these top states have remained as between say 1950-81 and 1992-93 but there have been some significant alterations in ranks in respect of some other major states. In 1980-81 next to the above seven states Bihar occupied the eighth rank but by 1991-92 it had yielded the place to Karnataka, Punjab and Rajasthan continued to occupy the ninth and tenth positions in terms of the absolute size of the SDP. This is the position in SDP estimates at both current and constant prices.

The inter state position of states in terms of their per capita SDP seems to have remained unchanged for decades. Dealing with comparable series of per capita SDP Uma Datta Roy Choudhury (1993) reported such a result and it is found in the present series also that Punjab, Haryana, Gujarat and Maharashtra have the highest per capita incomes which are also higher than the all India NNP per capita. Interestingly the three southern states of Karnataka, Tamil Nadu and Andhra Pradesh have begun to reach the national average. Amongst the other major states Bihar and Orissa seem to lag behind in the growth of SDP per capita (Tables 27A and 27B).

As part of the national pattern the share of agriculture in the SDP of each state has

shown a steady decline except in the case of two major states namely Punjab and Rajasthan the former showing no change and the latter in fact rise. This has been at constant (1980-81) prices but in nominal SDP the agriculture share has shown a decline for Punjab suggesting that over the decade of the 1980s Punjab's agriculture has not enjoyed a favourable terms of trade until 1989-90 there has been some improvement in this since then which has not been captured here for want of subsequent data. Secondly Punjab has risen in terms of SDP share originating in manufacturing. Interestingly Bihar which has experienced a fall in SDP originating in agriculture has seen a significant increase in share of manufacturing but this is largely statistical in character as the overall growth of the Bihar economy has been relatively negligible. Otherwise the high per capita income states of Punjab, Haryana, Gujarat and Maharashtra have experienced an improvement in the share of GDI originating in manufacturing. Gujarat and Karnataka are the other two states which have experienced a similar improvement. The prominent states to show a decline in manufacturing share in the 1980s are West Bengal and Tamil Nadu (Tables 28A and 28B).

[This note and the accompanying statistical tables have been prepared by Punmita Debnath Bhagysheer Mundke and V P Prishmit]

Notes

1. This note has relied heavily on definitions and description contained in CSO (1985) and CSO (1991).
2. As these are available only for a few years the same are not reproduced here (CSO 1991).

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Table 26A: Net State Domestic Product at 1980-81 Prices

(Rupees crore)

Sl No	State/UT	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(P)	(P)	(P)	(P)	(P)	(Q)
1	Andhra Pradesh	7324	8440	8534	8885	8629	9047	8693	9542	11028	11543	11723	11857	11777
2	Arunachal Pradesh	97	112	115	123	134	150	160	168	188	200*	207	217	-
3	Assam	2356	2640	2831	2914	3155	3282	3336	3519	3590	3822	4005	4285	4516
4	Bihar	6360	6342	6314	7049	7536	8216	8388	8369	9500	9401	10239	9609	9761
5	Goa	315	281	329	317	364	338	386	393	477	498	536	546	556
6	Gujarat	6585	7264	7129	8434	8457	8245	8241	7578	10779	10408	10494	10084	11555
7	Haryana	3032	3145	3341	3412	3545	4181	4078	4076	5098	5178	5649	5748	6039
8	Himachal Pradesh	723	766	739	774	730	831	886	894	970	1086	1091	1083	-
9	Jammu & Kashmir	1050	998	1034	1066	1141	1230	1249	1110	1253	1235	1272	1319	-
10	Karnataka	5611	6229	6407	6829	7364	6795	7741	7945	8587	9149	9153	10292	10495
11	Kerala	3823	3735	3826	3671	3898	4086	3938	4166	4584	4892	5269	5608	6023
12	Madhya Pradesh	6967	7107	7386	7762	7457	8112	7821	8815	9400	9480	11302	10466	10728
13	Maharashtra	15113	15476	16069	17106	17475	18703	19627	20014	22059	25534	26898	25942	28245
14	Manipur	201	215	220	240	251	259	267	280	295	308	330	364	-
15	Meghalaya	180	187	190	195	205	214	218	237	242	277	309	345	370
16	Nagaland	110	122	134	147	162	154	183	192	206	214	212	219	-
17	Orissa	3225	3270	3073	3703	3405	3981	3979	3922	4508	4848	4345	4840	4703
18	Punjab	4449	4842	4995	5076	5461	5924	6105	6450	6792	7365	7495	7864	8186
19	Rajasthan	4126	4478	4570	5611	5208	5187	5304	5291	7477	7217	8377	7676	-
20	Sikkim	49	52	59	61	69	76	89	108	115	123	135	-	-
21	Tamil Nadu	7218	8011	7578	7988	9033	9391	9310	9893	10344	11122	11352	11691	-
22	Tripura	268	274	309	299	307	312	326	367	400	429	453	-	-
23	Uttar Pradesh	14012	14451	15604	16233	16466	16971	17943	18506	20541	21045	22226	22535	22769
24	West Bengal	8720	8996	9031	9869	9750	10222	10691	11587	12146	12755	13126	13894	14497
25	A & N Islands	49	52	50	58	56	63	66	70	77	77	75	69	-
26	Delhi	2297	2496	2670	2570	2609	3271	3518	3565	3895	4253	4482	4808	-
27	Pondicherry	186	187	199	198	208	217	232	243	245	250	277	285	290
	All India NDP *	110340	117101	120320	130396	134985	140226	145978	151988	168985	180686	190241	190780	198833

Q Quick Estimates P Provisional Not available * CSO estimates

Source: CSO (1991) and RBI Report on Currency and Finance 1993-94

Table 26B: Net State Domestic Product at Current Prices

(Rupees crore)

Sl No	State/UT	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(P)	(P)	(P)	(P)	(P)	(Q)
1	Andhra Pradesh	7324	8974	9702	11516	11962	13412	14242	17375	22089	25423	30165	37165	39704
2	Arunachal Pradesh	97	129	148	167	196	237	268	284	335	366	426	484	-
3	Assam	2356	2978	3398	3766	4725	5118	5476	5993	6563	7741	8905	10430	11736
4	Bihar	6360	7002	7830	9178	11086	12357	13732	15311	18622	19565	22741	25256	29341
5	Goa	315	343	418	442	542	509	657	670	781	748	1024	1144	1222
6	Gujarat	6585	8247	8745	11385	11866	12037	13429	13667	19283	20910	23316	26359	32240
7	Haryana	3032	3498	4004	4351	4747	5788	5935	6744	8915	9943	12229	14551	16392
8	Himachal Pradesh	723	844	894	1019	1024	1237	1353	1539	1873	2184	2429	2798	-
9	Jammu & Kashmir	1050	1036	1269	1417	1640	1929	2013	2086	2601	2702	2951	3167	-
10	Karnataka	5611	6735	7413	8984	10072	10322	12124	13550	15825	18181	20990	26778	29121
11	Kerala	3823	4008	4662	5465	6078	6503	7321	8258	9182	10668	12195	13535	15082
12	Madhya Pradesh	6967	6768	7732	10069	10257	11963	12528	16001	18740	21144	27171	29357	32307
13	Maharashtra	15113	16965	18277	21152	23884	26464	28157	33249	39876	48551	57178	63848	75481
14	Manipur	201	243	258	307	354	377	428	508	610	642	694	761	-
15	Meghalaya	180	206	227	263	302	342	380	472	513	664	795	946	1071
16	Nagaland	110	132	161	194	231	242	294	340	387	469	561	680	-
17	Orissa	3225	3677	3765	4893	4801	5936	6206	6521	8433	9105	9664	12215	12922
18	Punjab	4449	5240	5808	6400	7307	8347	9209	10816	12495	15055	16729	19879	22499
19	Rajasthan	4126	4050	5531	7043	6983	7669	8254	9436	12892	13837	17804	19501	-
20	Sikkim	49	55	65	75	95	113	135	156	167	185	203	224	-
21	Tamil Nadu	7218	8677	8821	10222	12028	13682	15125	18166	19632	22975	25916	28868	-
22	Tripura	268	290	352	360	441	485	512	589	765	836	933	-	-
23	Uttar Pradesh	14012	15156	17757	19704	21658	24669	27413	30481	36129	41009	48477	56250	61267
24	West Bengal	8720	9777	10680	12832	14778	15699	17186	20151	23823	27302	32062	36443	41603
25	A & N Islands	49	57	61	75	81	95	110	116	126	149	168	183	-
26	Delhi	2297	2742	3118	3267	3625	4718	5493	6061	7197	8284	9428	11201	-
27	Pondicherry	186	199	225	252	282	317	351	413	432	436	616	729	-
	All India NDP *	110340	128757	142509	167494	186442	207562	230207	261510	313785	363016	425602	489078	555369

Q Quick Estimates P Provisional Not available * CSO estimates

Source: CSO (1991) and RBI Report on Currency and Finance 1993-94

Table 27A: Per Capita Net State Domestic Product at 1980-81 Prices

(Rupees)

Sl No	State/UT	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(P)	(P)	(Q)	(D)	(D)	*	*
1	Andhra Pradesh	1380	1558	1545	1578	1505	1552	1461	1530	1692	-	1752	1740	1717	1775
2	Arunachal Pradesh	1561	1747	1744	1804	1908	2074	2139	2184	2260	2199	2379	2438	2992	3149
3	Assam	1200	1307	1367	1375	1457	1483	1474	1521	1516	1650	1774	1857	2018	2157
4	Bihar	878	896	873	954	999	1007	1065	979	1042	981	1177	1080	1142	-
5	Goa	3145	2752	3152	2964	3313	3166	3353	3493	3582	3678	4542	4550	4969	4980
6	Gujarat	1951	2105	2025	2343	2304	2049	2163	1942	2631	2629	2525	2382	2585	2351
7	Haryana	2370	2396	2475	2457	2483	2778	2714	2598	3160	3193	3405	3387	3411	3479
8	Himachal Pradesh	1698	1769	1673	1719	1592	1771	1865	1818	1921	2096	2098	2043	-	-
9	Jammu & Kashmir	1649	1652	1671	1683	1759	1807	1841	1575	1804	-	1635	1659	1717	-
10	Karnataka	1596	1655	1665	1737	1834	1727	1852	1909	2072	2109	2024	2240	2315	2375
11	Kerala	1494	1453	1462	1377	1435	1462	1400	1413	1501	1560	1802	1891	1932	1968
12	Madhya Pradesh	1325	1321	1342	1378	1293	1374	1294	1423	1481	1457	1696	1538	1668	1744
13	Maharashtra	2427	2434	2473	2576	2576	2710	2644	2813	3026	3281	3386	3202	3696	3901
14	Manipur	1430	1488	1485	1578	1607	1661	1630	1693	1748	1702	1784	1926	1890	1921
15	Meghalaya	1361	1379	1361	1354	1385	1412	1397	1485	1514	1515	1726	1885	1630	1810
16	Nagaland	1383	1539	1616	1700	1806	1844	1889	2016	2133	-	1738	1738	-	-
17	Orissa	1231	1227	1133	1341	1210	1390	1365	1320	1493	1557	1364	1491	1470	1578
18	Punjab	2675	2848	2875	2859	3011	3167	3223	3310	3421	3658	3676	3799	3952	4055
19	Rajasthan	1222	1285	1276	1525	1379	1338	1333	1241	1620	-	1890	1694	1934	1760
20	Sikkim	1571	1611	1746	1758	1919	2017	2297	2678	2875	-	3293	-	-	-
21	Tamil Nadu	1498	1640	1527	1582	1758	1798	1755	1821	1889	1864	2025	2064	2355	2410
22	Tripura	1323	1312	1443	1361	1363	1356	1385	1470	1532	1611	1629	-	1713	-
23	Uttar Pradesh	1286	1287	1360	1386	1379	1404	1441	1455	1555	1572	1588	1581	1587	1605
24	West Bengal	1612	1597	1571	1684	1631	1707	1755	1828	1930	-	1917	1995	2056	-
25	A & N Islands	2613	2604	2414	2660	2445	2639	2644	2695	2905	2837	2679	2379	2550	-
26	Delhi	3843	3915	4019	3713	3619	4252	4507	4601	4421	-	4703	4871	-	-
27	Pondicherry	3038	2972	3088	2987	3062	3116	3241	3309	3245	3225	3420	3434	3510	-
	All India **	1630	1693	1691	1790	1811	1841	1871	1901	2059	2157	2223	2178	2226	2282
	Per Capita NNP														

Q: Quick Estimates P: Provisional - Not available D: Derived ** CSO Estimates

* Answer to a Parliament Question of Rajya Sabha (USQ No. 1941 of August 21, 1995)

Source: Above estimates are from CSO (1991) and RBI: Report on Currency and Finance, 1993-94.

Table 27B: Per Capita Net State Domestic Product at Current Prices

(Rupees)

Sl No	State/UT	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(P)	(P)	(Q)	(D)	(D)	*	*
1	Andhra Pradesh	1380	1657	1756	2046	2088	2296	2394	2741	3211	-	4508	5455	5767	6489
2	Arunachal Pradesh	1561	2011	2240	2455	2793	3274	3579	3679	4236	4176	4897	5438	7389	8172
3	Assam	1200	1474	1641	1777	2182	2313	2420	2589	2772	3179	3944	4519	5310	5916
4	Bihar	878	989	1083	1242	1469	1558	1744	1846	2111	2122	2613	2838	3084	-
5	Goa	3145	3365	4003	4127	4931	4927	5702	6209	6619	6939	8678	9533	11294	11658
6	Gujarat	1951	2390	2484	3162	3233	3077	3525	3509	4893	5404	5610	6227	7175	7600
7	Haryana	2370	2664	2967	3133	3325	3849	3950	4312	5537	6265	7371	8575	9171	10359
8	Himachal Pradesh	1698	1948	2025	2264	2233	2630	2848	3122	3622	4005	4671	5279	-	-
9	Jammu & Kashmir	1649	1817	2050	2237	2528	2716	2966	2701	3420	-	3793	3984	4212	-
10	Karnataka	1596	1790	1926	2285	2508	2564	2900	3254	3787	4075	4642	5828	6443	7029
11	Kerala	1494	1559	1782	2050	2238	2328	2603	2828	3076	3389	4171	4563	5768	6009
12	Madhya Pradesh	1325	1258	1405	1788	1779	2027	2072	2433	2952	3249	4077	4315	4733	5485
13	Maharashtra	2427	2669	2813	3185	3403	3835	3997	4558	5363	6184	7197	7880	9628	10984
14	Manipur	1430	1684	1742	2018	2265	2354	2611	3008	3480	3502	3751	4026	5028	5362
15	Meghalaya	1361	1516	1625	1831	2043	2250	2437	2893	3112	3250	4441	5169	5215	5519
16	Nagaland	1383	1666	1941	2251	2579	2800	3034	3361	3464	-	4598	5397	-	-
17	Orissa	1231	1380	1388	1772	1707	2072	2128	2194	2793	3066	3033	3763	4097	4726
18	Punjab	2675	3082	3343	3605	4028	4486	4862	5572	6274	7081	8205	9603	11106	12319
19	Rajasthan	1222	1392	1544	1914	1849	1978	2074	2197	2923	-	4016	4304	5086	5220
20	Sikkim	1571	1701	1928	2136	2635	3023	3472	3886	4254	4396	4951	5333	-	-
21	Tamil Nadu	1498	1776	1777	2024	2341	2620	2851	3362	3677	3894	4624	5098	6663	7352
22	Tripura	1323	1390	1641	1640	1962	2108	2177	2494	2722	2866	3356	-	3781	-
23	Uttar Pradesh	1286	1349	1547	1682	1812	2032	2201	2382	2744	3072	3464	3947	4273	4744
24	West Bengal	1612	1735	1860	2189	2473	2597	2769	3089	3423	-	4683	5232	5901	-
25	A & N Islands	2613	2877	2948	3435	3549	3985	4412	4436	4797	5401	6000	6310	6751	-
26	Delhi	3843	4301	4692	4720	5042	6130	7037	7788	8169	-	9893	11349	-	-
27	Pondicherry	3038	3169	3490	3806	4147	4553	4909	5622	5737	5636	7605	8783	9888	-
	All India **	1630	1861	2004	2304	2504	2730	2962	3285	3842	4347	4983	5596	6234	6929
	Per Capita NNP														

Q: Quick Estimates P: Provisional - Not available D: Derived ** CSO Estimates.

* Answer to a Parliament Question of Rajya Sabha (USQ No. 1941 of August 21, 1995).

Source: Above estimates are from CSO (1991) and RBI: Report on Currency and Finance, 1993-94.

Table 28A: Estimates of Net State Domestic Product by Economic Activity at 1980-81 Prices

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Andhra Pradesh	7324[6 6]	8440[7 2]	8534[7 1]	8885[6 8]	8629[6 4]	9067[6 5]	8693[6 0]	9268[6 1]	10432[6 2]	
Agriculture	3339(45 6)	4036(47 8)	3973(46 6)	4179(47 0)	3785(43 9)	3783(41 7)	3372(38 8)	3660(39 5)	4358(41 8)	
Manufacture	1292(17 6)	1431(17 8)	1507(17 7)	1505(16 9)	1607(18 6)	1680(18 5)	1673(19 3)	1670(18 0)	1806(17 3)	
Transport	1404(19 2)	1630(19 3)	1642(19 2)	1711(19 3)	1650(19 1)	1962(21 6)	1950(22 4)	2068(22 3)	2357(22 6)	
Others	1289(17 6)	1343(15 9)	1412(16 2)	1490(16 8)	1589(18 4)	1642(18 1)	1698(19 5)	1870(20 2)	1911(18 3)	
Per Capita	1380	1558	1545	1578	1505	1552	1461	1570	1692	
Assam	2356[2 1]	2640[2 3]	2831[2 4]	2914[2 2]	3155[2 3]	3282[2 3]	3336[2 3]	3519[2 3]	3590[2 1]	3996[2 3]
Agriculture	1272(54 0)	1259(47 7)	1408(49 7)	1366(46 9)	1405(44 5)	1469(44 8)	1434(43 0)	1533(43 6)	1431(39 9)	1649(41 3)
Manufacture	274(11 6)	499(18 9)	489(17 3)	578(19 8)	725(23 0)	716(21 8)	741(22 2)	715(20 3)	824(22 9)	893(22 3)
Transport	316(13 4)	359(13 6)	389(13 7)	394(13 5)	424(13 4)	466(14 2)	498(14 9)	506(14 4)	550(15 3)	625(15 6)
Others	494(21 0)	523(19 8)	546(19 3)	576(19 8)	601(19 1)	631(19 2)	663(19 9)	765(21 7)	785(21 9)	829(20 8)
Per Capita	1200	1307	1367	1375	1457	1483	1474	1521	1516	1650
Bihar	6077[5 5]	6342[5 4]	6314[5 2]	7049[5 4]	7536[5 6]	7757[5 5]	8388[5 8]	7877[5 2]	8562[5 1]	8238[4 7]
Agriculture	3290(54 1)	3082(48 6)	2973(47 1)	3521(50 0)	3904(51 8)	3933(50 7)	4291(51 2)	3457(43 9)	3931(45 9)	3339(40 5)
Manufacture	1056(17 4)	1448(22 8)	1415(22 4)	1550(22 1)	1573(20 9)	1639(21 1)	1705(20 3)	1912(24 3)	2013(23 5)	2097(25 5)
Transport	640(10 5)	674(10 6)	699(11 1)	721(10 2)	755(10 0)	798(10 3)	840(10 0)	878(11 1)	921(10 8)	958(11 6)
Others	1091(18 0)	1138(17 9)	1227(19 4)	1257(17 8)	1304(17 3)	1387(17 9)	1552(18 5)	1630(20 7)	1697(19 8)	1844(22 4)
Per Capita	878	896	873	954	999	1007	1065	979	1042	981
Gujarat	6594[6 0]	7264[6 2]	7129[5 9]	8434[6 5]	8457[6 3]	7665[5 5]	8241[5 7]	7533[5 0]	10391[6 2]	10542[6 0]
Agriculture	2537(38 5)	3017(41 5)	2563(36 0)	3161(37 5)	3171(37 5)	1921(25 0)	2062(25 0)	905(12 0)	3089(29 7)	2737(26 0)
Manufacture	1932(29 3)	1963(27 0)	2119(29 7)	2579(30 6)	2442(28 9)	2749(35 9)	2954(35 9)	3203(42 5)	3450(33 2)	3648(34 6)
Transport	927(14 1)	1051(14 5)	1113(15 6)	1298(15 4)	1340(15 8)	1385(18 1)	1535(18 6)	1645(21 8)	1968(18 9)	2119(20 1)
Others	1198(18 2)	1233(17 0)	1334(18 7)	1396(16 5)	1504(17 8)	1611(21 0)	1690(20 5)	1780(23 6)	1884(18 1)	2038(19 3)
Per Capita	1951	2105	2025	2342	2304	2049	2163	1942	2631	2629
Haryana	3032[2 7]	3145[2 7]	3341[2 8]	3412[2 6]	3545[2 6]	4073[2 9]	4078[2 8]	3994[2 6]	4961[2 9]	5113[2 9]
Agriculture	1644(54 2)	1618(51 4)	1694(50 7)	1742(51 1)	1787(50 4)	2043(50 2)	1940(47 6)	1671(41 8)	2392(48 2)	2355(46 1)
Manufacture	587(19 4)	617(19 6)	643(19 2)	681(20 0)	735(20 7)	841(20 6)	897(22 0)	973(24 4)	1059(21 3)	1136(22 2)
Transport	469(15 5)	554(17 6)	613(18 3)	599(17 5)	590(16 6)	726(17 8)	738(18 1)	813(20 4)	931(18 8)	985(19 3)
Others	332(10 9)	356(11 3)	391(11 7)	390(11 4)	433(12 3)	463(11 4)	503(12 3)	537(13 4)	579(11 7)	637(12 4)
Per Capita	2370	2396	2475	2457	2483	2778	2714	2598	3160	3193
Himachal Pradesh	721[0 7]	766[0 7]	739[0 6]	774[0 6]	730[0 5]	827[0 6]	886[0 6]	878[0 6]	944[0 6]	1047[0 6]
Agriculture	361(50 0)	390(50 9)	339(45 9)	379(49 0)	327(44 8)	368(44 5)	396(44 7)	338(38 5)	367(38 9)	454(43 4)
Manufacture	136(18 9)	144(18 8)	152(20 6)	143(18 5)	141(19 3)	178(21 5)	178(20 1)	190(22 7)	204(21 6)	208(19 9)
Transport	56(7 8)	60(7 8)	62(8 4)	68(8 8)	64(8 8)	69(8 3)	79(8 9)	77(8 8)	85(9 0)	88(8 4)
Others	168(23 3)	172(22 5)	186(25 2)	184(23 8)	198(27 1)	212(25 6)	233(26 3)	264(30 1)	287(30 4)	297(28 4)
Per Capita	1698	1769	1673	1719	1592	1771	1865	1818	1921	2098
Jammu & Kashmir	974[0 9]	996[0 9]	1034[0 9]	1066[0 8]	1141[0 8]	1199[0 9]	1249[0 9]	1092[0 7]	1277[0 8]	
Agriculture	494(50 7)	509(51 1)	501(48 5)	516(48 4)	532(46 6)	541(45 1)	571(45 7)	420(38 5)	530(41 5)	
Manufacture	139(14 3)	131(13 1)	158(15 3)	163(15 3)	215(18 9)	227(18 9)	244(19 5)	259(23 7)	219(17 1)	
Transport	170(17 5)	172(17 3)	175(16 9)	181(17 0)	184(16 1)	210(17 5)	213(17 1)	179(16 4)	235(18 4)	
Others	171(17 5)	184(18 5)	200(19 3)	206(19 3)	210(18 4)	221(18 4)	221(17 7)	234(21 4)	293(22 9)	
Per Capita	1649	1652	1671	1683	1759	1807	1841	1575	1804	
Karnataka	5866[5 3]	6229[5 3]	6407[5 3]	6829[5 2]	7384[5 5]	7076[5 0]	7741[5 3]	8139[4 8]	9000[5 3]	9321[5 3]
Agriculture	2509(42 8)	2774(44 5)	2694(42 0)	2812(41 2)	3069(41 6)	2687(38 0)	3115(40 2)	3058(37 6)	3338(37 1)	3334(35 8)
Manufacture	1505(25 7)	1474(23 7)	1631(25 5)	1763(25 8)	1864(25 2)	1872(26 5)	1937(25 0)	2130(26 2)	2468(27 4)	2636(28 3)
Transport	890(15 1)	978(15 7)	1032(16 1)	1123(16 4)	1213(16 4)	1180(16 7)	1290(16 7)	1445(17 8)	1604(17 8)	1674(18 0)
Others	961(16 4)	1003(16 1)	1050(16 4)	1131(16 6)	1238(16 8)	1337(18 9)	1399(18 1)	1506(18 5)	1590(17 7)	1679(18 0)
Per Capita	1596	1655	1665	1737	1834	1727	1852	1909	2072	2109
Kerala	3782[3 4]	3725[3 2]	3826[3 2]	3671[2 8]	3898[2 9]	4042[2 9]	3938[2 7]	4040[2 7]	4360[2 6]	4601[2 6]
Agriculture	1495(39 5)	1436(38 4)	1444(37 7)	1316(35 8)	1435(36 8)	1495(37 0)	1413(35 9)	1443(35 7)	1651(37 9)	1727(37 5)
Manufacture	936(24 7)	927(24 8)	941(24 6)	917(25 0)	919(23 6)	963(23 8)	894(22 7)	907(22 5)	985(22 6)	1077(23 4)
Transport	669(17 7)	673(18 0)	700(18 3)	675(18 5)	744(19 1)	775(19 2)	777(19 7)	812(20 1)	803(18 4)	813(17 7)
Others	682(18 0)	699(18 7)	741(19 4)	760(20 7)	800(20 5)	809(20 0)	854(21 7)	878(21 7)	921(21 1)	984(21 4)
Per Capita	1494	1453	1462	1377	1435	1462	1400	1413	1501	1560
Madhya Pradesh	2675[2 4]	2797[2 4]	2895[2 4]	3376[2 6]	3237[2 4]	3496[2 5]	3392[2 3]	3899[2 6]	4238[2 5]	4242[2 4]
Agriculture	1320(49 3)	1378(49 3)	1339(46 3)	1630(48 3)	1437(44 4)	1587(45 4)	1397(41 2)	1575(40 4)	1699(40 1)	1548(36 5)
Manufacture	590(22 1)	605(21 6)	682(23 6)	740(21 9)	737(22 8)	736(21 1)	757(22 3)	870(22 3)	923(21 8)	971(22 9)
Transport	350(13 0)	364(13 0)	366(12 6)	409(12 1)	402(12 4)	438(12 5)	431(12 7)	462(11 8)	490(11 6)	495(11 7)
Others	415(15 5)	450(16 1)	508(17 5)	597(17 7)	661(20 4)	735(21 0)	807(23 8)	992(25 4)	1126(26 6)	1228(28 9)
Per Capita	1325	1321	1347	1387	1293	1374	1294	1423	1481	1457
Maharashtra	15113[13 7]	15476[13 2]	16069[13 4]	17106[13 1]	17475[12 9]	18747[13 4]	18627[12 8]	20146[13 1]	22005[13 1]	24204[13 7]
Agriculture	4200(77 8)	4402(82 4)	4152(81 8)	4418(85 8)	4486(85 7)	4261(82 7)	3489(81 7)	4461(82 1)	4708(81 4)	5511(82 8)
Manufacture	5343(35 4)	5177(33 5)	5397(33 6)	5806(33 9)	5847(33 5)	6642(35 4)	7102(38 1)	7066(35 1)	7842(35 6)	8489(35 1)
Transport	2527(16 7)	2647(17 1)	2899(18 0)	3004(17 6)	3010(17 2)	3313(17 7)	3433(18 4)	3687(18 3)	3933(17 9)	4319(17 4)
Others	3043(20 1)	3250(21 0)	3621(22 5)	3878(22 7)	4132(23 6)	4531(24 2)	4603(24 7)	4932(24 5)	5522(25 1)	5885(24 3)
Per Capita	2427	2431	2473	2576	2576	2710	2644	2813	3026	3181
Orissa	3225[2 9]	3270[2 8]	3073[2 6]	3703[2 8]	3405[2 5]	3981[2 8]	3979[2 7]	3922[2 6]	4508[2 7]	4781[2 7]
Agriculture	1772(54 9)	1807(55 3)	1626(52 9)	2168(58 5)	1789(52 5)	2132(53 6)	2020(50 8)	1832(46 7)	2208(49 0)	2379(49 8)
Manufacture	521(16 2)	506(15 5)	497(16 2)	480(13 0)	567(16 7)	659(16 6)	705(17 7)	808(20 6)	856(19 0)	843(17 6)
Transport	455(14 1)	471(14 4)	426(13 9)	529(14 3)	479(14 1)	574(14 4)	578(14 5)	563(14 4)	642(14 2)	669(14 0)
Others	477(14 8)	486(14 9)	524(17 0)	526(14 2)	570(16 7)	616(15 5)	676(17 0)	719(18 3)	802(17 8)	890(18 6)
Per Capita	1231	1227	1133	1341	1210	1390	1365	1320	1493	1557

(Continued)

Table 28A: Estimates of Net State Domestic Product by Economic Activity at 1980-81 Prices (Continued)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Punjab	4451[4 0]	4842[4 1]	4995[4 2]	5076[3 9]	5461[4 0]	5871[4 2]	6105[4 2]	6406[4 2]	6766[4 0]	7392[4 2]
Agriculture	2176(48 9)	2434(50 3)	2507(50 2)	2470(48 7)	2766(50 7)	3006(51 2)	2997(49 1)	3130(48 9)	3244(47 9)	3610(48 8)
Manufacture	856(19 2)	939(19 4)	951(19 0)	1011(19 9)	1046(19 2)	1166(19 9)	1274(20 9)	1370(21 4)	1514(22 4)	1677(22 7)
Transport	741(16 6)	776(16 0)	804(16 1)	842(16 6)	847(15 5)	868(14 8)	941(15 4)	983(15 5)	1008(14 9)	1050(14 2)
Others	678(15 2)	693(14 3)	733(14 7)	753(14 8)	802(14 7)	831(14 2)	894(14 6)	923(14 4)	1003(14 8)	1055(14 3)
Per Capita	2675	2848	2875	2859	3011	3167	3323	3404	3421	3658
Rajasthan	4126[3 7]	4478[3 8]	4570[3 8]	5611[4 3]	5208[3 9]	5187[3 7]	5304[3 6]	5071[3 3]	6791[4 0]	
Agriculture	2077(50 3)	2337(52 2)	2316(50 7)	3093(55 1)	2721(52 2)	2507(48 3)	2407(45 4)	2060(40 6)	3604(53 1)	
Manufacture	823(19 9)	870(19 4)	881(19 3)	1081(19 3)	973(18 7)	1093(21 1)	1179(22 2)	1182(23 3)	1269(18 7)	
Transport	598(14 5)	622(13 9)	651(14 2)	676(12 0)	703(13 5)	745(14 4)	782(14 7)	822(16 3)	861(12 7)	
Others	628(15 2)	649(14 5)	722(15 8)	761(13 6)	811(15 6)	842(16 2)	936(17 6)	1007(19 9)	1053(15 6)	
Per Capita	1222	1285	1276	1525	1379	1338	1313	1241	1620	
Tamil Nadu	7218[6 5]	8011[6 8]	7578[6 3]	7988[6 1]	9033[6 7]	9391[6 7]	9310[6 4]	9807[6 5]	10320[6 1]	10319[5 8]
Agriculture	1836(25 4)	2118(28 9)	1777(24 4)	2138(26 8)	2330(28 0)	2324(24 7)	2377(25 5)	2401(24 5)	2194(21 3)	2056(19 9)
Manufacture	2452(34 0)	2550(31 8)	2632(34 7)	2599(32 5)	2974(32 9)	2990(31 8)	2833(30 4)	2942(30 0)	3330(31 3)	3247(31 4)
Transport	1639(22 7)	1808(22 6)	1774(23 4)	1804(22 6)	1952(21 6)	2360(25 1)	2349(25 3)	2564(26 1)	2714(26 3)	2769(26 8)
Others	1291(17 9)	1335(16 7)	1395(18 4)	1447(18 1)	1577(17 5)	1717(18 3)	1756(18 9)	1900(19 4)	2083(20 2)	2252(21 8)
Per Capita	1498	1640	1527	1582	1758	1798	1755	1821	1889	1864
Uttar Pradesh	14102[12 8]	14451[12 3]	15604[13 0]	16233[12 4]	16486[12 2]	17124[12 2]	17943[12 3]	18500[12 2]	20182[12 0]	20838[11 8]
Agriculture	7287(51 7)	7449(51 5)	7749(49 7)	8049(49 6)	7958(48 3)	8056(47 0)	8264(46 1)	8368(45 2)	9172(45 4)	9070(43 5)
Manufacture	2338(16 6)	2365(16 4)	2832(18 1)	2932(18 1)	3036(18 4)	3280(19 2)	3492(19 5)	3630(19 6)	3915(19 4)	4011(19 2)
Transport	2332(16 5)	2425(16 8)	2595(16 6)	2709(16 7)	2744(16 6)	2860(16 7)	2998(16 7)	3058(16 5)	3334(16 5)	3402(16 3)
Others	2145(15 2)	2212(15 3)	2428(15 6)	2543(15 7)	2748(16 7)	2928(17 1)	3189(17 8)	3434(18 6)	3762(18 6)	4355(20 9)
Per Capita	1286	1287	1360	1386	1379	1404	1441	1455	1555	1572
West Bengal	8901[8 1]	8996[7 7]	9031[7 5]	9869[7 6]	9750[7 2]	10400[7 4]	10891[7 5]	11551[7 6]	12421[7 4]	
Agriculture	2838(31 9)	2692(29 9)	2508(27 8)	3299(33 4)	3368(34 5)	3534(34 0)	3712(34 1)	4061(35 2)	4466(36 0)	
Manufacture	2864(32 2)	3023(33 6)	3073(34 0)	3045(30 9)	3740(28 1)	3117(30 0)	3251(29 9)	3486(29 3)	3635(29 3)	
Transport	1330(14 9)	1373(15 3)	1437(15 9)	1481(15 0)	1482(15 2)	1521(14 6)	1601(14 7)	1647(14 2)	1686(13 6)	
Others	1869(21 0)	1908(21 2)	2013(22 3)	2044(20 7)	2160(22 2)	2228(21 4)	2327(21 3)	2462(21 3)	2634(21 3)	
Per Capita	1612	1597	1571	1684	1631	1707	1755	1828	1930	
Arunachal Pradesh	97[0 1]	112[0 1]	115[0 1]	123[0 1]	134[0 1]	150[0 1]	160[0 1]	168[0 1]	180[0 1]	180[0 1]
Agriculture	47(47 4)	57(50 9)	55(47 8)	66(53 7)	66(49 3)	76(50 7)	84(52 5)	84(51 8)	96(54 3)	98(54 4)
Manufacture	17(17 5)	19(17 0)	22(19 1)	17(13 8)	25(18 7)	28(18 7)	34(15 0)	26(15 5)	26(14 4)	22(12 2)
Transport	6(6 2)	6(5 4)	7(6 1)	8(6 5)	8(6 0)	9(6 0)	9(5 6)	9(5 4)	10(5 6)	10(5 6)
Others	28(28 9)	30(26 8)	31(27 0)	32(26 0)	35(26 1)	37(24 7)	43(26 9)	46(27 4)	48(26 7)	50(27 8)
Per Capita	1561	1747	1744	1804	1908	2074	2139	2184	2260	2199
Goa	315[0 3]	281[0 2]	329[0 3]	317[0 2]	364[0 3]	356[0 3]	386[0 3]	411[0 3]	431[0 3]	451[0 3]
Agriculture	73(23 2)	66(23 5)	66(20 1)	70(22 1)	72(19 8)	59(16 6)	57(14 8)	64(15 6)	69(16 0)	79(17 5)
Manufacture	111(35 2)	85(30 3)	122(37 1)	103(32 5)	134(36 8)	131(36 8)	164(42 5)	140(34 1)	140(32 5)	144(31 9)
Transport	69(21 9)	63(22 4)	69(21 0)	68(21 0)	76(20 9)	79(22 2)	75(19 4)	112(27 3)	132(28 3)	127(28 2)
Others	62(19 7)	67(23 8)	72(22 0)	76(21 0)	82(22 5)	87(24 4)	90(23 3)	95(23 1)	100(23 2)	101(22 4)
Per Capita	3145	2752	3152	2964	3313	3186	3353	3493	3583	3676
Manipur	201[0 2]	215[0 2]	220[0 2]	240[0 2]	251[0 2]	266[0 2]	267[0 2]	285[0 2]	301[0 2]	300[0 2]
Agriculture	98(48 8)	100(46 5)	99(45 0)	107(44 6)	110(43 8)	113(42 5)	109(40 8)	113(39 6)	115(38 2)	109(36 3)
Manufacture	16(8 0)	21(9 8)	22(10 0)	26(10 0)	30(12 0)	32(12 0)	30(11 2)	31(10 9)	34(11 3)	38(12 7)
Transport	14(7 0)	15(7 0)	15(6 8)	17(7 1)	18(7 2)	19(7 1)	21(7 9)	4(8 4)	25(8 3)	25(8 3)
Others	73(36 3)	79(36 7)	84(38 2)	90(37 5)	93(37 1)	102(38 3)	107(40 1)	117(41 1)	127(42 2)	128(42 7)
Per Capita	1430	1488	1485	1578	1607	1661	1630	1693	1748	1702
Meghalaya	180[0 2]	187[0 2]	190[0 2]	195[0 1]	205[0 2]	214[0 2]	218[0 2]	237[0 2]	249[0 2]	257[0 2]
Agriculture	72(40 6)	73(39 0)	74(38 9)	72(36 9)	75(36 6)	78(36 4)	72(33 0)	80(33 8)	83(33 3)	84(32 7)
Manufacture	30(16 7)	30(16 0)	30(15 8)	30(15 4)	31(15 1)	31(14 5)	33(15 1)	35(14 8)	37(14 9)	38(14 8)
Transport	23(12 7)	26(13 9)	26(13 7)	28(14 4)	31(15 1)	31(14 5)	31(14 2)	33(13 9)	35(14 1)	36(14 0)
Others	54(30 0)	58(31 0)	60(31 6)	65(33 3)	68(33 2)	74(34 6)	82(37 6)	89(37 6)	94(37 8)	99(38 5)
Per Capita	1361	1379	1361	1354	1385	1412	1497	1485	1514	1515
Mizoram	Not available									
Nagaland	105[0 1]	122[0 1]	134[0 1]	147[0 1]	162[0 1]	172[0 1]	183[0 1]	203[0 1]	222[0 1]	
Agriculture	35(33 3)	43(35 2)	47(35 1)	51(34 7)	55(34 0)	57(33 1)	53(29 0)	56(27 6)	59(26 6)	
Manufacture	11(10 5)	14(11 5)	18(13 4)	24(16 3)	28(17 3)	33(19 2)	42(23 0)	52(25 6)	63(28 4)	
Transport	10(9 5)	11(9 0)	11(8 2)	11(7 5)	12(7 4)	13(7 6)	13(7 1)	13(6 4)	14(6 3)	
Others	49(46 7)	54(44 3)	58(43 3)	61(41 5)	67(41 4)	69(40 1)	75(41 0)	82(40 4)	86(38 7)	
Per Capita	1383	1539	1616	1700	1806	1844	1889	2016	2133	
Sikkim	49[0 1]	52[0 1]	59[0 1]	61[0 1]	69[0 1]	76[0 1]	89[0 1]	108[0 1]		
Agriculture	25(51 0)	28(53 8)	32(54 2)	32(52 5)	37(53 6)	36(47 4)	37(41 6)	54(50 0)		
Manufacture	9(18 4)	8(15 4)	11(18 6)	11(18 0)	12(17 4)	15(19 7)	22(24 7)	22(20 4)		
Transport	4(8 2)	4(7 7)	4(6 8)	4(6 6)	5(7 2)	6(7 9)	8(9 0)	9(8 3)		
Others	11(22 4)	12(23 1)	12(20 3)	14(23 0)	15(21 7)	19(25 0)	22(24 7)	23(21 3)		
Per Capita	1571	1611	1746	1758	1919	2017	2297	2676		

(Continued)

Table 28A: Estimates of Net State Domestic Product by Economic Activity at 1980-81 Prices (Concluded)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Tripura	268[0.2]	274[0.2]	309[0.3]	299[0.2]	307[0.2]	312[0.2]	326[0.2]	353[0.2]	375[0.2]	403[0.2]
Agriculture	153(57.1)	153(55.8)	181(58.6)	163(54.5)	166(54.1)	166(53.2)	169(51.8)	180(51.0)	190(50.7)	203(50.4)
Manufacture	19(7.1)	19(6.9)	19(6.1)	18(6.0)	14(4.6)	16(5.1)	17(5.2)	19(5.4)	18(4.8)	18(4.5)
Transport	23(8.6)	24(8.8)	26(8.4)	27(9.3)	28(9.1)	29(9.3)	30(9.2)	36(10.2)	37(9.9)	42(10.4)
Others	73(27.2)	78(28.5)	83(26.9)	91(30.4)	99(32.2)	101(32.4)	110(33.7)	118(33.4)	130(34.7)	140(34.7)
Per Capita	1323	1312	1443	1361	1363	1356	1385	1470	1532	1611
A & N Islands	49[0.1]	52[0.1]	50[0.1]	58[0.1]	56[0.1]	63[0.1]	66[0.1]	70[0.1]	79[0.1]	80[0.1]
Agriculture	28(57.1)	31(59.6)	30(60.0)	33(56.9)	33(58.9)	36(57.1)	38(57.6)	40(57.1)	48(60.8)	47(58.8)
Manufacture	8(16.3)	8(15.4)	7(14.0)	10(17.2)	7(12.5)	9(14.3)	6(9.1)	8(11.4)	7(8.9)	7(8.8)
Transport	3(6.1)	4(7.7)	4(8.0)	5(8.6)	6(10.7)	6(9.5)	7(10.6)	8(11.4)	9(11.4)	10(12.5)
Others	10(20.4)	9(17.3)	9(18.0)	10(17.2)	10(17.9)	12(19.0)	15(22.7)	14(20.0)	15(19.0)	16(20.0)
Per Capita	2613	2604	2414	2660	2445	2639	2644	2695	2905	2837
Delhi	2329[2.1]	2496[2.1]	2670[2.2]	2570[2.0]	2609[1.9]	3190[2.3]	3518[2.4]	3735[2.5]	..	..
Agriculture	106(4.6)	112(4.5)	117(4.4)	124(4.8)	137(5.3)	149(4.7)	152(4.3)	122(3.3)	..	..
Manufacture	674(28.9)	735(29.4)	782(29.3)	693(27.0)	637(24.4)	901(28.2)	956(27.2)	976(26.1)	..	..
Transport	574(24.6)	653(26.2)	657(24.6)	594(23.1)	634(24.3)	749(23.5)	875(24.9)	949(25.4)	..	..
Others	975(41.9)	996(39.9)	1114(41.7)	1159(45.1)	1201(46.0)	1391(43.6)	1535(43.6)	1688(45.2)	..	..
Per Capita	3843	3915	4019	3713	3619	4252	4507	4601	..	..
Pondicherry	186[0.2]	187[0.2]	199[0.2]	198[0.2]	208[0.2]	217[0.2]	232[0.2]	243[0.2]	245[0.2]	250[0.2]
Agriculture	34(18.3)	33(17.6)	32(16.1)	28(14.1)	33(15.9)	38(17.5)	38(16.4)	36(14.8)	38(15.5)	35(14.0)
Manufacture	106(57.0)	104(55.6)	118(59.3)	118(59.6)	123(59.1)	124(57.1)	137(59.1)	147(60.5)	147(60.0)	155(62.0)
Transport	22(11.8)	22(11.8)	23(11.6)	24(12.1)	24(11.5)	25(11.5)	26(11.2)	27(11.1)	27(11.0)	27(10.8)
Others	24(12.9)	28(15.0)	26(13.0)	28(14.2)	28(13.5)	30(13.8)	31(13.4)	33(13.6)	33(13.5)	33(13.2)
Per Capita	3038	2972	3088	2987	3062	3116	3241	3309	3245	3225
All India	110340[100]	117101[100]	120320[100]	130396[100]	135021[100]	140260[100]	145418[100]	151746[100]	168382[100]	176980[100]
Per Capita	1625	1687	1697	1801	1827	1858	1889	1933	2105	2169

Figures in square brackets are percentages to NDP at the all-India level at 1980-81 prices.

Figures in round brackets are percentages to state NDP at 1980-81 prices.

Table 28B: Estimates of Net State Domestic Product by Economic Activity at Current Prices

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Andhra Pradesh	7324[6.6]	8974[7.0]	9702[6.8]	11516[6.9]	11962[6.4]	13412[6.5]	14242[6.2]	16598[6.4]	19793[6.3]	..
Agriculture	3339(45.6)	4131(46.0)	4145(42.7)	5142(44.7)	4957(41.4)	5081(37.9)	5039(35.4)	6194(37.3)	8065(40.7)	..
Manufacture	1292(17.6)	1561(17.4)	1919(19.8)	2086(18.1)	2333(19.5)	2849(21.2)	3074(21.6)	3166(19.1)	3508(17.7)	..
Transport	1404(19.2)	1728(19.3)	1881(19.4)	2329(20.2)	2429(20.3)	2997(22.3)	3183(22.3)	3726(22.4)	4276(21.6)	..
Others	1289(17.6)	1555(17.3)	1756(18.1)	1960(17.0)	2244(18.8)	2485(18.5)	2946(20.7)	3511(21.2)	3944(19.9)	..
Per Capita	1380	1657	1756	2046	2088	2296	2394	2741	3211	..
Assam	2356[2.1]	2978[2.3]	3398[2.4]	3766[2.2]	4725[2.5]	5118[2.5]	5476[2.4]	5993[2.3]	6563[2.7]	7699[2.3]
Agriculture	1273(54.0)	1292(43.4)	1561(45.9)	1636(43.4)	2210(46.8)	2350(45.9)	2406(43.9)	2668(44.5)	2674(40.7)	3183(41.3)
Manufacture	273(11.6)	767(25.8)	786(23.1)	913(24.2)	1129(23.9)	1198(23.4)	1275(23.3)	1292(21.6)	1603(24.4)	1975(25.7)
Transport	316(13.4)	369(12.4)	435(12.8)	509(13.5)	595(12.6)	695(13.6)	812(14.8)	897(15.0)	1049(16.0)	1202(15.6)
Others	494(21.0)	550(18.5)	616(18.1)	708(18.8)	791(16.7)	875(17.1)	983(18.0)	1136(19.0)	1237(18.9)	1339(17.4)
Per Capita	1200	1474	1641	1777	2182	2313	2420	2589	2772	3179
Bihar	6078[5.5]	7002[5.4]	7830[5.5]	9178[5.5]	11086[5.9]	12008[5.8]	13732[6.0]	14848[5.7]	17348[5.5]	17824[5.1]
Agriculture	3291(54.1)	3323(47.5)	3680(47.0)	4389(47.8)	5424(48.9)	5752(47.9)	6794(49.5)	6732(45.3)	8441(48.7)	7890(44.3)
Manufacture	1056(17.4)	1671(23.9)	1785(22.8)	2083(22.7)	2521(22.7)	2687(22.4)	2826(20.6)	3528(23.8)	3847(22.2)	4148(23.3)
Transport	640(10.5)	771(11.0)	933(11.9)	1106(12.1)	1343(12.1)	1548(12.9)	1786(13.0)	1946(13.1)	2164(12.5)	2469(13.9)
Others	1091(17.9)	1237(17.7)	1432(18.3)	1600(17.4)	1798(16.2)	2021(16.8)	2326(16.9)	2642(17.8)	2896(16.7)	3317(18.6)
Per Capita	878	989	1082	1242	1469	1558	1744	1846	2111	2122
Gujarat	6594[6.0]	8247[6.4]	8745[6.1]	11385[6.8]	11866[6.4]	11507[5.6]	13429[5.9]	13614[5.3]	19328[6.2]	21668[6.3]
Agriculture	2537(38.5)	3263(39.6)	3012(34.4)	4170(36.6)	4292(36.2)	2713(23.6)	3399(25.3)	2081(15.3)	5613(29.0)	5750(26.5)
Manufacture	1932(29.3)	2412(29.2)	2773(31.7)	3601(31.6)	3635(30.6)	4299(37.4)	4918(36.6)	5779(42.4)	6629(34.3)	7540(34.8)
Transport	928(14.1)	1174(14.2)	1368(15.6)	1787(15.7)	1886(15.9)	2071(18.0)	2449(18.2)	2921(21.5)	3821(19.8)	4546(21.0)
Others	1197(18.2)	1398(17.0)	1592(18.2)	1827(16.0)	2053(17.3)	2424(21.1)	2663(19.8)	2833(20.8)	3265(16.9)	3832(17.7)
Per Capita	1951	2390	2484	3162	3233	3077	3525	3509	4893	5404
Haryana	3032[2.7]	3498[2.7]	4004[2.8]	4351[2.6]	4747[2.5]	5843[2.8]	5935[2.6]	6629[2.5]	8693[2.8]	10032[2.9]
Agriculture	1644(54.2)	1776(50.8)	1971(49.2)	2118(48.7)	2228(46.9)	2850(48.8)	2669(45.0)	2642(39.9)	3769(43.4)	4404(43.9)
Manufacture	586(19.3)	720(20.6)	845(21.1)	927(21.3)	1095(23.1)	1244(21.3)	1328(22.4)	1568(23.7)	2062(23.7)	2315(23.1)
Transport	470(15.5)	607(17.4)	714(17.8)	754(17.3)	809(17.0)	1051(18.0)	1152(19.4)	1451(21.9)	1755(20.2)	2000(19.9)
Others	332(11.0)	395(11.3)	474(11.8)	552(12.7)	615(13.0)	698(11.9)	786(13.2)	968(14.6)	1107(12.7)	1313(13.1)
Per Capita	2370	2664	2967	3133	3325	3849	3950	4312	5537	6265
Himachal Pradesh	721[0.7]	844[0.7]	894[0.6]	1019[0.6]	1024[0.5]	1228[0.6]	1353[0.6]	1509[0.6]	1780[0.6]	1999[0.6]
Agriculture	361(50.1)	432(51.2)	418(46.8)	503(49.4)	461(45.0)	542(44.1)	579(42.8)	579(38.4)	697(39.2)	810(40.5)
Manufacture	136(18.9)	157(18.6)	182(20.4)	188(18.4)	197(19.2)	272(22.1)	290(21.4)	353(23.4)	395(22.2)	432(21.6)
Transport	56(7.8)	65(7.7)	70(7.8)	84(8.2)	85(8.3)	99(8.1)	118(8.7)	126(8.3)	149(8.4)	166(8.3)
Others	168(23.3)	190(22.5)	224(25.1)	244(23.9)	281(27.4)	315(25.7)	366(27.1)	451(29.9)	539(30.3)	591(29.6)
Per Capita	1698	1948	2025	2264	2233	2630	2848	3122	3622	4005

(Continued)

Table 28B: Estimates of Net State Domestic Product by Economic Activity at Current Prices (Continued)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Jammu & Kashmir	974[0.9]	1098[0.9]	1269[0.9]	1417[0.8]	1640[0.9]	1803[0.9]	2013[0.9]	1874[0.7]	2422[0.8]	—
Agriculture	494(50.7)	568(51.7)	630(49.6)	706(49.8)	759(46.3)	823(45.6)	944(46.9)	751(40.1)	1135(46.9)	—
Manufacture	139(14.3)	141(12.8)	187(14.7)	210(14.8)	302(18.4)	341(18.9)	356(17.7)	380(20.3)	352(14.5)	—
Transport	170(17.5)	190(17.3)	228(18.0)	254(17.9)	294(17.9)	305(16.9)	350(17.4)	334(17.8)	482(19.9)	—
Others	171(17.6)	199(18.1)	224(17.7)	247(17.4)	285(17.4)	334(18.5)	363(18.0)	408(21.8)	353(18.7)	—
Per Capita	1649	1817	2050	2237	2528	2716	2966	2701	4420	—
Karnataka	5866[5.3]	6735[5.2]	7413[5.2]	8984[5.4]	10072[5.4]	10510[5.1]	12124[5.3]	13870[5.3]	16447[5.9]	18012[5.2]
Agriculture	2509(42.8)	2872(42.6)	2910(39.3)	3617(40.3)	3927(39.0)	3734(35.5)	4570(37.7)	4945(35.7)	5811(35.3)	6080(33.8)
Manufacture	1505(25.7)	1673(24.8)	1975(26.6)	2333(26.0)	2685(26.7)	3070(29.2)	3332(27.5)	3821(27.5)	4700(28.6)	5250(29.1)
Transport	890(15.2)	1071(15.9)	1216(16.4)	1592(17.7)	1749(17.4)	1802(17.1)	2094(17.3)	2560(18.5)	3041(18.5)	3397(18.9)
Others	962(16.4)	1119(16.6)	1312(17.7)	1442(16.1)	1711(17.0)	1904(18.1)	2122(17.5)	2544(18.3)	2886(17.5)	3285(18.2)
Per Capita	1596	1790	1826	2285	2508	2564	2900	3254	4787	4075
Kerala	3782[3.4]	4008[3.1]	4662[3.3]	5455[3.3]	6078[3.3]	6437[3.1]	7321[3.2]	8055[2.6]	8934[2.9]	9991[2.9]
Agriculture	1495(39.5)	1455(36.3)	1761(37.8)	2163(39.6)	2327(38.2)	2243(34.8)	2568(35.1)	2795(34.6)	3101(34.7)	3441(34.4)
Manufacture	937(24.8)	1043(26.0)	1173(25.2)	1304(23.9)	1451(23.9)	1670(26.0)	1737(23.7)	1933(23.9)	2171(24.3)	2446(24.5)
Transport	668(17.7)	706(17.6)	836(17.5)	994(18.2)	1140(18.8)	1199(18.6)	1447(19.8)	1652(20.4)	1772(19.8)	1979(19.8)
Others	682(18.0)	804(20.1)	892(19.1)	1004(18.4)	1165(19.2)	1324(20.6)	1569(21.4)	1705(21.1)	1890(21.2)	2125(21.3)
Per Capita	1494	1559	1782	2050	2238	2328	2603	2828	3076	3389
Madhya Pradesh	6122[5.5]	6784[5.3]	7732[5.4]	9641[5.8]	9454[5.1]	11136[5.4]	11621[5.2]	14625[5.6]	17002[5.4]	18000[5.1]
Agriculture	3128(51.1)	3324(49.0)	3562(46.1)	4628(48.0)	4092(43.1)	5011(45.0)	5015(43.2)	6631(45.3)	7722(45.4)	7462(41.5)
Manufacture	1514(24.7)	1763(26.0)	2178(28.2)	2606(27.0)	2747(29.1)	3075(27.3)	3226(27.8)	3887(26.6)	4461(26.2)	5145(28.6)
Transport	725(11.8)	829(12.2)	957(12.4)	1177(12.2)	1188(12.6)	1414(12.7)	1500(12.9)	1815(12.4)	2094(17.3)	2250(12.5)
Others	755(12.3)	868(12.8)	1035(13.4)	1230(12.8)	1427(15.1)	1666(15.0)	1880(16.2)	2292(15.7)	2775(16.0)	3143(17.5)
Per Capita	1325	1258	1405	1788	1779	2027	2072	2433	2952	3249
Maharashtra	15113[13.7]	16966[13.2]	18277[12.8]	21152[12.6]	23084[12.4]	26530[12.8]	28157[12.3]	32642[12.5]	38990[12.5]	45613[13.0]
Agriculture	4200(27.8)	4617(27.2)	4567(25.0)	5486(25.9)	5995(26.0)	6215(23.4)	5624(20.0)	7542(23.1)	8986(24.0)	10374(22.7)
Manufacture	5343(35.4)	5784(34.1)	6331(34.6)	7216(34.1)	7786(33.7)	9503(35.8)	10715(38.1)	11266(34.5)	13545(34.7)	16299(35.7)
Transport	2527(16.7)	2894(17.1)	3263(17.9)	4735(17.7)	3989(17.3)	4747(17.9)	5273(18.7)	6135(18.8)	7232(18.3)	8555(18.8)
Others	3043(20.1)	3671(21.6)	4116(22.5)	4715(22.3)	5314(23.0)	6065(22.9)	6535(23.2)	7699(23.6)	9277(23.7)	10385(22.8)
Per Capita	2427	2669	2813	3185	3403	3835	3997	4558	5463	6184
Orissa	3225[2.9]	3677[2.9]	3765[2.6]	4893[2.9]	4801[2.6]	5936[2.9]	6206[2.7]	6521[2.5]	8333[2.7]	9416[2.7]
Agriculture	1772(54.9)	2049(55.7)	1996(53.0)	2815(57.5)	2516(52.4)	3161(53.3)	3082(49.7)	2966(45.5)	3553(46.9)	4560(48.5)
Manufacture	521(16.2)	557(15.1)	607(16.1)	688(14.1)	806(16.8)	992(16.7)	1155(18.6)	1374(21.1)	1817(21.5)	1854(19.7)
Transport	455(14.1)	540(14.7)	549(14.6)	716(14.6)	688(14.3)	876(14.8)	915(14.7)	951(14.6)	1229(14.6)	1351(14.4)
Others	477(14.8)	531(14.4)	613(16.3)	674(13.8)	791(16.5)	907(15.3)	1054(17.0)	1230(18.9)	1434(17.0)	1646(17.5)
Per Capita	1231	1380	1388	1772	1707	2072	2128	2194	2793	3066
Punjab	4451[4.0]	5240[4.1]	5808[4.1]	6400[3.8]	7307[3.9]	8315[4.0]	9209[4.0]	10784[4.1]	12108[4.0]	14311[4.1]
Agriculture	2176(48.9)	2534(48.4)	2787(48.0)	2575(46.5)	3400(46.5)	3788(45.6)	4100(44.5)	4903(45.5)	5552(44.7)	6476(45.3)
Manufacture	856(19.2)	1004(19.2)	1111(19.1)	1279(20.0)	1417(19.4)	1683(20.2)	1924(20.9)	2274(21.1)	2685(21.6)	3110(21.7)
Transport	741(16.6)	929(17.7)	1029(17.7)	1152(18.0)	1350(18.5)	1622(19.5)	1827(19.8)	2021(18.7)	2311(18.6)	2609(18.2)
Others	678(15.2)	773(14.8)	881(15.2)	994(15.5)	1140(15.6)	1222(14.7)	1363(14.8)	1586(14.7)	1860(15.0)	2116(14.8)
Per Capita	2675	3082	3343	3605	4028	4486	4862	5572	6274	7081
Rajasthan	4126[3.7]	4850[3.8]	5531[3.9]	7043[4.2]	6983[3.7]	7669[3.7]	8255[3.6]	8977[3.4]	12553[3.9]	—
Agriculture	2077(50.3)	2480(51.1)	2770(50.1)	3720(52.8)	3519(50.4)	3572(46.6)	3541(42.9)	3655(40.7)	6158(50.3)	—
Manufacture	823(19.9)	966(19.9)	1081(19.5)	1418(20.1)	1334(19.1)	1659(21.6)	1883(22.8)	1978(22.0)	2201(18.0)	—
Transport	598(14.5)	687(14.2)	831(15.0)	948(13.5)	1055(15.1)	1220(15.9)	1381(16.7)	1618(18.0)	1885(15.4)	—
Others	628(15.2)	717(14.8)	849(15.3)	957(13.6)	1075(15.4)	1218(15.9)	1450(17.6)	1726(19.2)	2009(16.4)	—
Per Capita	1222	1392	1544	1914	1849	1978	2074	2197	2923	—
Tamil Nadu	7218[6.5]	8677[6.7]	8821[6.2]	10222[6.1]	12028[6.4]	13682[6.6]	15175[6.6]	18105[6.9]	20084[6.4]	21562[6.2]
Agriculture	1835(25.4)	2341(27.0)	1867(21.2)	2678(26.2)	3093(25.7)	3233(23.6)	3318(21.9)	4420(24.4)	4000(19.9)	4723(17.3)
Manufacture	2452(34.0)	2825(32.6)	3176(36.0)	3426(32.3)	4028(33.5)	4463(32.6)	4819(31.9)	5456(30.1)	6458(32.2)	7175(33.3)
Transport	1640(22.7)	1982(22.8)	2103(23.8)	2341(22.9)	2650(22.0)	3481(25.4)	4169(27.6)	4735(26.2)	5420(27.0)	5978(27.7)
Others	1291(17.9)	1529(17.6)	1675(19.0)	1877(18.4)	2257(18.8)	2505(18.3)	2819(18.6)	3494(19.3)	4200(20.9)	4686(21.7)
Per Capita	1498	1776	1777	2024	2341	2620	2851	3462	3677	3894
Uttar Pradesh	14102[12.8]	15156[11.8]	17757[12.5]	19704[11.8]	21658[11.6]	24785[12.0]	27413[12.0]	30289[11.6]	35626[11.4]	40719[11.6]
Agriculture	7287(51.7)	7428(49.0)	8375(47.2)	9106(46.2)	9676(44.7)	11035(44.5)	11677(42.6)	12789(42.2)	15253(42.8)	16758(41.2)
Manufacture	2338(16.6)	2596(17.1)	3367(19.0)	3706(18.8)	4220(19.5)	4938(19.9)	5575(20.3)	6213(20.5)	7347(20.6)	8503(20.9)
Transport	2332(16.5)	2757(18.2)	3258(18.3)	3764(19.1)	4199(19.4)	4762(19.2)	5534(20.2)	6198(20.5)	6963(19.5)	7904(19.4)
Others	2145(15.2)	2375(15.7)	2757(15.5)	3128(15.9)	3563(16.5)	4050(16.3)	4627(16.9)	5089(16.8)	6063(17.0)	7554(18.6)
Per Capita	1286	1349	1547	1682	1812	2032	2201	2382	2744	3072
West Bengal	8901[8.1]	9777[7.6]	10688[7.5]	12832[7.7]	14778[7.9]	15816[7.6]	17186[7.5]	19521[7.5]	22024[7.0]	—
Agriculture	2837(31.9)	3129(32.0)	3272(30.6)	4563(35.6)	5386(36.4)	5523(34.9)	6251(36.4)	7305(37.4)	7812(35.5)	—
Manufacture	2864(32.2)	3018(30.9)	3359(31.4)	3647(28.4)	4036(27.3)	4542(28.7)	4670(27.2)	5191(26.6)	6122(27.8)	—
Transport	1331(15.0)	1442(14.7)	1637(15.3)	1978(15.4)	2437(16.5)	2583(16.3)	2694(15.7)	3118(16.0)	3757(17.1)	—
Others	1869(21.0)	2188(22.4)	2420(22.6)	2644(20.6)	2919(19.8)	3168(20.0)	3571(20.8)	3907(20.0)	4334(19.7)	—
Per Capita	1612	1735	1860	2189	2473	2597	2769	3089	3423	—
Arunachal Pradesh	97[0.1]	129[0.1]	148[0.1]	167[0.1]	196[0.1]	237[0.1]	268[0.1]	284[0.1]	337[0.1]	342[0.1]
Agriculture	47(48.5)	68(52.7)	75(50.7)	94(56.3)	103(52.3)	132(55.9)	149(55.6)	148(52.1)	180(53.4)	181(52.9)
Manufacture	17(17.5)	21(16.3)	25(16.9)	18(10.8)	30(15.2)	35(14.7)	33(12.3)	36(12.7)	42(12.5)	33(9.6)
Transport	6(6.2)	7(5.4)	9(6.1)	10(6.0)	12(6.1)	13(5.5)	15(5.6)	17(6.0)	21(6.2)	24(6.7)
Others	27(27.8)	33(25.6)	39(26.3)	45(26.9)	51(26.4)	57(23.9)	71(26.5)	83(29.2)	94(27.9)	105(30.7)
Per Capita	1561	2011	2240	2455	2793	3274	3579	3679	4236	4176

(Continued)

Table 28B: Estimates of Net State Domestic Product by Economic Activity at Current Prices (Concluded)

(Rupees crore)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Goa	316[0.3]	343[0.3]	418[0.3]	442[0.3]	542[0.3]	555[0.3]	657[0.4]	731[0.3]	796[0.3]	851[0.2]
Agriculture	73(23.0)	73(21.3)	78(18.7)	93(21.0)	114(21.0)	91(16.4)	105(16.0)	116(15.9)	127(16.0)	150(17.6)
Manufacture	111(35.1)	114(33.2)	154(36.8)	141(31.9)	191(35.2)	201(36.2)	259(39.4)	264(36.1)	270(33.9)	281(33.0)
Transport	69(21.8)	79(23.0)	97(23.2)	101(22.9)	118(21.8)	128(23.1)	132(20.1)	182(24.9)	200(25.1)	209(24.6)
Others	63(19.9)	77(22.4)	89(21.3)	107(22.2)	119(22.0)	135(24.3)	161(24.5)	169(23.1)	199(25.0)	211(24.8)
Per Capita	3145	3365	4003	4127	4931	4927	5702	6209	6619	6939
Manipur	201[0.2]	243[0.2]	258[0.2]	307[0.2]	354[0.2]	377[0.2]	428[0.2]	506[0.2]	600[0.2]	618[0.2]
Agriculture	98(48.8)	121(49.8)	124(48.1)	154(50.2)	172(48.6)	173(45.9)	200(46.7)	225(44.5)	254(42.3)	258(41.7)
Manufacture	17(8.5)	23(9.5)	19(7.4)	24(7.8)	36(10.2)	49(13.0)	57(13.3)	68(13.4)	74(12.3)	81(13.1)
Transport	14(7.0)	17(7.0)	20(7.8)	26(8.5)	29(8.2)	31(8.2)	34(7.9)	42(8.3)	46(7.7)	47(7.6)
Others	72(35.8)	82(33.7)	95(36.8)	103(33.6)	117(33.1)	124(32.9)	137(32.0)	171(33.8)	226(37.7)	232(37.5)
Per Capita	1430	1684	1742	2018	2265	2354	2611	3008	3480	3502
Meghalaya	180[0.2]	206[0.2]	227[0.2]	263[0.2]	302[0.2]	341[0.2]	380[0.2]	462[0.2]	512[0.2]	551[0.2]
Agriculture	72(40.0)	79(38.3)	82(36.1)	94(35.7)	108(35.8)	118(34.6)	123(32.4)	154(33.3)	170(33.2)	179(32.5)
Manufacture	30(16.7)	36(17.5)	44(19.4)	50(19.0)	56(18.5)	66(19.4)	76(20.0)	87(18.8)	99(19.3)	108(19.6)
Transport	23(12.8)	28(13.6)	30(13.2)	37(14.1)	44(14.6)	48(14.1)	54(14.2)	71(15.4)	79(15.4)	86(15.6)
Others	55(30.6)	63(30.6)	71(32.3)	82(31.2)	94(31.1)	109(32.0)	127(33.4)	150(32.5)	164(32.0)	178(32.3)
Per Capita	1361	1516	1625	1831	2046	2250	2437	2893	3112	3250
Mizoram	62[0.1]	70[0.1]	78[0.1]	95[0.1]	122[0.1]	157[0.1]	194[0.1]	259[0.1]		
Agriculture	20(32.3)	22(31.4)	21(26.9)	27(28.4)	37(30.3)	55(35.0)	74(38.1)	105(40.5)		
Manufacture	10(16.1)	12(17.1)	10(12.8)	14(14.7)	18(14.8)	23(14.6)	31(16.0)	41(15.8)		
Transport	5(8.1)	7(10.0)	8(10.3)	10(10.5)	15(12.3)	21(13.4)	21(10.8)	28(10.8)		
Others	27(43.5)	29(41.4)	39(50.0)	44(46.3)	52(42.6)	58(36.9)	68(35.1)	85(32.8)		
Per Capita	1289	1383	1471	1724	2139	2658	3165	4077		
Nagaland	105[0.1]	132[0.1]	161[0.1]	194[0.1]	231[0.1]	281[0.1]	294[0.1]	338[0.1]	361[0.1]	
Agriculture	34(32.4)	48(36.4)	54(33.5)	64(33.0)	77(33.3)	101(35.9)	78(26.5)	84(24.9)	91(25.2)	
Manufacture	11(10.5)	16(12.1)	20(12.4)	30(15.5)	40(17.3)	50(17.8)	67(22.8)	84(24.9)	89(24.7)	
Transport	11(10.5)	12(9.1)	13(8.1)	15(7.7)	17(7.4)	19(6.8)	22(7.5)	25(7.4)	27(7.5)	
Others	49(46.7)	56(42.4)	74(46.0)	85(43.8)	97(42.0)	111(39.5)	127(43.2)	145(42.9)	154(42.7)	
Per Capita	1383	1666	1941	2251	2579	2800	3034	3361	3464	
Sikkim	49[0.1]	55[0.1]	65[0.1]	75[0.1]	95[0.1]	113[0.1]	135[0.1]	156[0.1]	177[0.1]	189[0.1]
Agriculture	25(51.0)	29(52.7)	35(53.8)	38(50.7)	48(50.5)	58(51.3)	67(49.6)	78(50.0)	94(53.1)	99(52.4)
Manufacture	9(18.4)	9(16.4)	10(15.4)	12(16.0)	17(17.9)	19(16.8)	24(17.8)	27(17.3)	27(15.3)	28(14.8)
Transport	4(8.2)	5(9.1)	5(7.7)	6(8.0)	6(6.3)	8(7.1)	9(6.7)	12(7.7)	13(7.3)	15(7.9)
Others	11(22.4)	12(21.8)	15(23.1)	19(25.3)	24(25.3)	28(24.8)	35(25.9)	39(25.0)	43(24.3)	47(24.9)
Per Capita	1571	1701	1926	2136	2635	3023	3472	3886	4254	4396
Tripura	268[0.2]	290[0.2]	352[0.2]	360[0.2]	441[0.2]	485[0.2]	512[0.2]	599[0.2]	667[0.2]	716[0.2]
Agriculture	152(56.7)	151(52.1)	195(55.4)	180(50.0)	232(52.6)	247(50.9)	255(49.8)	290(49.9)	341(51.1)	361(50.4)
Manufacture	20(7.5)	25(8.6)	25(7.1)	31(8.6)	33(7.5)	48(9.9)	50(9.8)	40(6.7)	40(6.0)	41(5.7)
Transport	23(8.6)	28(9.7)	34(9.7)	34(9.4)	43(9.8)	46(9.5)	49(9.6)	58(9.7)	63(9.4)	70(9.8)
Others	73(27.2)	86(29.7)	98(27.8)	115(31.9)	133(30.2)	144(29.7)	158(30.9)	202(33.7)	223(33.4)	244(34.1)
Per Capita	1323	1390	1641	1640	1962	2108	2177	2494	2722	2866
A & N Islands	49[0.1]	57[0.1]	61[0.1]	75[0.1]	81[0.1]	95[0.1]	110[0.1]	116[0.1]	130[0.1]	153[0.1]
Agriculture	28(57.1)	33(57.9)	37(60.7)	43(57.3)	45(55.6)	54(56.8)	61(55.5)	63(54.3)	68(52.3)	79(51.6)
Manufacture	8(16.3)	10(17.5)	8(13.1)	13(17.3)	12(14.8)	15(15.8)	15(13.6)	15(12.9)	16(12.3)	19(12.3)
Transport	3(6.1)	5(8.8)	6(9.8)	7(9.3)	8(9.9)	9(9.5)	11(10.0)	14(12.1)	19(14.6)	22(14.4)
Others	10(20.4)	9(15.8)	10(16.4)	12(16.0)	16(19.8)	17(17.9)	23(20.9)	24(20.7)	27(20.8)	33(21.6)
Per Capita	2613	2877	2948	3435	3549	3985	4412	4436	4797	5401
Delhi	2329[2.1]	2742[2.1]	3118[2.2]	3267[2.0]	3635[1.9]	4599[2.2]	5493[2.4]	6322[2.4]		
Agriculture	106(4.6)	122(4.4)	139(4.5)	173(5.3)	198(5.4)	248(5.4)	274(5.0)	224(3.5)		
Manufacture	674(28.9)	800(29.2)	897(28.8)	847(25.9)	899(24.7)	1286(28.0)	1417(25.8)	1556(24.6)		
Transport	574(24.7)	699(25.5)	762(24.4)	753(23.0)	896(24.6)	1141(24.8)	1522(27.7)	1800(28.5)		
Others	975(41.8)	1121(40.9)	1320(42.3)	1494(45.7)	1642(45.2)	1924(41.8)	2280(41.5)	2742(43.4)		
Per Capita	3843	4301	4692	4720	5042	6130	7037	7788		
Pondicherry	186[0.2]	199[0.2]	225[0.2]	252[0.2]	282[0.2]	317[0.2]	351[0.2]	413[0.2]	432[0.2]	436[0.2]
Agriculture	34(18.3)	37(18.6)	36(16.0)	39(15.5)	47(16.7)	60(18.9)	65(18.5)	72(17.4)	91(21.1)	86(19.7)
Manufacture	106(57.0)	112(56.3)	135(60.0)	146(57.9)	159(56.4)	172(54.3)	191(54.4)	238(57.6)	238(55.1)	246(56.4)
Transport	22(11.8)	23(11.6)	24(10.7)	26(10.3)	27(9.6)	29(9.1)	30(8.5)	32(7.7)	32(7.4)	33(7.6)
Others	24(12.9)	27(13.6)	30(13.3)	41(16.3)	49(17.4)	56(17.7)	65(18.5)	71(17.2)	71(16.4)	71(16.3)
Per Capita	3038	3169	3490	3806	4147	4553	4909	5622	5735	5638
All-India	110340[100]	128757[100]	142509[100]	167494[100]	186486[100]	207239[100]	229232[100]	260580[100]	312634[100]	349613[100]
Per Capita	1625	1855	2010	2313	2523	2745	2977	3319	3908	4284

Figures in square brackets are percentages to NDP at the all-India level at 1980-81 prices.

Figures in round brackets are percentages to state NDP at 1980-81 prices.

Note: Agriculture includes Agriculture, Forestry & Logging and Fishing. Manufacture includes Manufacturing, Mining and Quarrying, Electricity and Construction. Transport includes Transportation, Trade, Hotels, Restaurants and Storage.

